

NATO Welcomes Three New Members

Secretary Albright

Remarks on accession of the Czech Republic, Hungary, and Poland to the North Atlantic Treaty Organization, Truman Presidential Library, Independence, Missouri, March 12, 1999.

1

Thank you, Senator Mikulski, for that wonderful and personal introduction, and thank you for your great friendship. I want to thank you and your colleagues, Senators Roth and Smith and Representatives Skelton, Lantos, and McCarthy for your bipartisan leadership on behalf of NATO and NATO enlargement. You have helped to make history, because without your support we would not be here today.

Minister Kavan, Minister Martonyi, and Minister Geremek, excellencies from the diplomatic corps, Admiral Gough, General Anderson and other leaders of our armed forces, officials of the Truman Library—thank you for remembering my daughter—honored guests, colleagues, and friends: Today is a day of celebration and rededication and remembrance and renewal.

Today we recognize in fact what has always been true in spirit. Today we confirm through our actions that the lands of King Stephen and Cardinal Mindszenty, Charles the Fourth and Vaclav Havel, Copernicus and Pope John Paul II reside fully and irrevocably within the Atlantic community for freedom. And to that I say, to quote an old central European expression, “Hallelujah.”

History will record March 12, 1999, as the day the people of Hungary, the Czech Republic, and Poland strode through NATO’s open door and assumed their rightful place in NATO’s councils. To them I say that President Clinton’s pledge is now fulfilled. Never again will your fates be tossed around like poker chips on a bargaining table. Whether you are helping to revise the alliance’s strategic concept or engaging in NATO’s partnership with Russia, the promise of “nothing about you without you,” is now formalized. You are truly allies; you are truly home.

This is a cause for celebration not only in Prague, Budapest and Warsaw, but throughout the alliance. For the tightening of transatlantic ties that we mark today inspired

the vision of transatlantic leaders half a century ago. That generation, which in Dean Acheson’s famous phrase was “present at the creation,” emerged from the horror of World War II determined to make another such war impossible. They had seen—and paid in blood—the price of division; so their policies were inclusive. They wanted to help build a transatlantic community of prosperity and peace that would include all of Europe.

But between the 1947 offering of the Marshall Plan and the forging of NATO two years later, it became evident that the reality of their times did not match the boldness of their vision. The Iron Curtain descended, and across the body of Europe, a brutal and unnatural division was imposed. Now, due to bravery on both sides, that curtain has lifted, and links that should have been secured long ago are being soldered together. Today is evidence of that. For this morning, NATO is joined by three proud democracies—countries that have proven their ability to meet alliance responsibilities, uphold alliance values, and defend alliance interests.

Since the decision to invite new members was first made, President Clinton has argued that a larger NATO would make America safer, our alliance stronger, and Europe more peaceful and united. Today, we see that this is already the case, for NATO’s new members bring with them many strengths. Their citizens have a tradition of putting their lives on the line for liberty: Witness Hungary’s courageous freedom fighters in 1956; the students who faced down tanks in the streets of Prague 12 years later; and the workers of Gdansk whose movement for Solidarity ushered in Europe’s new dawn.

As young democracies, these countries have been steadfast in supporting the vision of an integrated Europe. Their troops are serving alongside NATO forces in Bosnia. And each is contributing to stability in its own neighborhood.

As a daughter of the region, and a former professor of central and east European affairs, I know many Americans have not always had the understanding of this region that they now do. Earlier this century, when Jan Masaryk, son of the Czech President, came to the United States, an American Senator asked him: “How is your father; and does he still play the violin?” Jan replied, “Sir, I fear that you are making a small mistake. You are perhaps thinking of Paderewski and not Masaryk. Paderewski plays the piano, not the violin and was President not of Czechoslovakia but of Poland. Of our Presidents, Benes was the only one who played, but he played neither the violin nor the piano, but football. In all other respects, your information is correct.”

Later, after his father had died and World War II had been fought, Jan Masaryk became Czechoslovak Foreign Minister—my father’s boss. It soon

became clear that the revival of Czechoslovak democracy and Czechoslovak aspirations to be part of the West would be short-lived.

Czechoslovakia was also invited to join the Marshall Plan. However, Foreign Minister Masaryk was summoned to Moscow and told that Czechoslovakia had to refuse the invitation. He returned to Prague to tell his colleagues, “I now know I am not the Foreign Minister of a sovereign country.”

Masaryk’s statement reminds us of another great gift the Czech Republic, Poland, and Hungary bring to our alliance for freedom: the living memory of living without freedom.

NATO’s success has enabled generations protected by the alliance to grow up and grow old under democratic rule. For that, we are enormously grateful.

But we must also guard against a danger. For there is a risk that to people who have never known tyranny, an alliance forged before they were born to counter an enemy that no longer exists, to defend freedoms some believe are no longer endangered, may appear no more relevant than the fate of central Europe did to some of our predecessors 60 years ago.

The Truman Library is a fit place for plain speaking. So let me speak plainly now. It is the job of each and every one of us, on both sides of the Atlantic, to bring home to the generations of today and tomorrow the compelling lessons of this century.

We must never fall back into complacency or presume that totalitarianism is forever dead or retreat in the face of aggression. We must learn from

“The nations entering our alliance today are the first new members since the Cold War’s end. But they will not be the last, for NATO enlargement is not an event; it is a process.”

history, not repeat it. And we must never forget that the destinies of Europe and North America are inseparable; and that this is as true now as it was when NATO was founded 50 years ago.

Of course, there will always be differences between Europe and America. We have been aptly called cousins, but we will never be mistaken for clones. Today, there are splits on trade and other issues—some of which are quite controversial. But do not exaggerate; these are differences within the family.

However, I think I can speak for each of my alliance colleagues when I say that on the central questions that affect the security and safety of our people, our alliance is and will remain united, as it must. For the hopes of future generations are in our hands. We cannot allow any issue to undermine our fundamental unity. We must

adapt our alliance and strengthen our partnerships. We must anticipate and respond to new dangers. And we must not count on second chances; we must get it right—now.

This requires understanding that the more certain we are in preparing our defense, the more certain we may be of defending our freedom without war. NATO is the great proof of that. For its success over five decades is measured not in battles won, but rather in lives saved, freedoms preserved, and wars prevented. That is why President Truman said that the creation of NATO was the achievement in which he took the greatest pride.

Today we, too, have grounds for pride, for NATO enlargement is a sign that we have not grown complacent about protecting the security of our citizens. The nations entering our alliance today are the first new members since the Cold War’s end. But they will not be the last, for NATO enlargement is not an event; it is a process.

It is our common purpose, over time, to do for Europe’s east what NATO has already helped to do for Europe’s west. Steadily and systematically, we will continue erasing without replacing the line drawn in Europe by Stalin’s bloody boot.

When President Clinton welcomes his counterparts to Washington next month to mark NATO’s 50th anniversary, they will affirm that the door of the alliance does remain open, and they will announce a plan to help prepare aspiring members to meet NATO’s high standards.

But enlargement is only one element in our effort to prepare NATO for its second 50 years. The Washington Summit will be the largest gathering of international leaders in the history of Washington, DC. It will include representatives from NATO and its partner countries—44 in all—and it will produce a blueprint for NATO in the 21st century.

Our leaders will, I am confident, agree on the design of an alliance that is not only bigger, but also more flexible; an alliance committed to collective defense and capable of meeting a wide range of threats to its common interests; an alliance working in partnership with other nations and organizations to advance security, prosperity, and democracy in and for the entire Euro-Atlantic region.

The centerpiece of the summit will be the unveiling of a revised strategic concept that will take into account the variety of future dangers the alliance may face.

Since 1949, under Article V of the North Atlantic Treaty, the core mission of our alliance has been collective defense. That must not change and will not change. NATO is a defensive alliance, not a global policeman.

But NATO's founders understood that what our alliance commits us to do under Article V is not all we may be called upon to do or should reserve the right to do. Consider, for example, that when French Foreign Minister Robert Schuman signed the North Atlantic Treaty, he characterized it as "insurance against all risks—a system of common defense against any attack, whatever its nature."

During the Cold War, we had no trouble identifying the risks to our security and territory. But the threats we face today and may face tomorrow are less predictable. They could come from an aggressive regime, a rampaging faction, or a terrorist group. And we know that, if past is prologue, we face a future in which weapons will be more destructive at longer distances than ever before.

Our alliance is and must remain a Euro-Atlantic institution that acts by consensus. We must prevent and, if necessary, respond to the full spectrum of threats to alliance interests and values. And when we respond, it only makes sense to use the unified military structure and cooperative habits we have developed over the past 50 years. This approach shouldn't be controversial. We've been practicing it successfully in Bosnia since 1995.

We are also taking steps, as we plan for the summit, to ensure that NATO's military forces are designed, equipped, and prepared for 21st century missions. And we expect the summit to produce an initiative that responds to the grave threat posed by weapons of mass destruction and their means of delivery.

Clearly, NATO's job is different now than when we faced a single monolithic adversary across a single, heavily armed frontier. But NATO's purpose is enduring. It has not changed. It remains to prevent war and safeguard freedom. NATO does this only by deterring, but also by unifying. And let no one underestimate its value here, as well. For if NATO can assure peace in Europe, it will contribute much to stability around the globe.

The history of this century and many before it has been marked by shifting patterns within Europe as empires rose and fell, borders were drawn and redrawn, and ethnic divisions were exploited by aggressors and demagogues. Twice this century, conflicts arose which required American troops to cross the Atlantic and plunge into the cauldron of war.

NATO and NATO's partners have closed that book and are authoring a new one. In collaboration with regional institutions, we are encouraging the resolution of old antagonisms, promoting tolerance, ensuring the protection of minority rights, and helping to realize, for the first time in history, the dream of a Europe whole and free.

So let us not hesitate to rebut those who would diminish the role of our alliance, dispute its value, or downplay the importance of its unity and preparedness. For if NATO does not respond to the 21st century security challenges facing our region, who will? If NATO cannot prevent aggressors from engulfing whole chunks of Europe in conflict, who can? And if NATO is not prepared to respond to the threat posed to our citizens by weapons of mass destruction, who will have that capability?

The 20th century has been the bloodiest and most destructive in human history, and despite the Cold War's end, many threats remain. But we have learned some hard lessons from this history of conflict, and those lessons underlie all our planning for the Washington Summit.

We know that when the democracies of Europe and America are divided, crevices are created through which forces of evil and aggression may emerge; and that when we stand together, no force on Earth is more powerful than our solidarity on behalf of freedom.

That is why NATO is focused not only on welcoming new members, but also on strengthening its valuable partnerships with Russia, Ukraine, and Europe's other democracies. Their inclusion and full participation in the transatlantic community is essential to the future we seek, for NATO's purpose is not to build new walls, but rather to tear old walls down.

Five years ago, while serving as U.S. Permanent Representative to the UN, I traveled with General Shalikashvili to central and eastern Europe, to outline President Clinton's plan for a Partnership for Peace. That concept continues to deepen and pay dividends for countries whether or not they aspire to NATO membership. Today, former adversaries are talking to each other, training with each other, carrying out missions together, and planning together for the future. By fostering that process, we prevent potentially dangerous misunderstandings, address present problems and lay a solid foundation for future cooperation.

We also remind ourselves that although NATO stands tall, it does not stand alone. The EU, OSCE, and NATO and its partners form the core of a broader system for protecting vital interests and promoting shared values.

We learned in Bosnia earlier this decade how vital such a system is. We face a test of that system now in Kosovo, and we welcome Russian Foreign Minister Ivanov's efforts in Belgrade today to help achieve our common goal.

There, together, we have backed diplomacy with tools ranging from humanitarian relief to OSCE verifiers to the threatened use of NATO force. Together, we have hammered out an interim political settlement which meets the needs and respects the rights of all concerned.

When talks resume next week, we must be firm in securing this agreement. We must be clear in explaining that a settlement without NATO-led enforcement is not acceptable because only NATO has the credibility and capability to make it work. And we must be resolute in spelling out the consequences of intransigence.

To those abroad and in my own country who have raised doubts, I reply that the plan we and our partners have developed is not risk-free. But we prefer that risk to the certainty that inaction would lead to a renewed cycle of repression and retaliation, bloodletting and ethnic cleansing. The path we have chosen for our alliance in Kosovo is not easy, but it is right. It serves NATO interests, and it upholds the values of our alliance for which it was created and which we will defend.

Today, as NATO embarks upon a new era, our energy and vision are directed to the future. But we are mindful, as well, of the past. For as we welcome three new members, we have a debt we cannot fail to acknowledge.

In this room today are ambassadors and foreign ministers and generals and Members of Congress. In this room, there is great pride and good reason for it. But let us never forget upon whose shoulders we stand. We pay homage to

our predecessors and to the millions of soldiers and sailors and aviators and diplomats who, throughout the past half-century, have kept NATO vigilant and strong.

“We pay homage to our predecessors and to the millions of soldiers and sailors and aviators and diplomats who, throughout the past half-century, have kept NATO vigilant and strong.”

We pay homage, as well, to those who fought for freedom on the far side of freedom’s curtain. For the Berlin Wall would be standing today; the Fulda Gap would divide Europe today; the Warsaw Pact would remain our adversary today, if those who were denied liberty for so long, had not struggled so bravely for their rights.

Let us never forget that freedom has its price. And let us never fail to remember how our alliance came together, what it stands for, and why it has prevailed.

Upon the signing of the North Atlantic Treaty, President Truman referred to the creation of NATO as a “neighborly act.” We are like a group

of householders,” he said, “who express their community of interests by entering into an association for their mutual protection.”

At the same time, Canadian Secretary of State Lester Pearson said, “The North Atlantic community is part of the world community, and as we grow stronger to preserve the peace, all free men and women grow stronger with us.”

Prime Minister Spaak of Belgium added, “The new NATO pact is purely defensive; it threatens no one. It should therefore disturb no one, except those who might foster the criminal idea of having recourse to war.”

Though all the world has changed since these statements were made, the verities they express have not. Our alliance still is bound together by a community of interests. Our strength still is a source of strength to those everywhere who labor for freedom and peace. Our power still shields those who love the law and still threatens none, except those who would threaten others with aggression and harm. Our alliance endures because the principles it defends are timeless and because they reflect the deepest aspirations of the human spirit.

It is our mission now, working across the Atlantic, to carry on the traditions of our alliance and prepare NATO for the 21st century. To that end, we take a giant step today. And we look forward with confidence and determination to the historic summit in Washington and further progress tomorrow. Thank you all very much. ■

Indonesia, the United States, And Democracy

Secretary Albright

Remarks at Borobudur Intercontinental Hotel,
Jakarta, Indonesia, March 5, 1999.

Thank you very, very much, Ambassador Roy, for that introduction. And thank you for the really splendid representation you and your team provide the United States here in Indonesia.

It is a sign of the value we attach to our relations with Indonesia that President Clinton asked you—one of our ablest and most experienced diplomats—to serve here. And there is no question that your counsel and hard work have benefited both our countries.

Distinguished leaders, representatives of business and civil society, colleagues and friends: Good afternoon, and thank you all very much for coming.

Since arriving in Jakarta yesterday, I have participated in a wide-ranging series of meetings. I have found those both productive and instructive. And I appreciate the hospitality with which I have been received during this, the 50th anniversary year of relations between our two countries.

But I am especially pleased to have a chance to speak to this diverse audience this afternoon. And the subject I would like to discuss is “Indonesia, the United States, and democracy.”

As some of you may know, before I became a diplomat, I was a professor. And in my former life, I used to ask my students to put aside the map we customarily use in the United States, which shows North and South America as the center of the world. Instead, I would turn the globe to Asia and make the point that—to most people on earth—this, Asia, is the center of the world.

One of the great challenges of our times has been to bridge the gap between these two perceptions by promoting better understanding across the Pacific. And few aspects of this challenge will mean more to the 21st century than fostering close and cooperative relations between the United States and Indonesia.

When I am asked by audiences in my own country about the significance of events here in Indonesia, I begin by pointing to the obvious: your large population, your strategic location, the wealth of your resources, the beauty of your environment, and the breathtaking richness of your many cultures.

I go on to mention Indonesia’s global role as cofounder of the non-aligned movement, a member of OPEC, and a respected participant in the OIC, as the nation with the most followers

of the Islamic faith, and a vibrant center of Islamic thought. This strikes a responsive chord in the United States, where Islam is our fastest-growing religion and is already practiced by millions of our citizens.

I also emphasize Indonesia’s role as a regional leader; a driving force behind ASEAN; the founder of the ASEAN Regional Forum; a major player in APEC; and, historically, a model of tolerance, of “unity in diversity,” or as your national motto says: “Bhinneka Tunggal Ika.”

This, too, strikes a responsive chord in my country because America’s motto is similar: *e pluribus unum*, which, before you get out your dictionaries, is Latin, not English, and means “out of many, one.” This similarity in mottos reflects the parallel origins of our own two countries. Both were born in a struggle for independence against colonial rule, both had visionary leaders who united a diverse population over a vast area, and both were founded on a commitment to freedom.

Fifty years ago, in the wake of The Hague conference affirming the full sovereignty of the United States of Indonesia, America’s representatives to the United Nations said: “We have only to consider the difficulties which often

attend the struggle of a people for independence to be struck with the restraint and maturity of judgment which the Indonesians have exhibited.”

Restraint and maturity of judgment are hard qualities to come by in the best of times. And they are especially rare when most needed, which is during periods of turbulence and uncertainty. But they are crucial to the hard work of building a democracy. And I think you would agree they are as vital in 1999 as they were in 1949.

The past 18 months have been, for many Indonesians, a time of living bravely. Most have responded with courage and steadiness to a whirlwind of change. In this period, you have been buffeted by the shock of financial crisis, by demonstrations and riots, and by the outbreak of violence in several provinces. Your response has included a change in leadership, the enactment of new political laws, the scheduling of elections, and the adoption of a fresh approach to East Timor. These events and more have commanded the world’s attention and profoundly altered Indonesia’s course.

I have looked forward to visiting your country because I knew it would allow me to meet the people who will be long remembered for choices made and actions taken now and in the months immediately ahead. For Indonesia has the chance for a new birth in freedom, and you have the opportunity to create, in a distinct Indonesian way, not a partial democracy or a sham democracy but a real democracy.

You will be thanked by your children and by your children’s children if you are able to seize this opportunity—if you are able to create a society in which decisions about national policy are made at the ballot box and through public debate, not behind closed doors or by a handful of privileged men.

Since last May, your friends in the region and in the United States have watched closely as you have begun to travel up this hope-filled road. In that time, you have reinvigorated institutions that had been suppressed for too long.

You now have a Parliament that debates real issues and enacts laws that matter, a press that is vigorous and free, opposition political parties that are independent and serious, labor unions that are active, and on June 7—for the first time in 44 years—you will conduct elections, the results of which are not known in advance.

I think you will agree that, if political stability is to be assured and the economy revived, it is essential that the elections be credible, fair, and free. These qualities are easy to list but not so easy to make real. And while the electoral process has gotten off to a good start, much work remains to be done.

Of course, the United States does not support any particular candidate in the election. But we do support the process. With new rules, new parties, and a new electoral system, there will be many technical problems to overcome between now and June. These include the establishment of a neutral and effective election commission, massive voter education, and the training of hundreds of thousands of poll-workers and election observers.

But there are larger challenges, as well. For nothing is more vital than preserving peace during the election campaign, so that candidates feel free to express themselves and citizens may vote without fear. And nothing is more central to the integrity of the process than preventing “money politics” from having a corrosive influence on any aspect of the election. These are issues for Indonesians, both in and outside of government, to work out. For this is an election by and for Indonesia.

But the international community can help. A vast body of knowledge has been accumulated in recent years about how to conduct free and fair elections. Some of the best international non-governmental organizations have been welcomed under Indonesia’s agreement with the United Nations and are hard at work providing technical assistance.

The winners in June and the president selected at the end of the year will face an array of challenges. The responsibilities of leadership are many. But those who do not win will also have a responsibility.

During the 1980s, I became something of an expert on losing elections. My party was defeated three consecutive times. I lost my job. I began to think I wouldn’t live long enough to have a second chance at government service. But times change, and so do minds. New leaders come forward. So every election participant should take heart. Today’s losers may become winners tomorrow. And if democracy is to flourish, both the leaders and the opposition must participate in government constructively, settle differences honorably, and place the best interests of the people first.

I know that, in Indonesia, there are key and controversial issues that go back to the time of independence. These include the powers of the president and Parliament, the relationship of the armed forces to the political life of the nation, and the allocation of responsibility between the central government and the regions. The advantage of a democratic system is that it creates the means for addressing such issues peacefully and in ways that reflect the popular will.

Of course, elections are not an end but a means. They can put into office a government that has legitimacy and commands public confidence. But if the government is to retain that confidence, it must act in a manner that strengthens the full range of democratic institutions. And it must produce results.

This will not be easy. I don’t need to tell you that Indonesia was dealt an economic body blow by the financial crisis. It was like a wrecking ball to your expectations and dreams. Three decades of sustained growth came to an abrupt end, unemployment skyrocketed, and millions of people fell back into poverty through no fault of their own.

I am told there is an old adage that even if the heavens were to crash down, there is a hole through which to rise up. And even if taken in a tiger's teeth, there is a way to survive.

Indonesia has emerged from crises before. And because it is choosing the democratic path and beginning to face problems squarely, it has the potential to become stronger, more prosperous, and freer than it has ever been. Unfortunately, there is no specially marked button you can push that will bring you overnight into the new dawn that Indonesians seek and deserve. The process of recovery is a climb taken not by elevator, but by stairs.

Progress has already been made in stabilizing the economy, addressing humanitarian needs, and introducing structural reforms. But hard problems such as bank and corporate restructuring and the settlement of debts are still being faced. To move ahead, the commitment to open markets and free and fair competition must be reinforced. And the struggle to ensure good governance, enhance transparency, and expose corruption must intensify. Indonesia's future is in your hands. But just as responsibility for the financial crisis must be widely shared, so the process of recovery must be a multinational enterprise.

As Indonesia proceeds with reforms at home, the United States is striving with allies and friends, and with the international financial institutions, to create a healthier climate for recovery. We have also expanded dramatically our bilateral assistance. Since the fall of 1997, we have provided more than \$300 million for purposes ranging from economic reform to meeting urgent humanitarian needs.

A second set of challenges for your leaders and for all Indonesians will be to strengthen the rule of law, so that citizens will have confidence that their security will be protected and their rights respected. This is a challenge that all societies must face and that none, including the United States, ever achieves perfectly. It requires legal

systems that are efficient and courts that are independent and fair. It requires that the rights of all be protected regardless of ethnic, religious, or cultural background. And it requires that those who enforce the law also observe the law.

When these requirements are not sufficiently met, the rule of law breaks down, people lose confidence in their government, and the Pandora's box of violence is opened. Today, in Indonesia, as we've seen so recently and tragically in Ambon, violence is the enemy of democracy, security, and prosperity.

“Indonesia has emerged from crises before. And because it is choosing the democratic path and beginning to face problems squarely, it has the potential to become stronger, more prosperous, and freer than it has ever been.”

That is true whether the violence in question is motivated by criminal greed, religious or ethnic rivalry, the yearning for political change, or the desire to preserve privilege and prevent political change. In each of these cases, violence rips at the social fabric, instills fear and intolerance, disrupts economic activity, and hinders rational debate.

As I discussed with Indonesian officials earlier today, in any country there is a burden on the military and police to preserve stability without engaging in human rights abuses that serve, over time, to provoke new

instability. This can be difficult, but—especially during the run-up to the elections—it is absolutely essential to be done. Like others who live in democracy, Indonesians have a right to expect security from violence and a right to security institutions that serve no interests but those of the people.

A third challenge for the next government will come from the rising pressure for greater regional autonomy. This is a highly sensitive issue and a source of past conflict. It must be addressed. The United States supports the unity and integrity of the Indonesian nation, and we have faith in the ability of Indonesia's leaders to develop fair and widely backed solutions.

One region, which differs historically from the others, is East Timor. Here, the recent shift in your government's position has raised both opportunities and dangers. The opportunity is to resolve this long-standing dispute in a peaceful manner that respects the views and rights of East Timor's people and reflects well on Indonesia. The danger is that too abrupt a transition could result in violence comparable to that which followed Portugal's withdrawal in 1975. We must learn from history, not repeat it.

The Habibie Government deserves credit for its willingness to consider new alternatives and thereby invigorate the negotiating process. The stage has been set for a peaceful determination of East Timor's future. But the need now is for pragmatism and willingness to do hard work on transitional arrangements. For the goal must not be simply to slice East Timor apart or cast it adrift, but rather to ensure its cohesion and viability—whether through autonomy or independence.

This means that vigorous steps must be taken to break the cycle of violence on the ground, even as the negotiations continue. A further escalation of hostilities could render any diplomatic outcome moot. That is why the United States fully supports the formation of a broad-based “Peace and

Stability Council” to calm the insecurities and ease the tensions that have generated a highly charged atmosphere within East Timor. We see an urgent need to stabilize the situation through the disarmament of all paramilitary forces, as Xanana Gusmao has proposed and General Wiranto supports.

We favor confidence-building measures, such as a reduction in the number of troops, and an international presence to reduce the prospects for future violence. We believe preparations must be made now for a modification in status so that East Timor can succeed socially and economically. And we believe it is essential that a credible means be identified for determining the will of East Timor’s people, because a settlement that does not reflect that will cannot last and will not succeed.

The economy, the rule of law, and regional issues are but three of the many challenges Indonesia is confronting. Obviously, there are many more, including the global issues to which all nations must respond, such as the preservation of the environment.

Events here in Indonesia this past year, and in the world throughout this decade, remind us how vital it is that leaders be not just strong but also wise. For that is the difference between a tyrant and a teacher, between a Milosevic and a Mandela.

A leader with wisdom does not repress, or fear, or exploit his or her people. A leader with wisdom abhors the divisions generated by discrimination, stereotypes, and bigotry. A leader with wisdom fosters tolerance and brings people together so they can accomplish together what no faction could accomplish alone.

The tides of history have created a demand for wise and democratic leaders in Indonesia today. And they have placed enormous stress upon the Indonesian people—a stress that carries with it both real peril and immense promise.

A half-century ago, one of Indonesia’s founding fathers said: “Struggle demands sacrifice, suffering, patience and a conviction that our goals will be achieved. We must be prepared to fight on for a very long time, and we

must [make certain] that the base of our efforts is pure, because it is the purity of our goals which is our strength.” Bung Hatta spoke these words in an effort to rally the Indonesian people to fight on for the freedom and independence that were rightfully theirs.

Today, I would like to do the same. To urge you to fight on, in the midst of trying and turbulent times, until the pure goals of Indonesian democracy are finally achieved. In that fight, there are sure to be setbacks. Victory will not be achieved overnight. But as I look around this room, I have confidence that, for Indonesia, the long-desired, long-delayed hour of true democracy is approaching—and that the people of Indonesia, from Aceh to Irian Jaya, will prove equal to democracy’s most difficult tests and thereby create for your country a future of justice and freedom, prosperity and peace.

In that effort, you have the respect—and you may count on the friendship—of the people and Government of the United States of America. Thank you very much. ■

Fiscal Year 2000 Budget

Secretary Albright

Testimony before the Senate Foreign Relations Committee,
Washington, DC, February 24, 1999.

Mr. Chairman and members of the committee: Good morning. I am delighted to be here to testify regarding the President's proposed Fiscal Year 2000 budget request for international affairs and to review the principles and practice of U.S. foreign policy around the world.

I begin with the observation that we all know America's purpose: It is freedom. We Americans are dedicated to the rights of all people. We promote government with the consent of the governed. We believe in law. We cherish peace. We seek prosperity.

Having said this, we have not said very much. For it is easy to list goals. Our task, together, you and me, America, and our friends overseas, is to achieve them.

About a decade ago, our generation began a journey into a new era. We set out free from Cold War bonds but were soon plagued by a viper's nest of other perils. Along the way, we have not always put our foot right, but overall we have made great progress.

Because the signposts of the past have fallen, history demands that we be innovators and trailblazers, builders of new institutions and adapters of old. So in virtually every part of every continent, we work with others to bring nations closer together around basic principles of democracy and law, open markets, and a commitment to peace.

We do this because it is right, but also because it is essential to protect the best interests of our nation and people. In this era, our security, prosperity, and freedom hinge on whether others, too, have access to these blessings. And the future depends on whether we can help shape a world in which disputes are settled, prosperity is shared, criminals are caught, aggressors are deterred, and basic human rights are respected.

American Leadership Around the World

The Western Hemisphere.

Nowhere are these truths more evident than in the community of democracies we are building with our neighbors in this hemisphere.

Earlier this month, the President and I visited Mexico, with whom we share a 2,000-mile border and a host of common interests. We place a high priority on our economic ties with Mexico and on working through the U.S.-Mexico Binational Commission to enhance cooperation on matters ranging from counternarcotics to environmental protection to immigration. We also have an urgent and shared interest in helping the people of Central America recover from the destruction caused by Hurricane Mitch.

The President's trip to that region next month will remind the world and our own citizens that, though the floods have receded, the hard work of rebuilding from that terrible storm has just begun.

This morning, I ask your support for the President's request for emergency supplemental funds to help our neighbors plant crops, replace schools, reconstruct communities, and resume normal lives.

An early and sustained recovery in Central America matters to us both for human reasons and because economic dislocations in that region could contribute to social conflict, illegal immigration, and crime. We have a strong interest in helping Central America strengthen its democracies and provide a good life for its people at home. Sustained recovery means expanding trade and creating jobs. These are the goals of the enhanced Caribbean Basin Initiative legislation the Administration will soon submit and for which I ask your support.

It is appropriate that we help our neighbors not only in Central America, but also in the Caribbean and Colombia, to recover from recent natural disasters. For this spirit reflects the flourishing partnership that has grown out of the Summit of the Americas process.

That process began in Miami in 1994 and gained momentum in Santiago last year. Its purpose is to build a hemispheric community based on shared interests and democratic values.

On the economic front, we have forged a commitment to growth and integration based on open markets, open books, better schools, and broader participation. Already, we export more to the Americas than to any other part of the world. And the United States is firmly committed to achieving a Free Trade Area of the Americas by 2005. We are also working closely with Brazil and other countries in the region to prevent the further spread of financial instability.

In the area of security, our hemispheric community has also made great strides. With our help, and that of others, the troubling border dispute between Ecuador and Peru has been resolved. In Central America, after decades of fighting, differences are being settled by ballots, not bullets. And overall counternarcotics cooperation is stronger than ever, because the understanding is broader than ever that the drug plague threatens us all, and that we must all do our part in the struggle against it.

At the heart of the Summit of the Americas process is a commitment to democracy.

In nations such as Venezuela and Peru, Paraguay, and the Dominican Republic, we are helping democratic forces to assemble the nuts and bolts of lasting freedom.

In Colombia, President Pastrana is committed to the rule of law and a future of peace for his people. I urge your support for our efforts to help him end his nation's bloody civil conflict, fight drug traffickers, support alternative development, and create a climate in which the rights of all Colombians may be respected.

In Haiti, the long-unresolved conflict between President Preval and majority legislators has stalled economic reforms and led to the de facto

dissolution of Parliament. The Haitian people deserve better. It is in our interest to continue assisting them as they struggle to build better lives.

And in Cuba, we have taken a series of steps designed to help the Cuban people without strengthening their repressive and backward-looking rulers. Our goal is to do what we can to help Cubans lay the groundwork for civil society and prepare for a peaceful transition to democratic rule. To this end, we have sought to make it easier for the people of Cuba to be in touch with family and friends here in the United States; and easier for the Cuban-American community to help those who remain on the island.

Europe and the New Independent States. We will mark this year the 10th anniversary of the fall of the Berlin Wall and the birth of a new Europe—undivided, democratic, and working together for peace. With allies and partners, we are creating new institutions and adapting old ones to meet the challenges of the new era.

With the President's personal leadership, and crucial help from former Senator George Mitchell, we have supported the people of Ireland in their desire to end terror and live in peace through implementation of the historic "Good Friday" agreement.

We have joined Estonia, Latvia, and Lithuania in signing the U.S.-Baltic Charter, to show support for the freedom and security of those nations and for their efforts to join Western institutions. We are pursuing our Northeast Europe Initiative to build bridges among the nations of the Nordic and Baltic region.

We strongly support the expansion of the European Union—EU—into central and eastern Europe, and Turkey's desire to be part of that process. We are working hard to ease tensions in the Aegean and continue to explore every opportunity for progress toward a settlement on Cyprus.

We are among those striving to help the Organization for Security Cooperation in Europe—OSCE—meet

its potential as a catalyst for democratic change, tolerance, and respect for human rights. And in two months, here in Washington, we will meet with our allies to set the course for NATO's second 50 years.

The Washington Summit will be the largest diplomatic gathering at the head-of-state level in the history of our nation's capital. Together, we will affirm NATO's success in safeguarding freedom, as we formally welcome the three new members who will have joined our alliance—a step made possible by strong congressional support—and have discussions with 25 other partners who will participate during the summit's second day.

Together, we will recognize collective defense as the core mission of the alliance, prepare to respond to the full range of threats the alliance may face, further develop our partnerships with other European democracies, and coordinate our activities with key institutions such as the EU and OSCE.

The NATO of the 21st century will confront a changed and ever-changing strategic environment. Possible threats include those posed by international terror, dangerous regional conflicts, and the proliferation of weapons of mass destruction and the missiles that deliver them. As we have already seen in the Balkans, these dangers could emanate from well beyond NATO's borders, and while staying true to our character as a Euro-Atlantic alliance, we must prepare ourselves to respond to them.

As we do so, we bear in mind that although NATO stands tall, it does not stand alone. NATO and its partners, the OSCE, and the EU form the core of a broader system for protecting vital interests and promoting shared values. We learned in Bosnia earlier this decade that such a system is vital. We face a test now in Kosovo to see how effective the system we are developing can be under demanding and complex circumstances.

As we have seen in both places, NATO's ability to use or credibly threaten to use force can be essential in countering threats to stability. But the efforts of other institutions and organizations are required to prevent such dangers from recurring.

In Bosnia, we remain deeply committed to full implementation of the Dayton accords. Success here would remove a major threat to European security and establish a model for interethnic collaboration that is needed throughout the Balkans and around the world.

Since the peace accords were signed more than 3 years ago, enormous strides have been made. The fighting has long since stopped; tens of thousands of refugees and displaced have returned home; elections have been conducted at all levels; the symbols and substance of nationhood have begun slowly to come together; and we and our partners in SFOR have begun slowly to reduce the international military presence.

It is essential, however, that we not allow events elsewhere in the region to distract us or conclude from past progress that the future of peace in Bosnia is assured. The nation's bitter divisions are only partially healed. The job of enabling refugees to return safely is ongoing and difficult. Local authorities have not yet assumed the responsibilities for democracy and peace that they must if Bosnia is to become truly independent, united, and free.

The Dayton accords remain the linchpin of hopes for stability in the Balkans. If those accords are to be implemented, the United States must continue to help the people of Bosnia realize the benefits of peace. The President's budget ensures that we will.

As we enter the last year of the old century, democracy and economic reform have taken firm root in most parts of central and east Europe. However, much work remains to be done in the Southern Tier of Balkan countries, particularly in Bosnia,

Albania, Bulgaria, Romania, and The Former Yugoslav Republic of Macedonia. We are helping to sustain progress through the Southeast Europe Cooperative Initiative and other measures that support regional cooperation in sectors such as trade and law enforcement.

Further to the east, toward the Caucasus and Central Asia, democratic change remains very much a work in progress. In many countries, respect for human rights and the rule of law is unsatisfactory, and economic reforms have been slowed by financial turmoil. With the aid of our soon-to-be-created Bureau of East European and Eurasian Affairs, we will vigorously pursue diplomatic and programmatic efforts to help countries in the region find the right road. We do this for reasons of principle, but also because this part of the world is critical to our own long-term security and prosperity.

I want to express my appreciation for past congressional leadership, through Nunn-Lugar and the Freedom Support Act, to safeguard the handling of nuclear materials and lay the groundwork for economic and political reforms in the New Independent States. We will need your continued help this year in providing the resources and the flexibility we need to advance our goals, for we have entered a pivotal period.

Every country in the region will hold parliamentary or presidential elections in 1999 or 2000. We hope to see progress on Nagorno-Karabakh and on withdrawal of Russian troops from Moldova. We will also renew our request this year for legislation to repeal Section 907 of the Freedom Support Act. And we will press for completion of CFE negotiations by the OSCE Summit later this year.

We attach high importance to our strategic partnership with Ukraine, knowing that an independent, democratic, prosperous, and stable Ukraine is a key to building a secure and undivided Europe. In 1999, we will

continue to support Ukraine's economic and political reforms, press for a free and fair presidential election, deepen our cooperation under the NATO-Ukraine Charter, and strengthen our joint non-proliferation efforts. Last week, I was able to certify—after careful consideration—that the requirements of U.S. law with respect to Ukraine's business climate have been met—albeit just barely.

We are also striving to strengthen our partnership with Russia. During my visit to Moscow last month, I found a Russia struggling to cope with economic setbacks, high rates of crime, and political uncertainty. I was heartened by my meeting with leaders of Russian civil society and urged them to persist in efforts to build democracy and to resist the forces of extremism and intolerance, including anti-semitism, that are threatening progress.

On the official level, we continue to work closely with Russia. Our constant communication helps us to manage differences and make progress on important issues such as the CFE negotiations and Kosovo.

A peaceful and democratic Russia that is tackling its economic problems and playing a constructive international role can make an enormous contribution to the 21st century. It should not be surprising that the Russian transition from communism to a more open system is proving difficult. Our own democracy took many decades to mature and remains unfinished. We have an enormous stake in Russian success and will continue to help as long as Russia is committed to the path of reform.

The Asia-Pacific. In the Asia-Pacific, we are working with allies and partners to improve security cooperation, restore economic momentum, and build democracy.

Our alliance with Japan remains the cornerstone of regional security, and we are reinvigorating that alliance

through the implementation of new guidelines for defense cooperation. Clearly, with the world's second-largest economy, Japan is also an economic key. We are encouraging Tokyo to expand its program of deregulation, open its markets, and take other measures to restore growth.

There is no greater threat to peace and stability in the Asia-Pacific than the situation on the Korean Peninsula. With our Korean and Japanese allies, and China, we are discussing with North Korea the prospects for achieving a permanent end to tensions.

We are also engaged in direct talks with North Korea on ways to resolve our concerns regarding its suspicious underground construction activities at Kumchang-ni and its long-range missile development, deployment, and exports. There can be no improvement in our relations until our concerns about Kumchang-ni are resolved.

North Korea must also address our concerns about its missile program if it wishes to enjoy good relations with nations in its region and improve its standing in the world. Further, the Agreed Framework to freeze and dismantle North Korea's ability to produce fissile material must be implemented in good faith and by all sides, and we will need the help of Congress in ensuring that our own obligations to the Korean Peninsula Energy Development Organization are met.

Also in East Asia, we have continued our strategic dialogue with China, a nation of increasing economic influence, diplomatic prominence, and military strength. Since our dialogue began, we have seen China move from being part of the nuclear proliferation problem to becoming part of the solution. It has endorsed extension of the nuclear Non-Proliferation Treaty, signed the Comprehensive Test Ban Treaty—CTBT—become party to the Chemical Weapons Convention, promised not to assist unsafeguarded nuclear facilities, agreed to study membership in the Missile Technology

Control Regime, supported peace talks on Korea, and played a responsible role during the Asian financial crisis.

These developments matter. China's international role is evolving in a way that could aid regional prosperity and security for decades to come. We need to recognize these gains, even as we press for further progress.

Next week, I will visit China, and I will bear with me from President Clinton a two-part message. The first is a firm commitment to our continued dialogue and to the spirit of mutual respect with which it has been conducted. We will seek serious discussions about possible Chinese accession to the World Trade Organization, export controls, and the need to prevent renewed tensions related to Taiwan.

But I will also bring a strong message of American concern about areas where we have differences, including human rights. This will come as no surprise to Beijing. In recent months, we have condemned the arrest, trial, and sentencing of Chinese who sought peacefully to establish an opposition political party. In our human rights dialogue with China, Assistant Secretary of State Harold Koh has emphasized the importance of Chinese compliance with international human rights standards, including a free press, freedom of religion, and freedom of political expression. And we have urged China to open a dialogue with the Dalai Lama regarding the protection of Tibet's religious, cultural, and linguistic heritage within China.

As I have said before, in our relations with China, engagement is not endorsement. We continue to have sharp differences with Beijing. But we also believe that the way to narrow those differences and to take advantage of the many areas where U.S. and Chinese interests coincide, is through regular contacts and dialogue.

Economically, the past 20 months have been extremely painful for many in Asia. Governments have been challenged, and millions of people face

the prospects of unemployment, reduced living standards, and a more uncertain future. Currently, we are working with a number of governments and with the international financial institutions to encourage policies that will restore growth, attract long-term investment, improve financial transparency, sustain momentum toward open markets, and help citizens adjust to change.

One of the central lessons of the current crisis is that nations with strong democratic institutions are better able to withstand the turbulence of the new global economy. This is a message I will carry with me in my visits next week to Thailand and Indonesia.

In Thailand, I will convey strong U.S. support for the government's economic reform programs and the efforts of the Thai people to strengthen democratic institutions across the board.

To Indonesia, I will bring a message of concern and friendship from the American people, including support for free, fair, and credible elections and a commitment to stand by the Indonesian people in what promises to be an extended period of economic recovery and political change. I will also discuss with Indonesian leaders the ongoing negotiations to reach a peaceful resolution of the status of East Timor. My emphasis will be on the need to minimize violence, promote stability, and respect human rights as the transition to a new status takes place.

Elsewhere in the region, we will continue to work with ASEAN, Japan, and others to strengthen democracy in Cambodia and encourage a meaningful dialogue in Burma between the authorities there and the democratic opposition, led by the National League for Democracy—NLD. We are deeply concerned by the attempts made throughout the past year to harass and intimidate NLD leaders. Burmese authorities must understand that the path to international acceptance and economic progress lies in movement toward a legitimate and popularly supported government in Rangoon.

South Asia. If the past year was a time of disappointment and unfulfilled promise in South Asia, we are working hard to see that the coming year is one of opportunity and progress. Following last May's nuclear tests, we worked with India and Pakistan to prevent a nuclear arms race. Both agreed to adhere to the CTBT by year's end, join negotiations for a fissile materials production cutoff, and tighten export controls. And both have taken encouraging steps to improve bilateral relations with the other. The two Prime Ministers just concluded a very successful summit in Lahore. In the months ahead, we will be pressing for further stabilizing actions.

Throughout the region, we will be working hard to advance our core foreign policy objectives of strengthening democracy; enhancing economic ties; countering terrorism; extending the rule of law; and promoting respect for human rights, including religious freedom, worker rights, and women's rights.

The Middle East. In the Middle East, our primary objective remains a just, lasting, and comprehensive peace between Israel and her Arab neighbors.

Earlier this month, this cause lost one of its great champions with the passing of Jordan's King Hussein. As Secretary of State, I knew King Hussein as an eloquent and deeply committed partisan of peace. I hope his death will inspire us all to even greater efforts. In this regard, we are seeking expedited congressional consideration of \$300 million in additional assistance to support Jordan during this critical transition period. I have met with the new King and am confident that he will carry on the wise policies of his father, whose passing we all mourn.

Let me also note that March 26 marks the 20th anniversary of the signing of the Egypt-Israeli Peace Treaty, which remains the bedrock of all subsequent regional peace efforts. The anniversary also marks the beginning of our strategic relationship with

Egypt, which continues to contribute to peace and stability throughout the region.

In the months ahead, we will persist in our efforts to help the peace process move forward. We are in regular contact with Israeli and Palestinian leaders, encouraging them to focus on implementing the Wye River Memorandum. To this end, I urge the committee to support the President's request for funds to help the parties carry out that agreement.

In the Gulf, we will continue to work with our allies and friends, and within the United Nations Security Council, to confront the threats that the Iraqi regime's aggression and weapons of mass destruction—WMD—capability pose to Iraq's own people, its neighbors, the international community, and our own vital interests.

In mid-December, we joined our British allies in a military operation that degraded Iraq's WMD capacity and its ability to threaten its neighbors. We have since continued to enforce the southern and northern No-Fly Zones and have repeatedly acted against Iraqi military assets in the zones that threaten our pilots and aircraft.

At the United Nations, we are working within the Security Council to develop a basis for resuming inspection and monitoring of Iraq's remaining WMD capabilities. We will insist that sanctions against the regime continue until Iraq meets its obligations, although we support easing the burdens on the Iraqi people through an enhanced oil-for-food program.

Our policy toward Iraq is to counter the threat Saddam Hussein poses to his people, his neighbors, our allies, and our interests in the region. We must and will persist in thwarting Iraq's potential for aggression. And we will support the Iraqi people's desire to reintegrate themselves into the international community and free themselves from a leader they do not want, do not deserve, and never chose.

Across the border from Iraq in Iran, there are clear signs of popular support for a society based on the rule of law and a more open approach to the world. We welcome that, though we are concerned that Iran continues to pursue policies—on proliferation, terrorism, and human rights—that violate international norms.

Iran's President Khatami has called for a dialogue between our two people. Last summer, I endorsed that call and expressed a willingness to work with authorities in Tehran, when the time is right, to develop a roadmap for more normal relations. The official Iranian response thus far has been disappointing, but we stand ready for a dialogue in which both sides would be free to discuss all issues of concern.

America's interest in a stable and prosperous Middle East also depends upon whether the nations there work together to reform their economies, attract investment, move in the direction of democracy, and create opportunities for their people. In Algeria, we support a credible, peaceful, presidential campaign, which will transcend radicalism and violence and carry out President Zeroual's stated commitment to economic and political liberalization.

Under Secretary of State Stuart Eizenstat is leading our North African Partnership Initiative, which aims to encourage structural reform in the region, increase regional commerce, and improve political relationships. I hope we will continue to have the committee's support for U.S. programs and policies that encourage progress in these directions.

Africa. The new century will demand from us a new approach to the vast and diverse African Continent, where both exciting opportunities and grave dangers are present.

The good news is that dozens of countries are implementing political and economic reforms. A majority of governments in Sub-Saharan Africa were democratically elected. Overall economic growth is a healthy 4.5%.

Africa's potential as a participant in world trade has barely been tapped, and yet the United States already exports more to Africa than to the entire former Soviet Union. Moreover, we import almost as much oil from Africa as from the Middle East.

On the negative side, Africa is a major battleground in the global fight against terror, crime, drugs, illicit arms-trafficking, and disease. And an array of immediate crises demand our attention.

We are actively engaged with South Africa and other regional leaders, and with the United Nations, in efforts to end the senseless war in the Horn of Africa, salvage the peace process in Angola, achieve a lasting settlement in the Democratic Republic of Congo, find a solution to the decades-long strife in Sudan, and help the West African peacekeeping force—ECOMOG—try to end the brutal fighting in Sierra Leone. We are also working with the World Health Organization and through USAID to slow the spread of HIV/AIDS, which is causing incalculable human suffering.

It is vital, however, that we not allow immediate crises to cause us to neglect long-term goals. In Africa, as elsewhere, we must build relationships and forge institutions that will serve as the foundation for future progress.

This is the approach that drives our policy and for which I ask the support of this committee and the Congress.

For example, I urge your backing for efforts to assist the long-delayed and often-betrayed transition to democracy in Nigeria, Africa's largest nation.

I urge your support for our efforts to assist conflict resolution through our Africa Crisis Response Initiative and the new African Center for Strategic Studies, and to approve funding for key African programs such as the Great Lakes Justice Initiative, VOA's new Radio Democracy for Africa program, the African Development Foundation, and USAID's assistance for development and democracy.

I urge you once more this year to approve the African Growth and Opportunity Act, a trade measure that would afford greater market access for selected products from the strongest reforming countries of Africa. This proposal would also benefit American companies and workers by expanding our trade with the largest underdeveloped market in the world.

I ask you to listen to the voices of the African diplomatic community here in Washington who have requested Senate approval of the UN Convention to Combat Desertification. This is a presidential priority. And I invite members of this committee to participate in next month's first-ever U.S.-Africa Partnership Conference with senior foreign ministry, trade, and finance officials from 46 of the 48 countries of Sub-Saharan Africa.

Mr. Chairman, I will be frank. There are those both in and outside of public office in our country who look at the deep-rooted problems in Africa and throw up their hands. Many others throw up their hands without even the slightest glance at the crosscurrents presently at work in Africa.

The sources of crisis in Africa, which include ethnic rivalry, greed, unchecked ambition, and ignorance, are hardly unique to that continent. And Africa does not lack the qualities out of which a freer and more prosperous future may be built.

Many in Africa are laboring hard to heal ethnic divisions, advance the status of women, clear landmines, care for refugees, and build civil society. An increasing number of leaders understand that the continent's future prosperity depends on trade, and are committed to the kind of market-opening and rule of law initiatives that will create a sound environment for domestic and foreign investment. And I have spoken with Africans from all walks of life who admire deeply the democratic institutions they equate with America and urgently desire our help in strengthening their own.

Looking ahead, we know that progress toward stability, prosperity, and democracy in Africa will be neither constant, nor universal, nor as swift as we would wish. But we owe it to those striving to build the new Africa, and to ourselves, to assist their efforts when and where we can, understanding that our strategies must be based less on the promise of short-term breakthroughs, and more on the potential for long-term results.

Global Opportunities and Threats

Mr. Chairman, to protect the security and prosperity of our citizens, we are engaged in every region on every continent. Many of our initiatives and concerns are directed, as I have discussed, at particular countries or parts of the world. Others are more encompassing and can best be considered in global terms.

Protecting American Security.

The first of these is our strategy for ensuring the fundamental security of our citizens and territory—a challenge that differs substantially from the past.

The risks of Cold War confrontation have ended, and for that we remain grateful. But we face a variety of other dangers—some fueled by technology's advance, some by regional rivalry, some by naked ambition, and some by outright hate.

During the past year, we were witness to terrorist attacks against two of our embassies in Africa, the testing of longer range missiles by North Korea and Iran, periodic threats from Saddam Hussein, and nuclear explosions in South Asia that challenged the global non-proliferation regime.

The new year promises little relief from such perils. In his State of the Union address, President Clinton outlined plans for further strengthening our military, reinvigorating our alliances, and preparing—down to the community level—for the possibility of a terrorist strike.

The defense of our country requires both the capacity and the will to use force when necessary—and as the President made clear, we have both. But force can be a blunt instrument and nearly always entails grave risks.

So our security also requires the vigorous use of diplomatic tools to bolster the forces of law and prevent weapons of mass destruction and the missiles that deliver them from falling into the wrong hands.

The economic crisis in Russia and elsewhere in the New Independent States—NIS—adds urgency to the need for effective action. The President is seeking \$4.5 billion over the next 5 years for threat reduction programs in this region to dismantle or store strategic weapons safely, secure fissile material components, and engage scientists to prevent the proliferation of WMD expertise. We are determined that no nukes become “loose nukes.”

Around the world, we are engaged with allies and friends in a multi-year, multi-faceted campaign to deter and defend against terrorist acts—and to pursue, prosecute, and punish the criminals who commit them.

We are striving to ensure effective implementation of the Chemical Weapons Convention. We have stepped up efforts to hammer out an accord that will strengthen compliance with the Biological Weapons Convention. We have begun to make progress toward a treaty to end the production of fissile material for nuclear weapons. And we are supporting the entry into force of the CTBT. This treaty, sought by U.S. presidents since Dwight Eisenhower and John Kennedy, holds the promise of a world forever free of nuclear explosions, making it harder for other nations to develop nuclear arms. But if we are to fulfill that promise, America must lead the way in ratifying the CTBT, just as we did in negotiating and signing it. The CTBT cannot enter into force without our ratification, and that of other key countries, such as India and Pakistan. Those two nations have pledged to adhere to the CTBT by September. We should not give them an

excuse to delay, nor should we lag behind. I strongly urge the Senate to approve the CTBT this session.

During my recent visit to Russia, I emphasized the need to prevent the destabilizing transfer of arms and sensitive technologies. This is a problem we address not only with Moscow, but worldwide. We provide material or technical assistance to more than two dozen countries to enhance the effectiveness of their export controls. We also share information. These efforts, although rarely publicized, have prevented numerous transactions that would have threatened our allies, our friends, and ourselves.

Mr. Chairman, it is especially important that we work together on a bipartisan basis to respond to the potential dangers posed to our citizens, troops, territory, and friends by long-range missiles that may carry weapons of mass destruction. We have lived with this danger for decades. But its character is changing now as more nations develop the means to launch longer-range missiles.

Our policy includes diplomatic efforts to restrain missile development, an option that a number of countries have voluntarily foregone. Almost three dozen nations are cooperating to limit technology transfers through the Missile Transfer Control Regime. And we are strongly urging nations such as North Korea, Iran, India, and Pakistan not to further develop or deploy missiles that could be destabilizing.

We understand, however, that non-proliferation efforts may not be enough. Our military power serves as a mighty deterrent against any potential adversary. Further, to protect ourselves and our allies abroad, we are working to develop theater missile defense systems, as allowed under the Anti-Ballistic Missile—ABM—Treaty.

To protect ourselves at home, the President is requesting \$10.5 billion between now and Fiscal Year 2005 for a national missile defense—NMD—system, including the funds that would be necessary during this period to deploy a limited NMD, should the

technology prove viable and a deployment decision be made. The purpose of such a system would be to protect against attacks by outlaw nations.

I know that Congress may soon consider legislation that would mandate deployment of a national system as soon as it is technologically feasible to do so. The Administration opposes this approach as too narrow. We believe a deployment decision should be based on four factors. These include a thorough assessment of the technology and the proposed system’s operational effectiveness, the status of the ballistic missile threat, and the cost of deployment. A decision regarding NMD deployment must also be addressed within the context of the ABM Treaty and our objectives for achieving future reductions in strategic offensive arms through START II and III.

I have personally made clear to Russian leaders that deployment of a limited NMD that required amendments to the ABM Treaty would not be incompatible with the underlying purpose of that treaty, which is to maintain stability and enable further reductions in strategic nuclear arms. The ABM Treaty has been amended before, and we see no reason why we should not be able to modify it again to permit deployment of NMD against rogue nation missile threats.

We could not and would not give Russia or any other nation a veto over our NMD decisions. It is important to recognize that our sovereign rights are fully protected by the supreme national interests clause that is an integral part of this treaty. But neither should we issue ultimatums. We are prepared to negotiate any necessary amendments in good faith.

Mr. Chairman, the threat to the security of America and its partners is most obvious from weapons of mass destruction, but that is not the only danger. In many parts of the world, instability is fueled by the unregulated and illegitimate sale of large quantities of conventional arms. These are the sales that equip brutal rebel movements, such as that in Sierra Leone,

and make it harder to sustain peace processes in places such as Angola and Afghanistan.

In response, the Clinton Administration has launched a small arms initiative designed to curb the flow of weapons to Central Africa, and to negotiate an international agreement aimed at making global standards for the regulation and sale of firearms closer to our own.

We are also working to negotiate an agreement to control the export of shoulder-fired missiles, which are ardently desired by many terrorist and other criminal organizations, and which pose a severe danger to civilian aircraft.

Finally, Mr. Chairman, we also protect our security by strengthening the rule of law in areas of potential misunderstanding and conflict. That is why the Defense Department and our military leaders have strongly urged Senate approval of the new and improved UN Convention on the Law of the Sea.

Sustaining American Prosperity. A second overarching goal of our foreign policy is to promote a healthy world economy in which American genius and productivity receive their due.

The American economy is strong today because of the energy, innovation, and skills of the American people. We have the most competitive economy on earth. Our foreign policy cannot take credit for that, but we can and do support it.

Since President Clinton took office, we have negotiated more than 240 trade agreements, including the Uruguay Round and agreements on information technology, basic telecommunications, and financial services. This matters because trade has been responsible for almost one-third of the sustained economic growth we have enjoyed these past 6 years. Today, more than 10 million U.S. jobs are supported by exports, and these are good jobs, paying—on the average—significantly more than non-trade related positions.

I urge the Congress to restore the President's fast-track trade negotiating authority so that he may take full advantage of the opportunities for further lowering barriers to trade in American goods and services.

I ask your backing for our efforts to negotiate market-opening aviation agreements, and an international policy on telecommunications that could reduce the cost to our citizens of overseas phone calls and mail.

And I hope you will lend your support to agencies such as the Export-Import Bank, the Trade Development Agency, and the Overseas Private Investment Corporation, which help our businesspeople find new markets abroad.

The State Department also supports prosperity by using embassy expertise and contacts to provide appropriate help to American firms. Under President Clinton, the Department has worked hard to develop a dynamic partnership with the American business community and to ensure that business interests are taken into account when foreign policy decisions affecting them are made. As further evidence of this, we have included in our budget this year a proposal for a modest pilot program to help our smaller embassies work with our businesspeople to develop markets in countries where other U.S. agencies are not represented.

During the past decade, the trend toward more open rules of investment and trade has helped to spur record economic expansion and raise living standards in much of the world. Over the past 18 months, however, the financial crisis has applied the brakes to many national economies and plunged a number, particularly in East Asia, into reverse. Although the U.S. economy has remained healthy, important sectors such as agriculture, aircraft, and steel have been adversely affected by shrinking export markets and increased pressure from low-priced imports.

We have responded on two levels. First, we have rigorously enforced our laws against unfair trade. For example,

the Administration expedited consideration of hot-rolled steel anti-dumping cases, helped persuade Korea to curtail government support for its steel industry, and urged the EU to take more steel imports. These efforts have borne some fruit. Imports of steel mill products in December were 32% lower than in November.

More broadly, President Clinton has responded with proposals designed to restore world economic growth, reform international financial institutions, ensure fair treatment for U.S. workers and firms, and assist our trading partners in improving the management of their financial sectors.

We have encouraged Japan to implement reforms that would help make that country once again an engine of economic expansion. We have joined forces with the World Bank and the IMF to prevent the financial contagion from spreading further and to meet urgent humanitarian needs. And we have made it clear, in promoting trade and supporting the role of the international financial institutions, that serious consideration must be given to environmental and worker standards.

Unfortunately, there are no quick or simple solutions to the problems many countries now face. Success in the global economy requires sound fiscal and monetary policies, transparent financial systems, good governance and the rule of law. It is no accident that nations with these attributes have fared best in the current crisis.

Nations with deeper problems must take the tough steps required to develop broad-based and accountable democratic institutions that will earn investor confidence and engender public support. It is in our interest to help nations that are prepared to undertake these reforms and we are committed to doing so.

One example of this is by calling attention to the crippling effects of corruption on economic growth, investor confidence, political stability, and popular morale. I thank Congress for backing U.S. participation in the OECD's landmark Convention Against

Commercial Bribery. We will be asking your support for a broader convention negotiated in the OAS. We are seeking support for anti-corruption initiatives in Asia and Africa. And, as we speak, Vice President Gore is chairing a conference with representatives from around the world to discuss ways to fight corruption.

In recent years, trade and investment have played increasing roles in efforts to foster development and raise living standards around the world. But this does not diminish the critical role played by professional development organizations such as USAID.

We know that many of our fastest-growing markets are in developing countries where the transition to an open economic system is incomplete. By helping these countries, we contribute to our own prosperity while strengthening the international system, in which the United States has the largest stake.

Over time, we hope that every country will have a seat at the table in the international system, and that each will fulfill its responsibility to observe global norms. This will not happen automatically or by accident. Certainly, globalization and the free market alone will not make it happen. It will never happen without the right kind of hands-on assistance, in the right places, at the right times, from those who understand how the process of development works.

So I urge your support for the varied and vital work of USAID. And I hope you will embrace other economic and humanitarian assistance programs such as the Peace Corps; our contributions to the multilateral development banks; and support for vital UN organizations such as UNICEF, the UN Development Program, and the UN Population Fund.

Fighting International Crime and Narcotics. Mr. Chairman, a third global objective of our foreign policy is to fight and win the struggle against the

hydra-headed evil of international crime. Drug cartels and the criminal empires they finance threaten us every day whether we are traveling abroad or going about our daily business here at home.

President Clinton spoke to this danger last spring when he unveiled a comprehensive strategy to integrate all facets of the federal response to international crime. Led by our Bureau of International Narcotics and Law Enforcement Affairs, the State Department is a key partner in this effort, which is designed to extend the first line of defense against crime far beyond U.S. borders.

To this end, we are working with other nations as never before to train police, prosecutors, and judges; seize drug assets; help farmers find alternatives to illicit crops; expose and close front companies; halt money laundering; track criminal; and bring smugglers of contraband to justice. These efforts have paid off in significantly reduced coca cultivation in Bolivia and Peru, and the promise of a more concerted antinarcotics program in Colombia.

In Africa, Nigeria is a key, and we are encouraged by the prospect of a democratic transition in that country. It is essential, however, that we have the flexibility in administering our anti-narcotics and crime programs to devote a higher percentage of our resources to this continent. Thirty percent of the heroin interdicted in the U.S. is traceable to African smuggling organizations.

In Asia, we are handicapped by the repressive nature of the authorities in the world's two largest producers of heroin, Burma and Afghanistan. We are doing our best to address the problem by working through neighboring states, regional organizations, and the UN.

Around the world, we strive to disrupt the vicious criminal empires which endanger citizens and threaten democratic values from Moscow to Manhattan.

There are no final victories in the fight against international crime, but—as our increased budget request for this year reflects—we are pushing ahead hard. Our purpose, ultimately, is to create a tightly woven web of agreements, laws, inspectors, police, and judicial power that will deny drug kingpins and other criminals the space they need to operate and without which they cannot survive.

Safeguarding the Environment.

The United States also has a major foreign policy interest in ensuring for future generations a healthy and abundant global environment and in working to prevent environmental problems that could lead to conflict or contribute to humanitarian disasters.

The wise stewardship of natural resources is about far more than aesthetics. Misuse of resources can produce shortages that breed famine, fear, flight, and fighting. And as societies grow and industrialize, the absorptive capacities of the earth will be severely tested.

That is why we have incorporated environmental goals into the mainstream of our foreign policy, and why we are pursuing specific objectives through regional environmental hubs in every part of the world. It is why we are seeking an international agreement to regulate the production and use of persistent chemical toxins that have global impacts. It is why we are working hard to bring into force better standards for preserving biological diversity and managing marine resources. And it is why we will be working to limit the emission of greenhouse gases that most scientists believe cause global warming. Last November, in Buenos Aires, parties to the UN Framework Convention on Climate Change agreed to an action plan for advancing the agenda outlined in the 1997 Kyoto Protocol. In that Protocol, leading industrialized countries agreed to binding limits, at reduced levels, on greenhouse gas

emissions and adopted, in key respects, the U.S. market-based approach to achieving those reductions.

In the year to come, we will continue our vigorous diplomatic efforts to implement the Buenos Aires work plan and to encourage developing country participation, without which international efforts to control global warming cannot succeed.

Human Rights, Democracy, and the Rule of Law. American policy is to promote democracy, the rule of law, religious tolerance, and human rights.

We believe, and the Universal Declaration on Human Rights affirms, that “the will of the people . . . expressed in periodic elections” should be the basis of government everywhere. We are working actively to promote the observation of this principle around the world.

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

When we support democratic leaders, we are aiding our natural partners and helping to forge a community of democratic nations that will work together to defend freedom where it exists and promote it where it does not.

We also know from experience that democratic governments tend to be more successful at preventing conflicts and coping with the turbulence of the global market than regimes that do not answer to the people.

Our support for the right to democracy is part of our broader effort to elevate global standards of human rights and respect for the rule of law. Our goal is to enter the 21st century moving ahead in these areas, not just settling for the status quo.

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

continue to advocate increased respect for human rights, vigorously promote religious freedom, and firmly back the international criminal tribunals for Rwanda and the Former Yugoslavia.

We will support efforts to help women gain fair access to the levers of economic and political power, work with others to end the pernicious trafficking in women and girls, and renew our request for Senate approval of the Convention to Eliminate All Forms of Discrimination Against Women.

As the President pledged in his State of the Union address, we will continue working through the International Labor Organization to raise core labor standards and to conclude a treaty that would ban abusive child labor. And we will remain leaders in the international effort to prevent harm to civilians from anti-personnel landmines. Through the President’s “Demining 2010” Initiative, we are working with official and non-governmental organizations everywhere to detect, map, mark, and destroy mines; increase mine awareness; improve mine detection technology; and care for the victims of mines.

Unfinished Business

Mr. Chairman, perhaps the best way to begin the new year’s work is to finish with old business. We have been trying, it seems forever, to find a way to encourage further reform while meeting America’s obligation to pay our arrears to the United Nations and other international organizations.

This stalemate has dragged on far too long. We need to stop treating the United Nations like a political football. We need a fresh start based on a bipartisan consensus that falls somewhere between those who have nothing but praise for the UN and those who would like nothing better than to bury it. Most Americans are in this mainstream.

With their backing in mind, we need an approach that is realistic, grounded in U.S. interests, and based on a small number of constructive and pragmatic principles, of which I would offer four.

First, we should recognize that the United States has important interests in the work that the UN and other international organizations do. These range from our security interest in UN peacekeeping and multilateral sanctions against Iraq and Libya; to our economic interest in the protection of intellectual property rights and fair worker standards; to our humanitarian interest in feeding children, fighting disease, and caring for the world’s refugees.

Second, we should be realistic in our demands and expectations of the UN. The UN provides no guarantee of global peace or prosperity. But in peacekeeping, development, and other areas, it can play a vital role as catalyst and coordinator, and as a bridge spanning the gaps between the contributions of others.

Third, we must maintain pressure for reforms that will make the UN more effective. With help from the United States and other leading nations, the UN system has achieved more reform in the last half-decade than in the previous 45 years. It is better led, more ably managed, and far more disciplined than it was when I arrived in New York as our Permanent Representative to the UN in 1993. We should do all we can to see that this process of modernization and reform continues.

Finally, while insisting that others do the same, we must—as the President proposes in his budget—pay our bills. This is not just a question of dollars and cents; it is a matter of honor, of keeping our word. It is also a question of national interest because we will be far more influential—and far better able to spur further reform—within the UN system and other international organizations if we are meeting our obligations to them.

World-Class Diplomacy

The efforts we make to advance our security, prosperity, and values are essential for our future. But we cannot lead without tools.

It costs money to counter modern terrorists, protect American jobs, cool regional disputes, aid child survival, and spread the gospel of freedom. But these costs do not begin to compare to the costs we would incur if we stood aside while conflicts raged, terrorists struck, democracies unraveled, and weapons of mass destruction spread unhindered around the globe.

Unfortunately, despite strong support from many in both parties in Congress, we have lost ground during this decade. In real terms, funding has declined sharply. We've been forced to cut back on the life's blood of any organization, which is training. We must modernize our information systems. We face critical infrastructure needs. We have seen the proportion of our nation's wealth that is used to support democracy and prosperity around the globe shrink steadily, so that among industrialized nations we are now dead last. And the embassy bombings in Africa were tragic evidence of the imperative to do far more, far more quickly, to reduce the vulnerability of our diplomatic missions.

On this last point, let me stress my own personal commitment to do all I can to protect our people. Last year,

Congress approved our request for \$1.4 billion to enhance security through construction upgrades, new personnel, and improved equipment. The President's FY 2000 budget includes funds to sustain those efforts. And we are asking \$3 billion in advance appropriations over 5 years to build new and safer posts. Meanwhile, I am in regular contact with White House and other senior officials to assess security threats and needs. This is a year-round, around-the-clock concern.

Given all this, I urge the committee to support the President's budget request for international programs in its entirety. By so doing, you will serve our nation and your constituents very, very well. And you will give deserved support to the Foreign Service officers, Civil Service personnel, and Foreign Service nationals who work every day, often under difficult and dangerous conditions, to protect our interests around the world.

Conclusion

Fifty years ago, only a short distance from where we are now, President Harry Truman delivered his first and only inaugural address.

In what came to be known as the Four Point speech, he challenged Democrats and Republicans alike to lend their full support to international organizations; to continue programs for world economic recovery; to join with

free people everywhere in defense of democracy; and to draw on our country's vast storehouse of technical expertise to help people help themselves in the fight against ignorance, illness, and despair.

Today, we are summoned to build new institutions, adapted to the challenges of our time, based on principles that will endure for all time. In so doing, we must heed the central lesson of this century, which is that problems abroad, if left unattended, will all-too often come home to America.

We Americans draw immense strength from the fact that we know who we are and what we believe. We have a purpose. And like the farmer's faith that seeds and rain will cause crops to grow, it is our faith that if we are true to our principles, we will succeed.

Let us, then, do honor to that faith. In this final year of this turbulent century, let us assume, not with complaint, but welcome, the leader's role established by our forebears. And by living up to the heritage of our past, let us fulfill the promise of our future—and enter the new century free and united, prosperous and at peace.

To that mission, I pledge my own best efforts, and respectfully solicit both your wise counsel and support. Thank you very much. ■

Globalization With a Human Face: U.S. Policies To Strengthen the International Economic System

Alan P. Larson

Remarks by the Assistant Secretary for Economic and Business Affairs to the Institute for World Affairs, Milwaukee, Wisconsin, February 16, 1999.

Many speakers start off by saying they're "glad to be here." I'm going to do the same, but I'd like to explain why.

First of all, as a native-born Iowan, it is nice to be back in the Midwest. Secondly, this program reflects Secretary Albright's commitment to improve the State Department's outreach to the American people. As she often says, there is nothing foreign about foreign policy.

America's Stake in the World Economy

The Secretary's adage is especially apt in a discussion on the global economy. Like many other States, Wisconsin has benefited enormously from growing world markets.

The value of Wisconsin exports tripled in the last 10 years. It is not just through trade that folks in Wisconsin have reaped the rewards of global growth. More and more, we are turning to investments in the stock market to supplement our incomes and to augment our retirements. Whether you have a pension or a 401(k) plan, a

significant portion of your retirement savings is likely invested in corporations that operate around the world. The health of the global economy increasingly has a direct bearing not only on your current income but also on your retirement nest egg.

In a speech 4 months ago in Milwaukee, Secretary Albright said it—as usual, more colorfully than I—this way:

Whether you brew beer or just drink it; build Harley-Davidsons or just ride them; you will want to see a strong and growing world economy that creates good opportunities for Americans.

That's why tonight I would like to discuss a few of the challenges America faces in shaping and prospering from a global economy.

The Old Foundations of the Global Economy

The basic foundations of today's global economy were laid just over 50 years ago. In 1944, in Bretton Woods, New Hampshire, the International

Monetary Fund and World Bank were established and with them a cooperative framework for international finance. A few years later, in 1947, the General Agreement on Tariffs and Trade—GATT—was established, setting the stage for 50 years of progress in trade liberalization.

One can scarcely deny the success of these American-sponsored initiatives. In the last 40 years, the real income of an average American has more than doubled. Outside of the United States, the war-devastated economies of Europe and Japan have been restored to health. Many parts of the developing world have seen increases in economic and social well-being occur at a pace unprecedented in economic history.

It is interesting to reflect on the fact that the architects of the post-war system did not really have a grand design. The Truman Doctrine and the Point Four programs, for example—which marked the de facto beginnings of our containment strategy and our foreign assistance programs, respectively—were ad hoc responses to a specific threat to the stability of Greece.

The Bretton Woods conference was convened to establish an international system that would avoid the type of beggar-thy-neighbor currency devaluations that contributed to the Great Depression. The precise shape of the IMF, however, was the result of an ad hoc compromise between the legendary British economist John Maynard Keynes—who favored essentially unconditional credit lines to indebted nations—and the United States Treasury, which insisted that credit should be extended only with conditions.

One of my predecessors as Assistant Secretary of State for Economic Affairs, Dean Acheson, attended the Bretton Woods conference, working primarily on the Charter for the World Bank. At one point he reported to the White House and to Treasury Secretary Morgenthau that, “I’m playing all this very much by ear.”

Incidentally, but of interest to a Wisconsin audience, when the Soviet Union refused later to join the World Bank, a concerned U.S. Treasury asked the American ambassador in Moscow for an explanation. Ambassador Kennen, a Wisconsin native and distinguished Foreign Service officer, responded with a 7,000-word “long telegram” that dissected Soviet psychology and set out the core of what would become the containment doctrine.

I have two purposes in offering these morsels of history. The first is to remind us of the truly heroic manner in which an earlier generation of Americans resisted the temptation to turn inwards after the great exertions and sacrifices of World War II. They fashioned policies and institutions based on American engagement and leadership in the world and, in so doing, fostered security and prosperity for two generations of Americans.

My second purpose is to remind us that this post-war security and economic system was not so much the result of a grand design but rather the outgrowth of pragmatic responses to specific challenges. We perhaps should

not be surprised if we do not presently perceive in our response to the current financial turmoil an elaborate blueprint for a new global economic architecture.

The New Global Economy

Today, while threats abound, our country faces no monolithic ideological, political, or security adversary such as the Soviet Union. We do, however, face our own set of challenges, including those posed by a dynamic global economy.

Today, markets are global. International private capital managers, always on the prowl for the highest risk-adjusted returns possible, are investing greater and greater amounts of money around the world. Foreign direct investment in industrial countries is 32 times greater than in 1970; foreign portfolio investment is today over 200 times greater than in 1970.

The globalization of markets has been speeded by the information revolution, which has accelerated the pace of economic decisionmaking. Computers make possible the instantaneous re-evaluation of risk and reallocation of investment funds. On a typical day in New York, some \$1.5 trillion changes hands in international markets.

Not only have markets become more global and much faster; they have also become more technology-driven. The ability to generate and use new technology is the key to competitive advantage.

The dynamism of this global economy has brought great prosperity to us and also to other regions of the world, notably Asia and Latin America. Hundreds of millions of people enjoy higher incomes, better health, and expanded job horizons because of opportunities created by the global economy. At the same time, the globalization of the world economy may have increased the potential for shocks of the type experienced in

the last 2 years. A change in perceptions or a loss of confidence in government policy can have sudden consequences.

The current wave of turbulence began in Asia with the crash of the Thai currency in 1997, spread throughout the region, and more recently hit Russia and Brazil. Domestic and foreign private investment in these countries

“Not only have markets become more global and much faster; they have also become more technology-driven. The ability to generate and use new technology is the key to competitive advantage.”

fell off suddenly. According to the Institute for International Finance, private credit to emerging markets, which approached \$200 billion in 1996, fell to about \$40 billion in 1998. The magnitude of this decline is one telling indication of the severity of the crisis for those countries affected.

Difficulties in Asia have been exacerbated by the fact that Japan, the world’s second-largest national economy, is officially in recession, with no significant growth for the past 7 years.

The economies worst hit by the crisis shared key vulnerabilities, including bad investment decision-making, weak banking systems, large current account deficits financed by short-term foreign debt, and lack of

transparency in both government and private decisionmaking. At the same time, honesty requires that we acknowledge that foreign investors often overlooked these problems and occasionally operated with inappropriate financial leverage. For this reason, a full response to the crisis requires both a range of national measures and also international action.

National Reforms To Strengthen the Global Architecture

In strengthening the national component of the international economic architecture, the aim is not to tear down a house and construct a brand new mansion. Instead, to give in to the temptation to use the architecture metaphor, nations first need to add more and larger windows to their financial houses, creating more openness and transparency.

Second, nations need a stronger frame for their houses, making them more resistant to the buffeting winds of international capital flows. This means improving both prudential regulation of national financial systems and also the legal infrastructure, for example, bankruptcy laws.

Finally, they need to make their economic house more livable, putting a human face on the economy. This means investing in people, strengthening social safety nets to assist the most vulnerable groups in society, and creating jobs.

I'll begin with the need for more and larger windows. Transparency plays a crucial role in modern, open economies. In order for investors to make well-informed decisions, they must have reliable information available about a country's economy, particularly those aspects which have a bearing on the nation's financial health.

Before lending to a government, banks now want to know how much its central bank already owes to other lenders. And before lending to a taxi company in Indonesia, banks now want to see the full set of books for

that firm—it is no longer enough for the borrower to be large and politically connected.

So what can the international community do to encourage transparency? One reform under discussion is the creation of international standards of good practice, against which a country's policies can be judged. This would allow investors to distinguish between countries following sound policies and those which are heading toward problems if they do not take remedial actions. In this way, governments and businesses in emerging markets would feel market pressure to improve their practices.

The U.S. Government has provided leadership in this area through the global campaign to raise standards on anti-corruption. Corruption can weaken financial systems and the rule of law on which economic growth depends. On February 15, we celebrated the entry into force of the OECD anti-bribery convention. This treaty, based on the U.S. Foreign Corrupt Practices Act, makes it a prosecutable offense for businesses to bribe foreign public officials in order to win contracts.

The second architecture issue I want to discuss involves strengthening the frame of the national economic houses by improving national financial systems. In some of the countries affected by the crisis, banks provided loans to clients without adequately assessing the riskiness of those loans.

National regulators were not up to the task of monitoring lending practices, and banking practices were not transparent. When borrowers could not pay back their loans, banks found themselves overexposed and, in some cases, insolvent.

The dangers posed by inadequate national regulation are difficult to exaggerate. We and our colleagues at the U.S. Treasury have therefore made significant efforts, along with other nations, to strengthen prudential financial regulation. A related area of work has been the strengthening of legal structures for the modern economy.

These reforms are especially important in attracting the type of committed, stable business relationships represented by foreign direct investment. Foreign direct investment—that is, equity investment in factories and other investments which give the investor control over the borrowers operations—provides a more stable foundation than short-term debt. Interestingly, FDI has held steady over the last 2 years, notwithstanding financial turmoil. While some types of foreign capital have fled, more stable direct investment has continued and even increased, building on educated work forces and opportunities for future growth.

Finally, making national economic houses more livable requires that countries invest in people and create adequate social safety nets which will protect the most vulnerable groups in society. A viable strategy must not only facilitate the adjustments of corporations and banks, but also should help families. One of the tragedies we want to avoid in the current financial crises is to lose a whole generation of young people to economic hardship. I'm talking about students forced to drop out of school to assist their families; young entrepreneurs forced to abandon new businesses, many of which might import American inputs, because they cannot get credit. We cannot ignore the risk that large segments of a country's population may lose faith in economic reform and open markets if they lack the tools to secure the basic necessities of life. I can assure you that there is little support anywhere in the world for economic reform that only seems to bail out bankers and the well-connected.

Tied into our efforts to put a more human face on globalization is the issue of debt. As Vice President Gore commented recently, we must never lose sight of the poorest nations. It is there that citizens often feel they have the smallest stake in globalization, as economic prosperity seems to have passed them by.

This year, as we stand on the brink of a new millennium, the Administration would like to see decisive progress toward targeted debt relief for the world's poorest and most indebted countries. Well-targeted debt relief can mean more resources for environmental protection, child survival, and education.

International Reforms To Strengthen the Global Architecture

While we work to reform national economies, we are also working, along with other members of the international monetary fund, or IMF, to address systemic issues that cross national boundaries. The IMF has been the center of a considerable amount of debate.

But the fact of the matter is, if countries do not have sound and credible macroeconomic policies, they cannot begin to recover, and it is here that the IMF's expertise is so important. Not surprisingly, those countries that have vigorously implemented IMF-supported reform programs, such as Korea and Thailand, are beginning to see the fruits of their efforts.

In a sense, the IMF is like a fire department, called in to help extinguish financial blazes. Some critics of the IMF's firefighting role call for abolishing the institution entirely. They make the argument of moral hazard—in essence, they argue that the existence of a fire department makes countries and investors take more risks, since they know the fire trucks can be called in at any time to save them.

In my mind, this seems like an extreme version of free market ideology. The mere existence of a fire department would hardly make most of us more likely to put our homes at risk by smoking in bed. Similarly, there is little evidence that the mere existence of the IMF-induced governments to follow the policies that turned out to be disastrous for their citizens and bankers to follow policies that resulted in billions of dollars of losses for their shareholders.

Moreover, the moral hazard argument ignores the effects of financial contagion. The fire department plays an important role in preventing you from suffering from fires in your neighbor's house. The IMF can play the same role, stopping financial crises in one country from spreading throughout a region.

At the other extreme, some critics call for the IMF to be expanded and turned into a global central bank. This proposal raises an entirely different set of issues, including whether sovereign governments will ever—or should ever—be prepared to give up control over their own monetary policies to a global institution. Doing so would be a little like having the fire department take over the job of the mayor and city council.

Rather than pursuing either of these extreme proposals, a more pragmatic course of action may be called for when it comes to the IMF. My advice is mend it, don't end it. We need to do more to prevent crises from occurring. I argued earlier for the need to build stronger national frameworks in the form of improved regulation of national financial systems and better legal infrastructures. These vitally important efforts are the financial equivalent of fire codes and building codes.

We must also have inspectors who enforce these codes. The IMF can help through its surveillance responsibilities. The IMF's annual reviews of national economies, which entail consultations with government policy makers, are essential to ensuring that nations are taking adequate measures to prevent financial crises.

We in capital exporting nations must do our part. We must provide better regulation and supervision of our financial institutions, including the area of improved risk management. Much attention has also focused on speculative capital flows to emerging markets. This issue merits close consideration, so as to prevent practices that might increase volatility.

Some criticize the IMF for allegedly responding to problems only after they have become crises. Smoke alarms and sprinkler systems are now standard means of fighting building fires before they become too big. Similarly, more timely resort to IMF lending programs can prevent the growth and spread of financial crises.

Last fall, President Clinton proposed creating a mechanism within the IMF to provide contingent lines of credit to countries pursuing strong economic policies but which may be threatened by contagion. This will help us to slow the spread of crises before they become too big and threaten otherwise healthy economies.

In addition, firefighters must keep their techniques constantly under review. For example, it is charged that components of IMF adjustment programs have not been appropriate in countries hit by the crisis. With 20-20 hindsight, the extent of the downturn in Asia exceeded the IMF's expectations. As a result, fiscal targets in some of its initial programs probably were overly contractionary. The IMF switched to a more expansionary stance and a focus on social safety nets to assist the most vulnerable groups when the need for these adjustments in programs became clear.

Finally, it's important to recall that IMF programs depend on the willingness of countries to adopt necessary reforms. Often these measures require legislative action. While the IMF and the international community can provide technical expertise and financial resources, ultimately, it is up to a country's political institutions to take action.

Strengthening the Trade Foundations of the World Economy

I now would like to comment briefly on the final topic—our trade agenda. Its connection to the global financial crisis is becoming increasingly apparent. For one thing, 30% of all our trade is with East Asia. Before the

crisis, merchandise exports to these countries accounted for 2.3% of U.S. GDP. Wisconsin's exports to Japan and Korea alone were worth over \$1 billion in 1997. Now, not only are American exports to countries hit by the crisis declining, but cheaper imports from these countries are creating stress within the U.S.

When these imports are unfairly traded, we need to act promptly and aggressively. In order to track import surges more closely, we speeded up the publication of import data for selected critical imports. When U.S. steel companies filed an anti-dumping case against Japan, Russia, and Brazil, we accelerated the case and announced that we would impose retroactive duties if dumping were found. On Friday, February 12, the Department of Commerce made a preliminary finding of dumping in the case of Japan and Brazil; the anti-dumping duties that could be imposed, once a final determination is made, may range from 50%-70%, although this could change. Importers now have to post bonds for payment of these duties.

Our firm response has been effective. Imports of the allegedly dumped steel in December fell to less

than half of November's level. We are working to open markets overseas so that the U.S. does not become the buyer of last resort, and we have made it clear that we are ready to take further action under our trade laws if import surges that hurt our economy continue. The ultimate answer, of course, is to help Asian countries recover so that they can consume more of their products and buy more of ours.

American farmers, businesses, and workers are the most productive in the world. What they need are not protectionist walls but international rules that give them the opportunity to compete in foreign markets on equal terms.

We will begin a new round of negotiations to establish trade rules for the 21st century at the World Trade Organization ministerial conference in Seattle later this year. At this round of talks, we must work to create open and accountable trade institutions, beginning with the World Trade Organization, or WTO. In turn, an open and transparent WTO will help us create conditions for more open trade.

We must also ensure that the trade negotiating process takes into account environmental and labor concerns. One

of our important objectives in the months leading up to the ministerial conference in Seattle is the formulation of ways to make the concerns of environmental and labor groups heard within the WTO. In trade as in finance, we need a system that is open and transparent and has a human face.

Conclusion

In conclusion, strengthening the international economic system has become one of America's most pressing economic policy concerns. We must resist globalphobia and the temptation to turn inward. We are pursuing pragmatic approaches. Like Acheson, we may wonder at times if we are playing "this very much by ear." I am convinced, however, that as we face this succession of financial jolts, we must summon the steadfastness to soldier through difficult moments as well as the creativity to reach for new approaches. If we strike the balance well, there is every reason to be confident that we too can lay a durable foundation for peace and prosperity. ■

The Rule of Law and Its Importance

Frank E. Loy

Remarks by the Under Secretary for Global Affairs at the Vice President's Conference on Corruption, Organization of American States, Washington, DC, February 25, 1999.

Good afternoon. It's a great pleasure to be with all of you today. It seems that tickets to this conference have become a much hotter commodity than we expected. But I can assure you with absolute certainty that no one had to pay a bribe to get in.

We've been talking the last couple of days about the importance of fighting corruption and the many benefits that accrue from that fight. But I want to talk today about a broader theme—that of the rule of law and its importance.

No anti-corruption strategy, no matter how well-designed and well-intended, can succeed without a broader commitment to two overarching requirements: The first is an independent judicial system based on a rule-of-law regime. And that includes the concept of due process and the principle that the rule of law applies equally to everyone—from the poorest and least-privileged among us to the highest echelons of government and society. The second requirement is a government that is open, accountable, and transparent. Here in the United States we often refer to this idea as “government in the sunshine.”

Some of you may be familiar with the International Crime Control Strategy that President Clinton released last year. The President spelled out a

series of very specific goals, one of which is to “foster international cooperation and the rule of law.” I want to talk a little about that today, because it really defines my agenda—my marching orders, if you will—as the Under Secretary with responsibility for our rule-of-law policies.

The President's strategy spelled out three objectives for furthering the goal I just mentioned.

One, we should try to establish a commonly accepted code of global standards for fighting international and transborder crime. And once it's established, we should very actively encourage compliance with it.

Two, we should improve our bilateral cooperation with foreign governments by increasing the quantity and quality of our collaborative law enforcement efforts with them—and the training and technical assistance that we can offer them.

And **three**, we should strengthen rule of law's position as the foundation of both democratic governments and free markets that are, if not free of corruption, at least well-insulated against it. That means, among other things, that court systems must be able to function independently so that all people can be confident of fair and equitable treatment. They won't get off, maybe, but they'll get a fair hearing.

This third objective is, perhaps, the most important one, particularly as it applies to newly emerging democracies or countries trying to rebuild their democratic institutions in the aftermath of civil conflict. These countries, as we have seen, are particularly vulnerable to corruption and transborder crime.

There is a common theme that runs through all these objectives: it is that erecting laws and institutions as barriers against corruption is not in itself enough. Laws and institutions can't work very well in a society that doesn't also have a culture of trust and an atmosphere of openness and accountability.

Here in the United States, we've been working at this for better than 200 years. Certainly, no one would say that we've got it just right. But we do have two centuries of experience, and we're eager to share it with countries that share our commitment to the rule of law.

To that end, my friend and boss, Madeleine Albright, has made rule of law an integral part of her agenda as Secretary of State, a commitment her predecessor, Warren Christopher, articulated, and that she has made a central feature of U.S. foreign policy.

Secretary Albright's interest in this derives from two sources. First, she understands the centrality of the rule of law to so many of our most important

foreign policy goals: promoting democracy and human rights, building free and fair markets, fighting international crime and terrorism. Second, she and Attorney General Janet Reno saw that a growing proportion of our international assistance was going toward rule of law objectives—training law enforcement agencies, assisting with judicial reform, providing advice on legislation—but without a coherent strategy for applying this assistance.

So, with that in mind, the Secretary this year created a new position in the State Department—that of the Senior Coordinator for the Rule of Law. And we have filled that position with a highly qualified, highly capable gentleman by the name of Joe Onek, who is here today and whom I encourage all of you to get to know.

Joe's role here has several parts. One is that he will pull together and coordinate the rule-of-law efforts of the various bureaus here in the State Department and other U.S. Government agencies. The goal is eventually to produce a blueprint that all U.S. government agencies can refer to as they work on our international rule-of-law programs.

Second, he'll develop our rule-of-law strategies for a few specific countries, with the goal of helping this government focus its scarce resources where they can do the most good. And lastly, Joe is our principal liaison to the NGO community and to businesses and governments that share our goals. Obviously, he's a very busy guy, so don't be offended if he doesn't return your phone calls right away.

I don't want anyone to think that our appointing a Rule of Law Coordinator this year means we weren't already

working on rule of law issues. In fact, we've been quite active on this front for decades all over the world.

In some Latin American nations where, historically, a lot of crimes have simply gone unpunished, we have actively supported governmental efforts to make their criminal justice systems more aggressive and more punitive. Needless to say, a laissez-faire approach to crime and punishment has a terribly corrosive effect on citizens' confidence in their leaders. So we're quite pleased about the progress that governments in this hemisphere have made.

Earlier this month in Guatemala, for example, three men were sentenced to 28-year prison terms for an atrocious attack on a group of American college students just a year earlier.

In 1996, the Organization of American States oversaw the adoption of the Inter-American Convention against Corruption, which, among other things, requires its signatories to criminalize cross-border bribery of public officials. Twenty-five countries have signed the convention and 13 have ratified it. President Clinton submitted it to the Senate last year, and we're hoping for ratification very soon.

Then, at last year's Summit of the Americas in Santiago, heads of states from throughout the Americas put together a clear and comprehensive "Plan of Action" for stamping out corruption in our hemisphere.

In the new independent states of the former Soviet Union and the former Eastern Bloc, where organized crime has taken root and flourished, we have put in place several rule of law assistance programs.

In Romania, we're working with the government to design and implement a long-term, anti-corruption strategy and to strengthen its capacity to fight organized crime.

In Bosnia, the United States has contributed 200 police officers to a UN police task force that monitors the work of local police and teaches them how to use democratic police procedures. I cannot overstate the importance of this. You know, for the average citizen, the cop on the street is his first and maybe only point-of-contact with government. If that cop is crooked, if he's mean, if he's unfair or just uncaring, then that citizen may well adopt a very grim and cynical view not just of that officer, not just of the police department, but of the whole system of government.

Before I conclude, I'd like to leave you with some questions to ponder in your panel discussions this afternoon. As you talk about corruption in the context of the military, the judiciary, law enforcement and other organs of government, I'd ask you to consider the following:

- How can we, as governments, join forces to bring about change? What can we do together, bilaterally and multilaterally?
- What are some concrete steps we can take after we leave here today?
- And how do we, each of us, address corruption at both the domestic and international levels?

So, with that, I'll say thank you again for coming and enjoy your lunch. ■



TREATY ACTIONS

MULTILATERAL

Aviation, Civil

International air services transit agreement. Done at Chicago Dec. 7, 1944. Entered into force Jan. 30, 1945; for the U.S. Feb. 8, 1945. EAS 487; 59 Stat. 1693.

Acceptance: Guinea, Nov. 5, 1998.

Convention for the suppression of unlawful seizure of aircraft. Done at The Hague Dec. 16, 1970. Entered into force Oct. 14, 1971. TIAS 7192; 22 UST 1641.

Convention for the suppression of unlawful acts against the safety of civil aviation. Done at Montreal Sept. 23, 1971. Entered into force Jan. 26, 1973. TIAS 7570; 24 UST 564.

Accessions: Belize, June 10, 1998; Western Samoa, July 9, 1998; Burundi, Feb. 11, 1999.

Protocol for the suppression of unlawful acts of violence at airports serving international civil aviation, supplementary to the convention of Sep. 23, 1971 for the suppression of unlawful acts against the safety of civil aviation. Done at Montreal Feb. 24, 1988.

Entered into force Aug. 6, 1989; for the U.S. Nov. 18, 1994. [Senate] Treaty Doc. 100-19, 100th Cong., 2nd Sess. Accessions: Belize, June 10, 1998; Burundi, Feb. 11, 1999.

Fisheries

Agreement on the international dolphin conservation program, with annexes. Done at Washington May 21, 1998.

Signatures: United States, May 21, 1998; Colombia, May 21, 1998; Costa Rica, May 21, 1998; Ecuador, May 21, 1998; Mexico, May 21, 1998; Nicaragua, May 21, 1998; Panama, May 21, 1998; Venezuela, May 21, 1998; Honduras, June 23, 1998; Vanuatu, June 26, 1998; El Salvador, Jan. 22, 1999.¹ Entered into force Feb. 15, 1999.

Acceptance: United States, July 21, 1998.

Ratifications: Panama, Dec. 23, 1998; Ecuador, Feb. 9, 1999; Mexico, Feb. 15, 1999.

North Atlantic Treaty Organization Agreement between the parties to the North Atlantic Treaty for the security of information. Done at Brussels Mar. 6, 1997. Entered into force Aug. 16, 1998.

Acceptance: The Netherlands, Feb. 24, 1999.²

Entry into force for The Netherlands Mar. 26, 1999.

Further additional protocol to the agreement among the states parties to the North Atlantic Treaty and the other states participating in the Partnership for Peace regarding the status of their forces. Done at Brussels Dec. 19, 1997.

Acceptance: The Netherlands, Feb. 24, 1999.²

Protocol amending the Security Annex to the Agreement between the Parties to the North Atlantic Treaty for Co-operation regarding atomic information. Done at Brussels June 2, 1998. Signature: Norway, Oct. 30, 1998. Acceptances: Germany, Nov. 20, 1998; Norway, Feb. 22, 1999.

BILATERAL

The Bahamas

Memorandum of agreement for the provision of assistance in developing and modernizing the civil aviation infrastructure of The Bahamas. Signed at Washington and Nassau Dec. 14, 1998 and Jan. 8, 1999. Entered into force January 8, 1999.

Brazil

Memorandum of understanding concerning scientific and technical cooperation in the earth sciences. Signed at Reston and Brasilia May 18 and Nov. 4, 1998. Entered into force Nov. 4, 1998.

Cameroon

Agreement for cooperation in the Global Learning and Observations to Benefit the Environment (GLOBE) Program, with appendices. Signed at Yaounde Nov. 6, 1998. Entered into force Nov. 6, 1998.

Chile

Agreement extending the agreement of Mar. 12 and 13, 1997, regarding air transport services. Effected by exchange of notes at Santiago Dec. 21, 1998 and Jan. 4, 1999. Entered into force Jan. 4, 1999.

Hungary

Agreement regarding the status of the American International School of Budapest. Effected by exchange of notes at Budapest Nov. 30, 1998. Entered into force Nov. 30, 1998.

Korea, Republic of

Agreement extending the agreement of Jan. 6, 1992, as extended, relating to scientific and technical cooperation. Effected by exchange of notes at Washington Jan. 22 and 28, 1999. Entered into force Jan. 28, 1999; effective Jan. 29, 1999.

Lebanon

Agreement for cooperation in the Global Learning and Observations to Benefit the Environment (GLOBE) Program, with appendices. Signed at Antelias Dec. 23, 1998. Entered into force Dec. 23, 1998.

Mexico

Protocol concerning the transmission and reception of signals from satellites for the provision of mobile-satellite services and associated feeder links in the United States and Mexico, with appendix. Signed at Mexico Dec. 21, 1998. Entered into force Dec. 21, 1998.

Organization for the Prohibition of Chemical Weapons

Tax reimbursement agreement, with annex. Signed at The Hague Feb. 25, 1999. Entered into force Feb. 25, 1999.

Panama

Air transport agreement, as amended by exchange of notes of May 27 and June 10, 1998. Signed at Panama May 8, 1997. Entered into force Dec. 28, 1998.

Philippines

Agreement for cooperation in the Global Learning and Observations to Benefit the Environment (GLOBE) Program, with appendices. Signed at Manila Jan. 14, 1999. Entered into force Jan. 14, 1999.

Ukraine

Agreement on technology safeguards associated with the launch by Ukraine of U.S.-licensed commercial spacecraft. Signed at Kiev Mar. 6, 1998. Entered into force Dec. 22, 1998.

United Nations

Agreement amending and extending the cooperation service agreement of Oct. 18, 1994, as extended, for the contribution of personnel to the international criminal tribunal for the former Yugoslavia. Effected by exchange of notes at New York Dec. 23 and 24, 1998. Entered into force Dec. 24, 1998.

¹ With declaration.

² For the Kingdom in Europe. ■

