
FY 1990 Foreign Assistance Request for East Asia and the Pacific

By

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[The following is a reprint of a statement presented in Congressional testimony before the Subcommittee on Asian and Pacific Affairs of the House Foreign Affairs Committee in Washington, D.C., on February 27, 1989. The statement has been published as *Current Policy No. 1150* by the Bureau of Public Affairs, U.S. Department of State.]

Since the bureau was last represented before this committee, the East Asia and Pacific region has continued to exhibit the dynamism for which it is noted. This progress is visible in the clothes we wear, the cars we drive, the appliances in our home, and the means by which we communicate electronically. Less visible here at home is the growing volume and value of American products flowing in the other direction. Enjoying hard-earned purchasing power, the consumers of the Asia Pacific are becoming as eager to import as they have been to export. As a result, more than one-third of the entire international commerce of the United States now is with East Asia.

I can also report with pleasure that movement toward greater democracy and political openness has continued; indeed, it has accelerated. In the Philippines, South Korea, Taiwan, and elsewhere, democracy continues to advance. Reform also progresses in China, albeit at a slower pace. And in tiny Fiji, movement has begun to restore constitutional democracy. In short, we are witnessing a spread to countries, large and small, of shared values that complement and reinforce our economic and security stake in the region. We have also seen considerable movement in recent months toward resolving the situation in Cambodia, although many obstacles remain to an acceptable outcome.

As welcome as the overall trends and developments are, we have no cause for complacency. Indeed, the region's very dynamism poses challenges to which we must respond positively if the United States is to remain a key player. Allow me to offer several observations that are relevant to our foreign economic and security assistance programs.

First, economic development has not been evenly distributed, even within countries which have exhibited exemplary growth rates. For example, the Philippines economy has begun to recover from years of mismanagement. But it will take a large and sustained effort to overcome widespread poverty, unemployment, and lack of infrastructure.

Second, except for Japan, Australia, and New Zealand, democracy is still very new in most countries. We rightly applaud the elections conducted in the Philippines and the Republic of Korea. They are important not only for the peoples concerned but as models for other countries. Still, we must remember that these trends could be reversed if the elected governments are unable—or are perceived as being unable—to deal with the serious economic and political problems they face.

Third, economic and political power is becoming more diffuse. The United States is the predominant security guarantor in the region. But we no longer dominate economically and must increasingly work in concert with friends and allies. National independence and economic success have fostered proud nationalisms that require from us more subtle and flexible policies.

Finally, although the Asia Pacific is largely at peace, serious sources of tension—both between states and internally—remain unresolved.

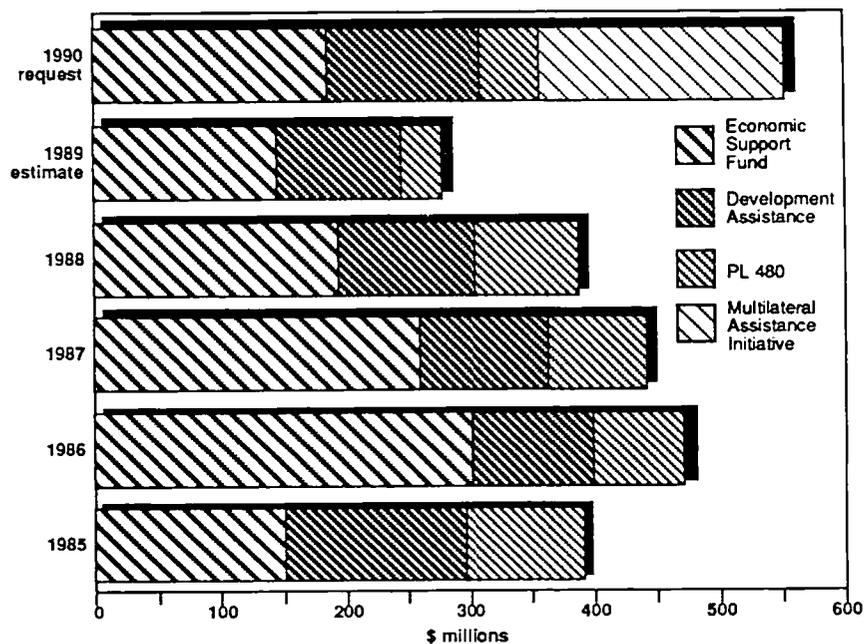
Foreign assistance is only one of the means at our disposal to promote U.S. interests in this evolving international environment. It does not guarantee success, no matter how generous it might be. Nevertheless, adequate levels of economic and security assistance remain key components to our overall strategy. The difficult but successful review of our bases arrangements with the Philippines is a clear example of how important foreign assistance can be in this new environment. Our request for fiscal year (FY) 1990 includes the first half of the President's best efforts pledge to seek additional funding. Honoring this pledge is essential to continued access to these facilities.

The importance of foreign aid to our interests in the Asia Pacific, in reality, goes far beyond the dollars and cents. Our aid programs provide visible and highly welcome symbols of our long-term commitment to remain engaged in the region's affairs. If the countries of the region do not believe that we intend to remain fully engaged, it will seriously hamper our efforts in other areas such as human rights, arms control, or the settlement of regional conflicts.

Despite many assurances to the contrary, there exists in East Asia and the Pacific concern that budgetary pressures will compel the United States to pull back from our long-standing involvement in the region's affairs. Declining foreign aid levels in real terms add to this fear.

For some years, the United States has become second to Japan in providing economic assistance to the Asia Pacific. Both we and the recipient nations have welcomed Japan's efforts to improve the economic welfare of its neighbors. But it would not be in our interest, or the interests of the nations of the region—or of Japan, for that matter—for Japan to bear the entire burden.

U.S. Economic Assistance to East Asia and the Pacific, FY 1985-90

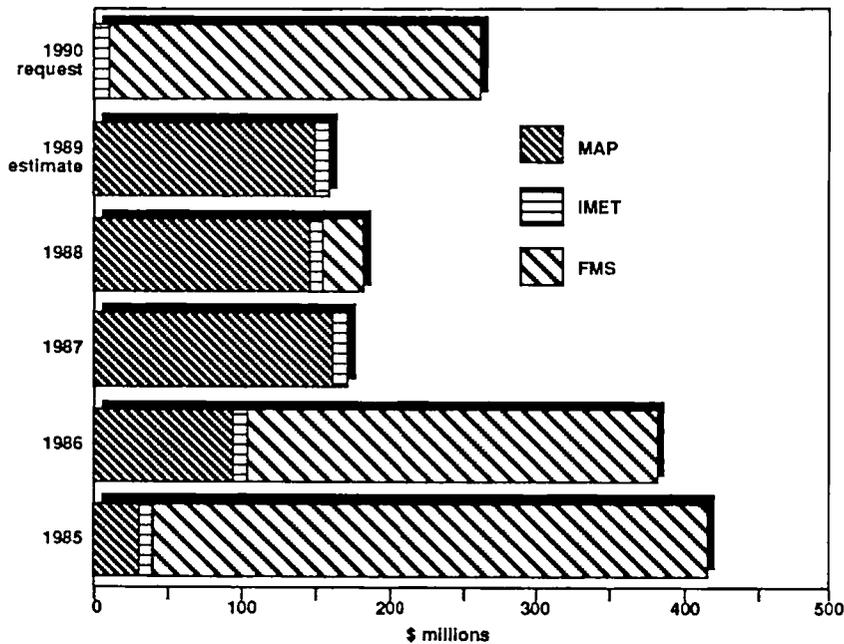


You will find below a thorough discussion of our security and economic aid recommendations for each of the proposed recipients countries, as well as for two regional programs. I have also appended statistical analyses responsive to your interest. But in summary, our requests come to a total of \$813.76 million, with \$552.85 million going to economic assistance—development assistance, economic support fund (ESF), P.L. 480, and the Philippines—and the remainder [\$260.91] to military assistance—international military education and training (IMET) and foreign military sales (FMS) credits.

These requests take into account the absolute need to reduce the budget deficit and reflect our priority concerns. Exclusive of the Philippines Multilateral Assistance Initiative (MAI), the request is 8.3 percent higher than FY 1989 and is 5.5 percent of total U.S. foreign economic assistance. This modest increase follows several years of successive decreases in economic assistance to the region.

On the military side, the \$85.47 million increase requested for military assistance is to provide FMS [financing] to the Philippines.

U.S. Military Assistance to East Asia and the Pacific, FY 1985-90



In closing let me add that, in view of the evolving international environment in the Asia Pacific, these requests are short of the amounts required to maximize our ability to promote and defend U.S. interests in the region. As we look ahead to a possible political settlement in Cambodia, new needs will appear. We are holding our own and believe that our requests for FY 1990 will meet our minimal needs. But I hope that by working together we will be able to enhance the resources available to the Asia Pacific region in the years to come.

I will now turn to individual country programs.

PHILIPPINES

A stable, democratic, and prosperous Philippines—with friendly ties to and continued close security cooperation with the United States—is critically important to the peace and stability of Southeast Asia and to U.S. interests both within and outside the region.

The Administration's FY 1990 assistance request (\$481 million) for the Philippines includes the first half of the President's 2-year best efforts pledge made in conjunction with the 1988 review of the military bases agreement. This assistance is essential to continued access to military facilities in the Philippines after 1991. U.S. military facilities at Clark Air Force Base and Subic Bay are important to the security of the United States, the Asia-Pacific region, and the Philippines in the face of a greatly expanded Soviet presence. They are vital to U.S. power projection capability into the Western Pacific and Indian Ocean regions and to protection of commercially important sealanes.

U.S. military assistance to the Philippines—\$200 million in FY 1990—will provide essential resources to the Armed Forces of the Philippines, promote military professionalism, and improve morale, thereby enhancing the capability to support Philippine democracy. This aid is targeted on improving the armed forces' ability to counter a threatening communist insurgency by improving training and upgrading tactical mobility and communications. U.S. military assistance is also designed to improve basic field soldier morale by providing for basic soldier needs (uniforms, boots, and medical support).

The Philippine Government also confronts difficult economic challenges, including widespread poverty, unemployment, and massive foreign debt. Our economic assistance supports the government's reform programs, which are key to revitalizing the economy, improving social conditions, and providing essential rural infrastructure. Government reforms contributed to 6.7 percent economic growth in 1988, but further efforts are needed. Our bilateral economic assistance program (development assistance, \$55 million; P.L. 480, \$41 million; and ESF, \$160 million) will continue to support the overall U.S. assistance strategy by helping reduce constraints to sustained economic growth, particularly in agriculture and rural industry and infrastructure.

In addition, the Administration has requested \$200 million as the initial U.S. contribution to the MAI. The IMF, World Bank, and Japan are expected to play major roles in the program. Other bilateral donors have expressed interest. Broad participation of donors coordinated through the MAI program will multiply the impact of scarce assistance resources in a country vital to our interests. The MAI will support economic reforms and provide needed infrastructure to enhance the investment climate. This will encourage the emergence of the private sector as the prime engine of economic growth. Without the MAI, the Philippines likely would be unable to sustain broad-based economic growth which is essential to counter the communist insurgency.

THAILAND

Thailand, the only U.S. treaty ally on the Southeast Asia mainland, is the sole neighboring state resisting the Vietnamese occupation of Cambodia. The Thai, thus, face some 70,000 Vietnamese troops in Cambodia and another 10,000-15,000 in Laos. The Vietnamese army constitutes the fifth largest standing army in the world, far outnumbering the Royal Thai Armed Forces. While the Vietnamese now claim to have withdrawn all but 50,000 troops from Cambodia, the threat to Thailand remains. Diplomatic negotiations continue, but nothing on the ground has changed militarily.

Mutual security cooperation is the core element of the U.S.-Thailand bilateral relationship, a relationship that has served important U.S. interests extremely well. The Thai, particularly the government's military leadership, view our economic and security assistance (19.5 million in

development assistance and ESF, and \$47.4 million in FMS and IMET) as a measure of U.S. support and commitment. Moreover, our assistance helps support the acquisition and maintenance of U.S.-produced military hardware by Thailand—thereby enhancing the sustainability of Thai forces and interoperability with U.S. forces in the event of a contingency.

SOUTH PACIFIC REGION

We are requesting \$17.7 million in economic assistance (\$11.2 million in ESF and \$6.5 million in development assistance) for the South Pacific regional program in FY 1990. The program provides assistance to 10 island nations: Niue, Western Samoa, Tonga, Tuvalu, Fiji, Vanuatu, Solomon Islands, Papua New Guinea, Kiribati, and the Cook Islands. In addition, we are requesting IMET grants totalling \$255,000 (Papua New Guinea, \$75,000; Solomon Islands, \$75,000; Tonga, \$75,000, and Vanuatu, \$30,000). Our goals are to:

- Maintain access to the region's sea-lanes;
- Assist friendly governments that pursue policies supportive of U.S interests both in the region and in international forums;
- Restore and preserve regional good will toward the United States, which has suffered from the lack of U.S. presence in the post-World War II period; and
- Preserve U.S. access to marine resources in the region's exclusive economic zones.

The population of the entire region, almost one-eighth of the earth's surface, is approximately 5 million. The area is in political transition. Fiji, long considered a good example of a maturing parliamentary democracy, is recovering in the aftermath of two military coups. Vanuatu has suffered from a prolonged political crisis, with one of the protagonists enjoying support from Libyan-trained thugs. Papua New Guinea, with approximately 70 percent of the region's population—while enjoying a vigorous parliamentary democracy—has suffered from revolving door cabinets and a high level of largely non-political violence.

The Soviet Union, not a traditional player in the South Pacific, has made inroads with now lapsed fisheries pacts in Kiribati and Vanuatu and with proposals to the regional oceanographic research organization. Papua New Guinea has announced that it will permit the Soviets to open their first resident mission in the islands.

Australia and Japan are the major aid donors to this part of the world, but their aid is not a substitute for American participation which underlines our continued humanitarian and strategic interests.

FIJI

We are requesting \$1 million in economic assistance for Fiji in FY 1990, all under ESF. Fiji's population of approximately 718,199 persons is almost equally divided between indigenous Fijians and persons of Indian descent. Before the 1987 military coups, Fiji was considered a model of stable, parliamentary democracy, relative interracial harmony, and economic progress; the Indo-Fijians largely dominated the modern economy with the indigenous Fijians enjoying political dominance. However, elections in 1987 brought an Indian-dominated government to power and sparked the military coups.

In response to the overthrow of the elected government, U.S. assistance to Fiji was suspended. In December 1988, President Reagan exercised his authority under Section 614(a) of the Foreign Assistance Act to restore economic assistance.

U.S. interests in Fiji include:

- Encouraging the return of constitutional representative government;
- Limiting Soviet influence in the South Pacific;
- Maintaining access to the region's ports for U.S. warships and aircraft;
- Preserving access to the region's fisheries resources; and
- Ensuring continued support for U.S. positions in regional and international forums. Fiji consistently has been a strong advocate of U.S. regional and global interests, although its influence has been eroded by recent political events. Fiji also provides peacekeeping forces in Lebanon, the Sinai, and Afghanistan.

The restoration of U.S. assistance is aimed at strengthening the position of moderates who want a broadly based democratic solution for their country, and our programs will focus on projects with direct human needs benefits to all of Fiji's ethnic groups.

Military assistance to Fiji, \$100,000 in IMET and \$300,000 in FMS remains on hold under Section 513 of the *Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1989*. The requests for FY 1990 are for planning purposes only, and there is no intention to restore military assistance at this time.

CAMBODIAN RESISTANCE

We are seeking to increase in FY 1990 our non-lethal assistance to the Cambodian noncommunist resistance from FY 1989's sum of \$5 million to \$7 million. Our primary objective here is to enhance the noncommunist resistance's ability to compete with the *Khmer Rouge*, whose return to political power the United States unalterably opposes. The requested sum would demonstrate tangible American support for ASEAN's [Association of South East Asian Nations] strategy of applying political and military pressure on Vietnam to negotiate a peaceful solution to the Cambodian problem. It would be used for the training and equipping of two noncommunist groups fighting the Vietnamese occupation forces and the Vietnamese-installed regime in Phnom Penh.

INDONESIA

The fifth most populous nation in the world and a major voice in ASEAN, Indonesia lies astride vital air and sea lines of communication between the Pacific and Indian Oceans and offers access to valuable raw materials (especially oil and natural gas). It has played a constructive role in international affairs as a generally moderate voice in the Nonaligned Movement, ASEAN, OPEC, and in Islamic organizations. Within ASEAN, Indonesia has taken a leading role in the effort to end Vietnam's occupation of Cambodia. Over the past two decades, the Indonesian Government has furthered political stability and has pursued sound economic policies. In the face of lower world prices for its major exports, Indonesia has initiated a major market-oriented deregulation of its economy.

The Indonesian government views economic and security assistance programs as an important indicator of U.S. concerns for the security and stability of Indonesia and Southeast Asia. The Administration is seeking a total of \$5 million FMS grant funding and \$2 million in IMET in FY 1990. This will help Indonesia to meet its legitimate defense modernization needs, while at the same time enhance regional stability. Increased purchases of U.S. defense articles, following up on the F-16 purchase, will be assisted by the availability of FMS financing. Under the IMET program we expect to provide professional military education and technical training to selected

personnel to enhance managerial skills, technical capabilities, and support of U.S.-origin equipment.

Proposed development assistance funding of \$43 million will help to support a more open, less regulated, market and trade-oriented economy. Our assistance also helps to improve long-term, sustainable employment and income opportunities, in line with Indonesia's search for jobs for the 20 million people who will enter the labor force over the next decade. Other goals include improved agricultural productivity, human resources development, reduced fertility, and improved child and infant survival.

Proposed P.L. 480 funding is \$10 million for Title I and \$4.918 million for Title II. Title I provides food grains to supplement domestic production; the local currency proceeds from the grain sales provide further support for AID's [Agency for International Development] development programs. Title II is particularly focused on nutrition education activities in less developed areas of the Indonesian archipelago. Title II monetization programs create employment through enterprise development and community water and sanitation schemes.

SINGAPORE

We have requested \$50,000 for military education and training. The program will include professional military education (with an emphasis on command and staff courses) and technical training (emphasizing infantry training, navy explosive ordinance disposal, and basic underseas SEAL training). Singapore fully utilizes its IMET allocation and makes a significant contribution of its own to maximize the benefit of this education and training opportunity.

Singapore is a staunch supporter of a continued U.S. role in East Asia and the Pacific. In addition to being a vocal proponent of a U.S. presence in the region, the Government of Singapore allows U.S. military elements access to port facilities and airfields. Singapore is located at a key crossroads for air and ocean traffic between the Indian and Pacific Oceans. Enjoying strong economic growth in 1988, Singapore has one of the world's most open economies. It is a free trading nation which shares our interest in keeping markets open. Furthermore, through its membership in ASEAN, Singapore makes an important contribution to stability in Southeast Asia. Its thoughtful voice is influential and counsels moderation in international organizations, such as the Nonaligned Movement. Our modest security assistance program with Singapore reinforces military-to-military cooperation and results in substantial commercial benefits to the United States through FMS case sales. Moreover, it bolsters Singapore's confidence in our commitment to the region and enhances the climate for cooperation on a broad range of bilateral and international issues.

MALAYSIA

Malaysia has been an active participant in ASEAN's strategy to force a withdrawal of Vietnamese forces from Cambodia and to secure a negotiated settlement. Soviet forces at Cam Ranh Bay pose a potential threat to Malaysia's security, and Soviet naval forces regularly transit the Malacca Straits. Nonaligned, but staunchly anti-communist, Prime Minister Mahathir and other senior Government of Malaysia officials have publicly endorsed the continued presence of U.S. facilities in the Philippines.

The proposed \$1 million in funding for IMET will ensure that Malaysian Armed Forces personnel are familiar with U.S. doctrine, equipment, and military management techniques, and provides a foundation for close cooperation between U.S. and Malaysian forces. Malaysia views our modest security assistance program (the only form of U.S. aid it now receives) as tangible evidence of our commitment to its security and stability, which is of direct benefit to U.S. interests in the region.