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# PRESS DEPARTMENT OF STATE



February 4, 1985  
NO. 13

PROGRAM FOR THE OFFICIAL WORKING VISIT OF THE HONORABLE ROBERT J.L. HAWKE,  
A.C., M.P., PRIME MINISTER OF AUSTRALIA AND MRS. HAWKE.

February 5-7, 1985

Tuesday, February 5

3:10 p.m.

The Honorable Robert J.L. Hawke, Prime Minister of Australia, Mrs. Hawke and their party arrive Andrews Air Force Base, Maryland via Royal Australian Air Force Aircraft.

3:30 p.m.

Arrival Washington Monument Grounds (Reflecting Pool Side).

The Honorable George P. Shultz, Secretary of State, will greet the party on arrival.

3:40 p.m.

Arrival Madison Hotel, 15th and M Streets, Northwest.

7:30 p.m.

The Honorable George Bush, Vice President of the United States, and Mrs. Bush will host a dinner in honor of The Honorable Robert J. L. Hawke, Prime Minister of Australia, and Mrs. Hawke, Thomas Jefferson Room, Department of State.

Dress: Business suit.

S/CPR - Mary Masserini  
Madison Hotel - Protocol Office,  
862-1600 Ext. 1501

**For further information contact:**

Wednesday, February 6

PRIME MINISTER HAWKE WILL MEET WITH THE FOLLOWING AT THE MADISON HOTEL, PRIME MINISTER'S SUITE:

10:00 a.m. The Honorable James A. Baker, III,  
Secretary of the Treasury

11:00 a.m. The Honorable John Block,  
Secretary of Agriculture  
and  
The Honorable Malcolm Baldrige,  
Secretary of Commerce.

PHOTO COVERAGE: Photographers to be on 15th floor of hotel at least 15 minutes before scheduled meetings.

12:00 Noon The Honorable George P. Shultz, Secretary of State, and Mrs. Shultz will host a luncheon in honor of The Honorable Robert Hawke, Prime Minister of Australia, and Mrs. Hawke, Thomas Jefferson Room, Department of State.

PRIME MINISTER HAWKE WILL MEET WITH THE FOLLOWING AT THE MADISON HOTEL, 15th FLOOR:

3:15 p.m. The Honorable Caspar Weinberger,  
Secretary of Defense.

4:30 p.m. The Honorable Paul A. Volcker,  
Chairman - Board of Governors,  
Federal Reserve System.

Private dinner and evening.

Thursday, February 7

PRIME MINISTER HAWKE WILL MEET WITH THE FOLLOWING AT THE MADISON HOTEL, 15th FLOOR:

8:30 a.m. The Honorable Kenneth Adelman, Director,  
Arms Control and Disarmament Agency.  
and  
The Honorable Paul Nitze,  
Special Advisor to the President and the  
Secretary for Arms Reduction Negotiations.

10:00 a.m. The Honorable George P. Shultz,  
Secretary of State.

PHOTO COVERAGE: Photographers to be on 15th floor 15 minutes before scheduled meetings.

Thursday, February 7 (continued)

- 11:30 a.m. Prime Minister Hawke will meet with President Reagan, at the White House. At the conclusion of the meeting, President Reagan will host a working luncheon in honor of Prime Minister Hawke, the White House.
- 3:00 p.m. Prime Minister Hawke will hold an Open Press Conference, Australian Embassy, 1601 Massachusetts Avenue, Northwest, Theater.
- 4:30 p.m. The Honorable Robert J. L. Hawke, Prime Minister of Australia, Mrs. Hawke and their party arrive Washington Monument Grounds (Reflecting Pool Side).
- 4:45 p.m. Arrival Andrews Air Force Base via U.S. Presidential Helicopters.
- 5:00 p.m. Departure from Andrews Air Force Base Maryland, via Royal Australian Air Force Aircraft enroute Newark International Airport, Newark, New Jersey for a private visit to New York City.

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Note: Recognized credentials for coverage of events:

- White House
- State Department
- U.S. Capitol
- USIA

and

Australian Visiting Press Pass.

# PRESS

# DEPARTMENT OF STATE

HD



February 4, 1985  
NO. 14

AS PREPARED FOR DELIVERY

AMERICAN GOVERNMENT AND AMERICAN BUSINESS:  
OUR COMMON DEFENSE AGAINST TERRORISM

ADDRESS BY  
THE HONORABLE GEORGE P. SHULTZ  
SECRETARY OF STATE  
TO THE AMERICAN SOCIETY FOR INDUSTRIAL SECURITY  
ARLINGTON, VA  
FEBRUARY 4, 1985

**For further information contact:**

International terrorism has rapidly become one of the gravest challenges to American interests around the world. In the Middle East, in Latin America, and in Western Europe, we have suffered heavy casualties and the threat has not diminished.

Terrorism poses a foreign policy problem of immense proportions, and as a foreign policy-maker I consider the reduction and eventual eradication of terrorism one of our most important goals. But I also see the terrorist threat on a much more personal level. A Secretary of State is obviously responsible for helping the President set the direction of American foreign policy. But he is also responsible for the health, safety, and well-being of the thousands of men and women who work for the State Department both here and overseas. And not only the State Department, but those assigned overseas from other agencies of the government. And not only employees of government, but private citizens working or visiting overseas. I feel that responsibility deeply.

When a terrorist attack kills or injures our people abroad, it is a loss for our foreign policy, but it is even more a deeply personal loss. Some may think that deaths and injuries at the hands of terrorists are the cost of doing business in some regions.

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But if anyone stood in the bombed-out ruins of the courtyard at our Beirut Embassy Annex, as I did, and saw first-hand the terrible destruction wreaked by terrorism, they would agree that the price is unacceptable and intolerable. Clearly we cannot retreat in the face of the terrorist threat, but, just as clearly, we have to do more to protect our people.

Part of the answer comes from understanding the nature of the terrorist phenomenon. We have learned a great deal about the scope and nature of international terrorism in recent years, though our education has been painful and costly. We have learned about the terrorists themselves, their supporters, their international links, their diverse methods, their underlying motives, and their eventual goals. We have learned that terrorism is, above all, political violence. What once may have seemed the random, senseless, violent acts of a few crazed individuals has come into clearer focus.

Today we are confronted with a wide assortment of terrorist groups which, alone or in concert, orchestrate acts of violence to achieve distinctly political ends. Their stated objectives may range from separatist causes to revenge for ethnic grievances to social and political revolution. Their techniques may be just as diverse: from planting homemade explosives in public places to suicide car-bombings to kidnappings and political assassinations.



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But the essential method of all terrorists is the same: they are trying to impose their will by force -- a special kind of force designed to create an atmosphere of fear. The terrorists want people to feel helpless and defenseless; they want to undermine people's faith in their government's capacity to protect them and thereby to undermine the legitimacy of the government itself, or its policies, or both. The terrorists profit from the anarchy caused by their violence. They succeed when governments change their policies out of intimidation.

Over the years, the pattern of terrorist violence has become increasingly clear. It is an alarming pattern, but it is something that we can identify and, therefore, a threat that we can devise concrete measures to combat. The knowledge we have accumulated about terrorism can provide the basis for a coherent strategy to deal with it, if we have the will to turn our understanding into action.

An effective strategy must incorporate many elements. I have spoken on other occasions about the need to go beyond a purely passive defense to consider means of active prevention, pre-emption, and retaliation. Our goal must be to prevent and deter future terrorist acts, and experience has taught us over the years that one of the best deterrents to terrorism is the certainty that swift and sure measures will be taken against those who engage in it.



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We have also recognized the need for a broader international effort. Terrorism poses a direct threat not only to Western strategic interests, but to the very moral principles that undergird Western democratic society. The enemies of the West are united. So too must the democratic countries be united in a common defense against terrorism. The leaders of the industrial democracies, meeting at the London Summit last June, agreed in a joint declaration that they must redouble their cooperation against terrorism. There has been follow-up to that initial meeting, and the United States is committed to advancing the process in every way possible. Since we, the democracies, are the most vulnerable, and our strategic interests are the most at stake, we must act together in the face of common dangers.

Sanctions, when exercised in concert with other nations, can help to isolate, weaken, or punish states that sponsor terrorism against us. Too often, countries are inhibited by fear of losing commercial opportunities or fear of provoking the bully. Economic sanctions and other forms of countervailing pressure impose costs and risks on the nations that apply them, but some sacrifices will be necessary if we are not to suffer even greater costs down the road. Some countries are clearly more vulnerable to extortion than others; but surely this is an argument for banding together in mutual support, not an argument for appeasement.

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Even these steps, however, will not be enough. For until the day comes when we have banished the scourge of terrorism from the modern world, we will continue to face threats. We must, therefore, summon all our resources, all our knowledge, and all our will to find ways to protect ourselves, our installations, and the people, both in government and in the private sector, who represent America abroad. We must take every precaution to provide the safest possible environment for our citizens who live and work overseas. And I believe there is much that the American government and American businesses can do together to meet this challenge.

Most of you here today have the great responsibility of providing security to American businesses around the world. As a former business executive myself, I know how important it is that your people abroad have some degree of confidence in their safety. Without that confidence, doing business effectively is practically impossible. And when America's businesses have a hard time doing business abroad, all of America suffers. Our nation loses jobs and income. Our balance of payments is adversely affected. And, not least important, the constructive ties that American business creates with our friends and allies around the world are eroded.

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The problems that you face are not very different from those I have faced as Secretary of State. In fact, I often feel like a Security Executive myself. At the State Department, we have made enhancing the security of our personnel and installations abroad a top priority.

I'd like to take a few moments to outline for you some of the measures we are taking to enhance the security of our posts and personnel overseas.

One thing we have learned over the years is that defense against terrorists depends to a great extent on timely and accurate information and intelligence. We have therefore begun to augment and improve our capabilities in this vital area. We have strengthened our ability to analyze and report on terrorist threats. We have expanded our data facilities to keep on record biographical information on individual terrorists and terrorist groups, the kinds of weapons they use, and their modus operandi. And we have developed better and faster procedures for our posts in the field to gather and report information on terrorist activities.

We have taken great strides toward bringing our installations in threatened areas up to the standards we believe necessary to protect our people.

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All our posts have done intensive reviews of their security needs, and these reviews have been the basis for speedy action. We have made immediate improvements at 23 high-threat posts. We are planning to construct thirteen new office buildings that will measure up to the latest security standards. In addition, we have contracted out to private firms longer-term improvements at 35 of our posts. Construction at these posts will begin this spring. As we move ahead on all these projects we will continue to test and evaluate new technologies for enhancing physical security. Finally, we will be adding over 400 new security personnel, including Marine Security Guards, to our posts around the world.

Obviously we have been forced to spend more money to protect our people abroad, and the Congress, on a bipartisan basis, has been enormously helpful to these efforts. From 1979 to 1983 the Congress tripled the State Department's authorization for security. Last year the Congress authorized a \$361 million Security Supplemental which is paying for the bulk of the measures we are now taking. In 1985 we expect to spend more for security than we did in all of the preceding five years combined. We are grateful for this Congressional support.

Protecting ourselves against terrorism, however, will require more than these tangible security improvements.

We must also take steps to educate ourselves and our personnel abroad, to raise our awareness of the terrorist threat and what needs to be done to counter it. I myself meet every morning with Ambassador Oakley and our security and intelligence officials to stay abreast of the very latest information on terrorist activities and to discuss ways of improving security. But all our personnel must learn to adapt to the new and dangerous circumstances that the terrorist violence has created. The State Department is now developing a comprehensive multi-disciplinary program using our security, medical, training, and public affairs officials as educational resources. As long as the terrorist threat persists, all our people must be vigilant and ready to respond to any crisis quickly and effectively.

State Department officers around the world in many ways represent the frontline of the U.S. government. But the men and women who work for American businesses abroad are also on the frontline, and their safety and well-being are also at the forefront of our concern, as I know they are of yours. I'd like to turn now to the ways American government and American business can pool their energies and resources to enhance the security of all Americans overseas, whether they represent the public or the private sector.

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Obviously, terrorism poses the same kind of difficulties and dangers to businessmen abroad as to government officials. And the security measures needed to protect businesses are also substantially the same. There is much room, therefore, for collaboration. We can share information on terrorist activities and on the new technologies for enhancing security. We can coordinate our security efforts overseas. In short, we can meet the threat together.

In July I convened a Blue Ribbon Panel on Overseas Security chaired by retired Admiral Bobby Inman. I asked this panel to look into the security of our Embassies abroad and to tell us, in essence, how much security is enough. One of the specific questions posed to this panel was "what responsibility does the U.S. Government have for the protection of American business people abroad."

For a number of years now, we have worked informally with many American firms on local security issues. The main players have been the Regional Security Officers at overseas posts and our Threat Analysis Group here in Washington. This has been a good and growing relationship. But we would like to put it on a more formal footing and make it available to more American firms and organizations.

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In this regard, I am pleased to announce today the formation of a new joint venture between the State Department and the private sector: the Overseas Security Advisory Council.

The Members of this Council will come from a wide range of American businesses that operate abroad, as well as from the State Department, American law enforcement agencies, and other foreign policy agencies. Its goal is to establish a continuing liaison between officials in both the public and private sector in charge of security matters; to provide for regular exchanges of information on developments in the security field; and to recommend plans for greater operational coordination between the government and the private sector overseas. The creation of this Council marks an important step forward. There are many ways our security officers overseas can assist businesses abroad with emergency communications, information about specific threat conditions, and even advice on the best locales for residences overseas. I am sure that, by working together to enhance security, we can be more effective in saving lives and reducing the dangers of doing business abroad.

Obviously, all our efforts will not eliminate the threat. That will require time and a broad, consistent strategy combining elements of defense, response, and international cooperation. But we must stand firm.



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So long as terrorism continues to be a grave problem, we must not waver or bow to terrorist intimidation. The United States cannot allow the actions of terrorists to affect our policies or deflect us from our goals. When terrorist intimidation succeeds in changing our policies, when it forces businesses to close down overseas, we hand them a victory; this only opens the door to more terrorism. It shows that terrorism works; it emboldens those who resort to it; and it encourages others to join their ranks.

If we remain firm, we can look ahead to a time when terrorism will cease to be a major factor in world affairs. But we must face the challenge with realism, determination, and strength of will. Not so long ago we faced a rash of political kidnappings and embassy takeovers. These problems seemed insurmountable. Yet, through increased security and the willingness of governments to resist terrorist demands and to use force when appropriate, such incidents have become rare. In recent years, we have also seen a decline in the number of airline hijackings -- once a problem that seemed to fill our newspapers daily. Tougher security measures and closer international cooperation have clearly had their effect.

I have great faith that we do have the will, and the capability, to act decisively against this threat. It is really up to us. We must work together and apply ourselves to the task of ensuring a safer future.

# PRESS

## DEPARTMENT OF STATE



February 5, 1985  
NO. 14A

QUESTION AND ANSWER SESSION  
BY  
THE HONORABLE GEORGE P. SHULTZ  
SECRETARY OF STATE  
BEFORE THE  
AMERICAN SOCIETY FOR INDUSTRIAL SECURITY  
ARLINGTON, VIRGINIA  
FEBRUARY 4, 1985

SECRETARY SHULTZ: We have a few minutes for questions, and anybody in the audience that wants to pose one, I think there are some microphones around, so help yourself.

QUESTION: Mr. Secretary, I heard you use the word "retaliation" once. Could you tell me how realistic is the retaliatory threat if we're again victimized?

SECRETARY SHULTZ: Well, I think it's very realistic. Certainly, we believe as a government the things that I have said here. We have to have more than just a passive stance. But in order to be effective -- and I don't know that retaliation is exactly the right concept, because what we're really trying to do is deter and prevent, and where we retaliate, we believe we will be contributing to that, particularly if what we're seeing is a group that perpetrates one act and may be thinking of perpetrating another.

In order to be effective, of course, we have to have very good intelligence. Of course, we want to have conditions that will allow us to single out those who have attacked us, whether the particular individuals or the institutional support for them, and have the means at hand

to do it; and, if it's abroad, of course, in conjunction with the host government, or encouraging the host government to do so. And we definitely stand behind the statements that I've made.

QUESTION: Mr. Secretary, many of us have taken advantage of the informalized communication that you've alluded to, and it's extremely interesting and encouraging to hear you mention this afternoon the establishment of a government-industry council for a more formalized exchange of information both ways.

Can you tell us a little bit more about how this will get off the ground?

SECRETARY SHULTZ: Well, it will get off the ground by first picking some people and trying to pick people who are known in both sides, so to speak, so that people, on the one hand, bring something to the party themselves as individuals and their organizations, but also have a kind of representative aspect to them that they're people who are known in the field and who you can readily identify with. And then they will have to start focusing in on these problems, and I think it is in part something as it develops -- at least I'm just giving you my own conception of it -- something from which ideas can flow, something which will serve this purpose that I mentioned earlier of raising the consciousness of people, that they have to consider these problems. And it may also have certain offshoots, so to speak -- not in any formal way, but, nevertheless, perhaps a little more effectively than now -- offshoots in the form of groupings that operate in some place around the world where in a formal sense our regional security officer or others may bring people together and systematically examine what's going on.

So I think it's something that is starting, and always when you start something you don't know precisely where it's going, but I think its objectives are pretty clear. And by this time we have a very considerable expertise in the government that's developing and growing, and I sense that there is similarly a lot more known about all this in businesses and industry than was true, let's say, five years or so ago.

So we have something to draw on, and we ought to start that process of exchange, and that's what we're trying to work out here.

If you want to expand on that, Dave (Fields), you go ahead.

MR. FIELDS: I think at this point, Mr. Secretary, I'd leave it at that. I think there was another questioner.

SECRETARY SHULTZ: Okay.

MR. FIELDS: The young lady back here had her hand up.

QUESTION: Mine was very similar, if you could elucidate on how private sector people could become involved in this Council.

SECRETARY SHULTZ: When we have it fleshed out, people will be made -- will know about it, and I think that in itself will show how to communicate with the individuals involved.

No more questions? Well, thank you very much for having me. I appreciate it.

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# PRESS DEPARTMENT OF STATE



February 9, 1985  
NO. 15

PROGRAM FOR THE STATE VISIT TO THE UNITED STATES OF AMERICA OF  
HIS MAJESTY FAHD BIN ABD AL-AZIZ, KING OF SAUDI ARABIA

February 10-15, 1985

Sunday, February 10

3:00 p.m.

His Majesty Fahd bin Abd al-Aziz, King of Saudi Arabia and his party arrive Andrews Air Force Base via His Majesty's Aircraft.

The Honorable George P. Shultz, Secretary of State, will greet the party on arrival.

3:20 p.m.

Arrival Washington Monument Grounds (Reflecting Pool Side).

3:40 p.m.

Arrival Ambassador's Residence, 644 Chain Bridge Road, McLean, Virginia.

Private dinner and evening.

Monday, February 11

10:00 a.m.

Arrival at the White House where His Majesty, the King of Saudi Arabia will be greeted by the President of the United States and Mrs. Reagan, The Honorable George Bush, Vice President of the United States, and Mrs. Bush, The Honorable George P. Shultz, Secretary of State, Acting Chairman of the Joint Chiefs of Staff, General Charles A. Gabriel, and Mrs. Gabriel, and others.

S/CPR - Mary Masserini,  
Protocol Office  
Hay Adams Hotel  
638-2260 Ext. 112

Monday, February 11 (continued)

10:30 a.m. His Majesty, the King of Saudi Arabia will meet with President Reagan at the White House.

12:30 p.m. The Honorable George P. Shultz, Secretary of State, will host a luncheon in honor of His Majesty, the King of Saudi Arabia, Thomas Jefferson Room, Department of State.

Private afternoon.

7:30 p.m. The President of the United States and Mrs. Reagan will host a dinner in honor of His Majesty, the King of Saudi Arabia at the White House.

Dress: Black Tie/National Dress.

Tuesday, February 12

POOLED PHOTO COVERAGE OF ALL MEETINGS AT AMBASSADOR'S RESIDENCE.\*\*

PRESS CONTACT:  
INFORMATION OFFICE  
ROYAL EMBASSY OF SAUDI ARABIA  
337-4076, 342-3800

HIS MAJESTY THE KING OF SAUDI ARABIA WILL MEET WITH THE FOLLOWING AT THE AMBASSADOR'S RESIDENCE:

10:00 a.m. The Honorable John Block  
Secretary of Agriculture  
and  
The Honorable Malcolm Baldrige  
Secretary of Commerce

Private luncheon.

4:30 p.m. His Majesty, the King of Saudi Arabia will meet with the Honorable Gerald R. Ford, and, the Honorable Jimmy Carter, at the Ambassador's Residence.

Private dinner and evening.



Wednesday, February 13

HIS MAJESTY, THE KING OF SAUDI ARABIA  
WILL MEET THE FOLLOWING AT THE  
AMBASSADOR'S RESIDENCE:

10:00 a.m.

The Honorable Caspar Weinberger  
Secretary of Defense

11:00 a.m.

The Honorable James Baker  
Secretary of the Treasury

Private luncheon and afternoon.

8:00 p.m.

His Majesty, The King of Saudi Arabia  
will host a dinner, Grand Ballroom,  
J.W. Marriott Hotel, 1331  
Pennsylvania Avenue, Northwest.

Dress: Black Tie/National Dress.

POOL COVERAGE.

PRESS CONTACT:

Information Office  
Royal Embassy of Saudi Arabia  
337-4076, 342-3800

Thursday, February 14

11:00 a.m.

His Majesty, The King of Saudi Arabia  
will meet with The Honorable Cyrus R.  
Vance, former Secretary of State,  
Ambassador's Residence.

Private luncheon and afternoon.

7:30 p.m.

The Honorable George Bush, Vice  
President of the United States will  
host a dinner in honor of His  
Majesty, The King of Saudi Arabia,  
Vice President's Residence.

Dress: Business Suit/National Dress.



Friday, February 15

Private morning and luncheon.

3:25 p.m.

His Majesty, The King of Saudi Arabia and his party arrive at the Washington Monument Grounds (Reflecting Pool Side).

Departure Ceremony.

3:40 p.m.

Arrival Andrews Air Force Base via U.S. Presidential Helicopters.

3:50 p.m.

Departure from Andrews Air Force Base via His Majesty's Aircraft for Saudi Arabia.

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NOTE

Recognized Credentials for Coverage of Events:

WHITE HOUSE

STATE DEPARTMENT

U.S. CAPITOL

U.S.I.A.

and

SAUDI ARABIAN VISITING PRESS PASS

\* \* \* \* \*

**\*\*PHOTO COVERAGE:** Photographers to be at Ambassador's Residence, Press Trailer, no later than 20 minutes before scheduled meetings.

# PRESS

# DEPARTMENT OF STATE



No. 16  
February 11, 1985

REMARKS BY  
THE HONORABLE GEORGE P. SHULTZ  
SECRETARY OF STATE  
ON NBC-TV'S "TODAY SHOW"  
WASHINGTON, D.C.  
FEBRUARY 11, 1985

JANE PAULEY: Good morning, Mr. Secretary.

SECRETARY SHULTZ: Good morning.

MS. PAULEY: Do you agree with Ambassador Walker that the Americans traveling with Kim provoked that melee at the airport?

SECRETARY SHULTZ: Things didn't go according to the agreements that we thought we had worked out for his arrival. The traveling party didn't go as was described and the Korean Government didn't react the way we thought they might have, so there was some misunderstanding there and it led to this scuffle, but that's not really the main point. The main point is whether or not in Korea progress is being made toward a more open society, a more democratic society, and I think there is some progress, although they are a long way from where we'd like to see them.

ROBIN LLOYD: Mr. Secretary, I'll take it from here. Given the fact that Saudi Arabian King Fahd is here in Washington, undoubtedly you'll be focusing much of your attention on the Middle East. King Fahd will be seeking more arms and he will be asking the United States for a greater commitment on the Mideast peace process. Are we prepared to give him either of these requests?

SECRETARY SHULTZ: Well, I think we will be talking with him about the whole strategic situation in the Middle East and certainly about the peace process. We're in the process ourselves of reviewing how we think the level of armaments in various countries is shaping up and how it might change as our analysis of the strategic situation shows it should, so we're not, in this meeting, going to be negotiating things, but rather, sharing information and raising the level of

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understanding. AS King Fahd said to me yesterday, he said, I come not as a negotiator, but as a friend. And so, in that spirit, our object will be to raise the level of understanding on both sides.

MR. LLOYD: He will be the first of many Arab leaders to come to Washington over the next six months. They will all be urging the United States to get involved in the Mideast peace process. Can we afford to stay on the sidelines?

SECRETARY SHULTZ: We're not on the sidelines by any means. We're very active, but people equate the Middle East peace process somehow with the drama of somebody flying around getting on and off airplanes and so on. Right now, I think, the right stage is to be building the blocks that are necessary to put in place for an active negotiation to take place, whether that be in Israel or whether it be in the Arab states. After all, if we're going to get some place in the peace process, an Arab negotiator has to sit down with an Israeli negotiator and try to work out answers. That's the name of the game -- to bring that kind of negotiation about.

MR. LLOYD: What about U.S.-Soviet talks on the Middle East? They're coming up, I understand. How much do you expect from those talks?

SECRETARY SHULTZ: Well, I think it's probably largely a matter of information sharing and damage control, as we look at a whole set of associated matters, from the Iran-Iraq war, to Afghanistan, to the Arab-Israeli dispute, to the role of UNIFIL in Lebanon, and so on, and we want to avoid misunderstandings.

MR. LLOYD: Moving on to Central America, Nicaragua and our relations with Nicaragua is a top priority over the next four years. The President has said that he wants to support the Nicaraguan rebels or "contras," as they are called. Congress seems to be dead set against this. How are you going to persuade Congress that this is the right policy?

SECRETARY SHULTZ: I wouldn't say that our relations with Nicaragua are a top priority for the next four years. The top priority is to help bring peace and stability and democracy to Central America, and certainly, the Soviet-Cuban-Nicaraguan influence is a main block to the kind of world that, presumably, all Americans would like to see in Central America. So we have to continue working along the lines of President Reagan's enunciated policy of a couple of years ago before a Joint Session of Congress, and along the lines of recommendations in the Kissinger Commission.

MR. LLOYD: There's been some talk of breaking off relations with Nicaragua and recognizing the rebels as the only legitimate political force in Nicaragua. Is that truly under consideration?

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SECRETARY SHULTZ: Well, I haven't heard that talk but maybe among you news people, you're talking about that.

MR. LLOYD: Okay, and Cuba -- they've been sending some peace signals -- are we interested?

SECRETARY SHULTZ: The kind of peace signal we'd like to see Cuba send is a change in their behavior. Words have come and gone with Cuba over the years, but it's their behavior that counts. And the minute they're ready to change their behavior, then we're ready to talk to them.

MR. LLOYD: One last question: Arms control talks are coming up next month. Soviet leader Chernenko is quite ill from all we understand. Could this affect the success or failure of arms control talks?

SECRETARY SHULTZ: Well, as far as we're concerned, we're dealing with a functioning government in the Soviet Union, and we deal with a Foreign Ministry. Decisions are made. We have a meeting, like we had in Geneva recently, and so as far as we are able to tell and our expectation is, we will have a strong interlocutor in Geneva when we go there.

MR. LLOYD: Thank you, Mr. Secretary. Back to you, Jane.



# PRESS

## DEPARTMENT OF STATE



February 11, 1985  
NO. 17

### STATE DEPARTMENT ADVISORY GROUP ON FOOD, HUNGER AND AGRICULTURE MEETS

The first meeting of the State Department's private sector advisory group on Food, Hunger and Agriculture in Developing Countries took place February 5, chaired by Ms. Carol Brookins, President of World Perspectives. The group is a Subcommittee of the Department's Advisory Committee on International Investment, Technology and Development.

Allen Wallis, Under Secretary of State for Economic Affairs, and Denis Lamb, Deputy Assistant Secretary for Trade and Commercial Affairs both emphasized that the Subcommittee's task was not to examine government food aid programs, but rather to consider the role which private trade and investment could play in alleviating hunger. Lamb stressed the importance of a free trade and investment system in allowing countries to go beyond simply growing more food for their own consumption. He noted that economic development provided the best guarantee of long run food security.

Ms. Brookins said she was encouraged by the turnout (over 20 firms involved in agricultural production, distribution, supply, trade and finance agreed to participate) -- and the positive response from the membership to the suggested work program. Initially, the Subcommittee will look at obstacles to investment in developing countries based on members' experience, and will examine success stories as well.

Brookins hopes that future efforts to reform developing countries' policies will take into account the specific needs of private firms doing business there, thereby improving the climate for investment and trade. She pointed out the increasing tendency for the U.S. and international financial institutions such as the World Bank to use new aid programs to encourage reforms of a market nature. She also drew Subcommittee members' attention to the "Food for Progress" program recently announced by the President. This program was suggested by Ambassador Robert B. Keating, U.S. Ambassador to Madagascar and Chairman of the President's Third World Hunger Study.

# PRESS DEPARTMENT OF STATE



February 11, 1985  
NO. 18

## REFORM OBSERVATION PANEL FOR UNESCO

February 11, 1985

The Secretary of State has appointed a Reform Observation Panel to assess and report on the UNESCO reform process and to encourage reform efforts that advance continuing U.S. interests. The United States withdrew from UNESCO on December 31, 1984.

The members of the Reform Observation Panel, eminent citizens familiar with UNESCO's various areas of activity - education, science, culture and communications - will report to the Secretary on the continuing reform effort in 1985. The establishment of the Panel is in keeping with the President's initiative to increase private sector involvement in foreign policy.

Mr. Leonard H. Marks - attorney; Chairman, Foreign Policy Association; former director, USIA; and member of the Monitoring Panel on UNESCO has agreed to serve as the Panel's Chairman.

The other members of the Panel will be:

Mr. Franklyn C. Nofziger - Nofziger and Bragg Communications; and Assistant to the President for Political Affairs, 1981-1982, who will serve as the Panel's Vice-Chairman.

Martin Jacobs 632-1534

**For further information contact:**



Mrs. Wendy Borchardt - former Deputy Under Secretary for Education; member, U.S. delegations to the 21st and 22nd General Conferences of UNESCO; former Vice Chairman, Monitoring Panel on UNESCO.

Mr. James William Cicconi - Special Assistant to the President and to the White House Chief of Staff.

Mr. Edwin John Feulner, Jr. - President, The Heritage Foundation.

Dr. James B. Holderman - Chairman, U.S. National Commission for UNESCO; President, University of South Carolina; former Chairman, Monitoring Panel on UNESCO.

Mr. John Nicholas Irwin, II - director, IBM; member, International Council, Morgan Guaranty Trust Co.; trustee emeritus Princeton University.

Mr. William Korey - Director, International Council and Institute for Policy Research, B'nai B'rith.

Mrs. Ursula Meese - former director, William Moss Institute; member, U.S. delegation, 22nd General Conference of UNESCO; member, Monitoring Panel on UNESCO.

Dr. Frederick Seitz - President Emeritus, The Rockefeller University; past president, National Academy of Sciences; member, Monitoring Panel on UNESCO.

# PRESS DEPARTMENT OF STATE



FEBRUARY 12, 1985  
NO. 19

AS PREPARED FOR DELIVERY

REMARKS BY  
THE HONORABLE GEORGE P. SHULTZ  
SECRETARY OF STATE  
AT THE LUNCHEON  
IN HONOR OF KING FAHD  
STATE DEPARTMENT  
WASHINGTON, D.C.  
FEBRUARY 11, 1985

Your Majesty, we are honored to greet you. You have come as a friend, and we have talked today as only friends can do. We have benefited from your views. Our countries have travelled far together during the past half century. Our cooperation has taken many forms but has always had the same goals -- the mutual benefit of our two nations, in the context of peace and economic progress throughout the region.

You have spoken of your concern about the ever-present potential for violence and trouble in the Middle East if there is not movement toward peace. We agree. The security and well-being not only of your Kingdom, but of all the states of the region, require a just and lasting peace between Israel and all its Arab neighbors.

History shows there is only one road to such a peace: direct negotiations between Israel and its Arab neighbors based on the territory-for-peace formula of Security Council Resolution 242. Negotiations work. Permanent arrangements for peace have been established in one treaty of peace. And we will not rest until the same can be said for all the other areas affected by the Arab-Israeli conflict.

President Reagan, on September 1, 1982, proposed a set of positions that could point the way to an equitable settlement.

He made clear that we seek a peace that will both satisfy the legitimate rights of the Palestinian people and assure the security of the State of Israel.

Our positions need not be accepted by any other party in advance of negotiations. Indeed, we would expect each party to bring its own preferred positions to the table at the outset and to press them vigorously. It is in this respect, Your Majesty, that there could be a most useful role for the principles endorsed by the Arab Summit at Fez in 1982. I know you labored long and hard for those principles. While they differ from our own ideas in a number of important respects, they could contribute importantly to the development of the position that an Arab negotiator brings to the table.

Both President Reagan's initiative and the Fez Declaration refer to the concept of a transitional period in the West Bank and Gaza. The President described the purpose of such a period as the peaceful and orderly transfer of authority from Israel to the Palestinian inhabitants, without interference with Israel's security requirements. Successful negotiations for a transitional period would be a major tangible step on the road to peace in the region.

I sense the region is moving steadily toward a resumption of active negotiations. We have been trying to build toward that goal, block by block, by helping arrange Israeli withdrawal from Lebanon with security for Israel's northern border, by urging continued improvement in Egyptian-Israeli relations, and by seeking to improve the quality of life for the Palestinians.

The problems that must be overcome when negotiations are joined are monumental in their complexity -- but they are not insurmountable. And it is clear that nothing will be achieved until negotiations get started.

The positions the President put forth on September 1 remain as important -- and urgent -- today as they were then. We are ready to pursue them with great energy and determination, whenever the parties in the region are prepared to negotiate. The risks and dangers that we face in the absence of progress -- on which we and Saudi Arabia agree -- lead us to one crucial conclusion: the sooner negotiations begin, the better for all concerned.

As we work toward peace in the region, the security and well-being of Saudi Arabia remain of vital interest to the United States, as they have been since our security relationship began in the days of World War II. The continuing, fruitless war pursued by Iran is a threat to Saudi Arabia and

the other states of the Gulf. The shield held up by Saudi Arabia has been forged through the years of our effective military cooperation. The Kingdom's capacity to defend itself when challenged is proof of the wisdom of that cooperation.

But our cooperation is broader than security -- as basic as that is. The US-Saudi Joint Economic Commission, now ten years old, has grown into a substantial component of the Saudi development effort. Over twenty major projects have been set up, ranging from manpower and vocational training, to a magnificent National Park in Southwest Saudi Arabia, to the Solar Energy Project in the practical use of photovoltaics for agriculture and industry. From the first days when American oilmen stepped ashore in Jubayl, then a small village, to search for oil, until now when American and Saudi businessmen cooperate in many ventures, large and small, the free-enterprise philosophies of our two countries have produced a dimension of U.S.-Saudi relations that goes much farther and deeper than formal diplomatic contacts.

Beyond these bilateral ties, there are broader areas of cooperation. The Saudi Government was instrumental, for example, in establishing the Gulf Cooperation Council to enhance the political, social and economic interests of its six member nations. The GCC is an example of regional cooperation at its best, and is an experiment of which Saudi Arabia and its neighbors are deservedly proud. The United States remains ready to lend its support to the organization's goals of regional coordination and security.

Saudi-American friendship and cooperation thus have many dimensions, many achievements, and enormous potential. Today we celebrate the many goals we share -- above all peace in the Middle East -- and we dedicate ourselves to new joint efforts to turn these goals into realities.

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# PRESS

# DEPARTMENT OF STATE



February 14, 1985  
NO. 20

## SUMMARY OF THE INTERNATIONAL NARCOTICS CONTROL STRATEGY REPORT FOR 1985

The Department of State today submitted the International Narcotics Control Strategy Report for 1985 to Congress as required by P.L. 98-164. The report is prepared each year under the direction of the Department's Bureau of International Narcotics Matters, and provides a country-by-country analysis of the narcotics situation in producing and transit countries.

Jon R. Thomas, Assistant Secretary of State for International Narcotics Matters, said the 1985 report shows that "1984 was a year of building bases for enhanced control programs and creating opportunities for large-scale actions in 1985. Genuine progress is reflected in the production reports on several countries, but there were some disappointments. On balance, the events of 1984 put us on the threshold of what should be our most productive year ever in narcotics control."

The INCSR emphasizes that, more than perhaps at any time in recent memory, there are strong incentives for source nations to act in their own interests to control narcotics trafficking. The international community is affected by narcotics trafficking and abuse, and the attendant violence, corruption and social costs which undermine legitimate businesses and threaten national security in many parts of the world. In some countries, insurgents and terrorist organizations have established links to narcotics traffickers and these groups are now sharing in the narcotics profits. Producing nations are experiencing abuse and addiction among their own youth, and the demand for treatment and prevention has increased in these source countries.

"These concerns are prompting new opportunities," Thomas said. "Source and victim nations alike have a common interest in the success of control programs, and source countries are realizing that they are first beneficiaries of programs to curb trafficking and all of its related excesses. This realization is reflected in the program expansion of 1984. We are seeing an emerging alliance in Latin America, where national leaders are now beginning to work together, bilaterally and multilaterally, on regional approaches to control problems."

The report provides the following observations:

Opium production declined in Pakistan and Afghanistan, but marginally increased in other countries. Adverse weather and a new eradication program in Thailand, and continuation of the more effective sweep strategy in Mexico portend well for reductions in prospective opium poppy production in most sectors in 1985.

Coca production increased in Peru and Bolivia as anticipated, while holding about even in Colombia. But, Peru began to eradicate coca on an appreciable scale in 1984, despite terrorists attacks against eradication workers. Columbia is testing aeriually-sprayed herbicides which could offer the first real means of eradicating coca on a major scale. While Bolivia's economic and political problems are understood, its failure to begin coca eradication remains a major disappointment.

The most important marijuana development in 1984 was the Colombian eradication program which destroyed 4,000 hectares, including 3,000 hectares destroyed by an aeriually applied herbicidal spray. Cannabis cultivation increased in Mexico, and the increase in Belize confirms traffickers' efforts to establish new sources of supply. Production probably held at about the 1983 level in Jamaica.

Assistant Secretary Thomas noted the goals set forth in the INCSR, including continued support for the Upper Huallaga Valley coca control project in Peru; seeking agreements to begin coca eradication in other parts of Peru; the restoration of law and order in Bolivia and an initiation of coca eradication; a vigorous Jamaica campaign to eradicate marijuana; resumption of aerial herbicidal eradication in Belize; continued efforts to increase the effectiveness of the Mexican control programs; suppression of opium cultivation in Pakistan and halting the flow of opiates

across the Afghan border, and a more effective interdiction effort in Southwest Asia including elimination of heroin labs.

"International strategies must give top priority to crop control," Thomas said. He called for bans on cultivation and production, enforced when necessary by eradication. An effective international strategy should offer financial and technical assistance where needed for narcotic control projects. The United States will continue to provide assistance, which should be linked to crop control agreements to ensure success in reducing production. Governments of producing nations must demonstrate the political will to undertake effective crop control and interdiction programs. The corruption that has undermined control efforts in many source countries must be stamped out by strong and determined governments. The international community must make common cause in a more vigorous, more widespread, and more united effort to control international narcotics production and trafficking.



# PRESS DEPARTMENT OF STATE

February 14, 1985  
No. 21



INTERVIEW OF  
THE HONORABLE GEORGE P. SHULTZ  
BY  
GEORGIE ANN GEYER, BARRY SCHWEID & RON PEMSTEIN  
FOR BROADCAST BY VOICE OF AMERICA  
ON  
"PRESS CONFERENCE, USA"  
WEDNESDAY, FEBRUARY 13, 1985, 4:37 P. M.

MODERATOR (Mr. Gary Edquist, VOA): This is a recording for "Press Conference, USA", with Secretary of State George Shultz, and the introduction is as follows:

Our special guest today is U.S. Secretary of State George Shultz, and we're joining the Secretary at the State Department.

Every Saturday for the past three decades, the Voice of America has brought you "Press Conference, USA." Our program this evening with the Secretary of State marks a special occasion as we observe the 30th anniversary of "Press Conference, USA," and bringing you the personalities that shape the news.

This program comes during a week when much of the diplomatic activity in Washington touched upon the Middle East. King Fahd of Saudi Arabia held talks here with President Reagan, Secretary Shultz, and other top U.S. officials about the Middle East peace process.

The Middle East, the Iran-Iraq war, and Afghanistan will be on the agenda next week as the United States and the Soviet Union hold talks in Vienna. The State Department says the

talks will allow both sides to explain their ideas in detail to avoid misunderstanding.

State Department officials also are looking ahead to March 12 when the U.S. and Soviets will gather in Geneva to resume arms control discussion.

We'll be talking about these and others issues with Secretary Shultz, and our news correspondents this evening are Georgie Ann Geyer of the Universal Press Syndicate, Barry Schweid of the Associated Press, and Ron Pemstein, VOA Diplomatic Correspondent. And we'll begin the questions with Ms. Geyer.

MS. GEYER: Mr. Secretary, we have had the visit of King Fahd of Saudi Arabia this week. As he has called for American pressures to solve the Palestinian problem, President Reagan countered with asking for Arabs and Israelis to negotiate. At the same time, there were reports that Jordan and the PLO might negotiate.

Do you realistically see that any new situation is upon us in the Middle East?

SECRETARY SHULTZ: The situation is always evolving, and I think people are evaluating the fact that there are continuing tensions and see the desirability of peace.

From our standpoint, we have been active but in a low-profile way, and have been encouraging people in the region to examine their positions and to see how much shiftability there is in them.

Right now, as was noted in the introductory comments, there are discussions going on in Amman that we've been following. Just what will come out of them, we don't know, but it is interesting that there's a lot of ferment and a lot of discussion going on. It may be that this will lead to something. We can hope so.

MS. GEYER: Sir, do you take seriously this ferment out of Jordan, for instance, with the PLO? Is it a specific plan? Do you think it's a hard enough plan for us to have some hope?

SECRETARY SHULTZ: From what we know, our knowledge is kind of fuzzy. We don't know exactly what is coming out of this discussion, and I suppose it will sort of evolve along. But if there's movement, it helps, even though the specific plan may not be something that is operable.

MR. EDQUIST: Mr. Schweid?

MR. SCHWEID: Well, fuzzy or not, is it your conclusion or your impression -- after all, King Hussein of Jordan is supposed to be a friend of the United States, and this plan has been hammered out now for several days -- has the King and the Chairman of the Palestine Liberation Organization -- have they agreed to negotiate directly with Israel?

SECRETARY SHULTZ: I don't know the answer to that question, but I do know that there's no way to solve this problem until the key Arab leaders -- and I think King Hussein is the key person -- are ready to sit down with Israel and King Hussein, having a representative of the Palestinian group with him, and discuss the problems on the West Bank and Gaza. Those problems involve the security of Israel, they involve the rights of the Palestinians in the area, as has been said many times.

MR. SCHWEID: Well, what's also been said many times is the United States insists on direct negotiations between the Arabs and Israel, and there are reports that suggest Hussein and the PLO would like to use the United States as an intermediary. In other words, somehow have a filter between the Arabs and Israel.

Is that the kind of role the United States could comfortably or reasonably play?

SECRETARY SHULTZ: I think that the parties have to sit down and talk to each other, and I'm sure that they will want us to be present -- they usually do -- and we'll be glad to be present and try to be helpful. But in the end, the people who live there have to agree on whatever it is that might come forward, and if any arrangement is made, it's one in which there will be interaction; there will be peace; there will be movement of people and goods in the kind of way that we consider to be normal in this country.

MR. EDQUIST: Mr. Pemstein?

MR. PEMSTEIN: In your talks with King Fahd this week, did he give any indication that Saudi Arabia would support the kind of process you talked about? In the past, Saudi Arabia has not been willing to give support to the Egyptian-Israeli peace treaty and has never given King Hussein a sign that it would support any move on his part.

So do you have any sign from the Saudis this week that they'd be more willing to give support to any move by King Hussein?

SECRETARY SHULTZ: I hesitate to say anything that presumes to speak for Saudi Arabia -- they'll speak for themselves -- but I do certainly have the feeling that they encourage the effort by King Hussein and the PLO to find a way to move toward peace in the region.

They, as well as other countries, feel that the tensions in the region are potentially dangerous, and it's very desirable to have them brought under control and to see greater prospects of stability.

MR. PEMSTEIN: Did King Fahd ask you to get more involved than you've indicated that you want to be? Have you turned it around to him and said that the people in the area have to make the move, or do you feel more optimistic that a more active American role could make a difference now?

SECRETARY SHULTZ: Oh, I think people in the area expect, and we agree, that when the time is ripe, an active American role is undoubtedly helpful, and we're quite prepared to be helpful. I think it's also clear that right now the right American role is the kind of thing we're doing, which is very active, but is not the sort of high profile type of getting on and off airplanes that people think of when they think of negotiations in the Middle East.

I think to some extent people have become drama junkies, and so when they think of negotiations, that's all they think of. Whereas the real effort in a negotiation is getting things prepared right, putting the pieces into place that can potentially lead to a settlement, and that's what we've been working on is to identify these pieces and try to help get them in place.

MR. EDQUIST: Ms. Geyer?

MS. GEYER: Mr. Secretary, Cuban President Fidel Castro, after several years of virtual public silence toward the United States, has been on television and American newspapers every night recently, apparently offering some sort of olive branch toward the United States.

Is this an olive branch, or is it a Crown of Thorns?

SECRETARY SHULTZ: Well, what it is -- it isn't either. It's a lot of rhetoric. What we look for is some change in his behavior, and his behavior is to continue to try to export revolution all over the hemisphere.

MS. GEYER: Sir, why do you think he is doing this at this point? Is it the economic problems in Cuba, is it the fact of the new Administration, or is it just trying to reach the American people above the heads of the government?

SECRETARY SHULTZ: I don't know why he's doing it. I don't have much -- well, I can speculate about it, like anybody else can, but that's the sort of question you have to ask him about.

I think it's very important from our standpoint in this country that we keep a clear head about what is taking place, be realistic about the behavior, and that we look to our strength, along with the strength of our friends, and that we nourish the very strong trends throughout our hemisphere toward democratic forms of government and the rule of law and to economic development.

All of these things are antithetical to what Castro seems to stand for.

MS. GEYER: You don't have any indication from him, I take it from what you've said, that he is willing to cut back on his support for revolution in Central America?

SECRETARY SHULTZ: There doesn't seem to be any indication of that, or to the extent that it might occur, it would be something that was forced on him, and how long it would last, one wouldn't know.

MR. EDQUIST: Mr. Schweid?

MR. SCHWEID: Mr. Secretary, I wonder why this Administration, like previous Administrations, makes such a special exception of Castro and of this hemisphere. After all, the United States is about to talk to the Soviet Union about the Middle East, where we have for years accused them of troublemaking. We're about to talk to them about nuclear weapons, and we accuse them of all sort of military plans that we disapprove of.

Why are the Soviets, and others who also are exporting revolution, fit negotiating partners for the United States but somehow Castro is a pariah?

SECRETARY SHULTZ: First of all, the discussions on the Middle East are not negotiations in any sense. The Soviet Union is a power throughout the world, and we have discussions with them about problems in various regions of



the world from time to time. They are information-sharing to a certain extent, and they are designed to avoid miscalculations.

In other words, it's sort of a damage control function because there are points of tension around the world, and I don't think anybody wants to see tension blow up into something that might become a larger conflict involving the U.S. and the U.S.S.R. So that's something you have to think about.

As far as the negotiations for arms reduction are concerned, here again the President feels that it's a very important thing for us and for the world to reduce -- not limit, but reduce -- the volume of nuclear weaponry that threatens our countries and threatens other countries. So if we have a chance to do that, we think that we should seize that chance.

MR. SCHWEID: But here in this hemisphere too, Mr. Secretary, there are points of tension, and I just wonder why this same approach isn't taken to Castro and to Nicaragua? Why we seem to have more of a confrontational stance in this hemisphere than we take with our adversaries in other parts of the world?

SECRETARY SHULTZ: There have been a number of efforts on the part of past Administrations to respond to the sort of rhetoric that Castro is now using, and in the end they've turned out to be fruitless.

With respect to Nicaragua, I can't tell you how many times I think -- nine or ten meetings -- Harry Shlaudeman, Ambassador Shlaudeman, has had with the Nicaraguan designee, Mr. Tinoco, to see if we could find a way to help the Contadora process, develop a regional settlement. We've tried to help that process. So we've engaged ourselves quite a bit.

The fact of the matter is that Nicaragua doesn't show any signs at all of any inclination to live up to the stated aims of its own revolution, and if Nicaragua were to hold democratic elections and have a pluralistic and more open form of government and stop trying to subvert its neighbors, there'd be a much better prospect of stability in Central America. But they don't seem to do it. It's not for want of us talking to them or anybody else talking to them.

MR. EDQUIST: This is "Press Conference, USA," broadcast from Washington by the Voice of America. Our special guest this evening is U.S. Secretary of State George Shultz. He is being questioned by news correspondents Barry Schweid of the Associated Press, Georgie Ann Geyer of the Universal Press

Syndicate, and Ron Pemstein, VOA Diplomatic Correspondent, who continues the questions.

MR. PEMSTEIN: Mr. Secretary, you've just mentioned that you're not going to talk to Nicaragua because it seems to be fruitless. At the same time there doesn't seem to be much move toward that regional peace agreement, Contadora agreement.

What are the prospects for getting some sort of new draft of a Contadora agreement. There was supposed to be a meeting, I believe, this week, and yet there's no sign of it. Where does that stand?

SECRETARY SHULTZ: As it stands right now, what I know of it, Costa Rica, Honduras and El Salvador are saying that they won't go to a meeting as long as Nicaragua insists on, for all intents and purposes, keeping an individual hostage that under normal circumstances would be released to them.

Again, it's kind of an action on the part of Nicaragua that belies the words that they like to use. But as far as we're concerned, I would put what you said in another way. We're ready to talk to Nicaragua. We're ready to talk to -- or help in the Contadora process in any way we can, and we've tried, but we don't see that talks with Nicaragua are getting anywhere.

In fact, among the reasons for us saying that there was no point in scheduling another meeting was that they were starting to portray those talks as an alternative to Contadora, when the whole object of them was to support and help Contadora. So it's the Contadora process that deserves the emphasis, in our opinion.

MR. PEMSTEIN: But do you feel, then, that the talks are going to be stalled for a long time, and that there's really no hope in that picture?

SECRETARY SHULTZ: It's a question in the end of whether Nicaragua will agree to and then follow through and actually live with the pledges that it made to the OAS at the time of the Sandinista revolution; that it made in endorsing 21 principles that the Contadora countries agreed on; that it seemed to endorse in various versions of possible Contadora treaties, namely, to have a country governed in a democratic way. When they postponed elections forever, and then when they finally did have one, it wasn't any kind of a real election.



MR. EDQUIST: Ms. Geyer?

MS. GEYER: Mr. Secretary, the Reagan Administration has constantly said that it wanted to restore American pride in the world. Yet only this last week a high-level delegation of Americans were beaten up and humiliated as they arrived in South Korea, accompanying political leader Kim Dae Jung. The Administration seemed to many to react very equivocally, barely criticizing the South Korean military regime.

How does restoring respect for America jibe with these actions?

SECRETARY SHULTZ: I think "beaten up and humiliated" is not an accurate description. The American delegation went to Korea, and as they arrived in the airport, neither the delegation arriving nor the Korean Government behaved in a way that we felt had been agreed on, and you had a scuffle there. It was nothing that we endorsed. We have protested those actions.

But insofar as the pride and standing of America around the world and in Korea is concerned, I think we can be very proud of what we have done in Korea. There has been a lot of progress on many fronts in Korea. The security situation is a strong one, whereas when we came to office there were lots of uncertainties.

The relationship between Japan and Korea has moved in a way that's unprecedented in recent times. There have been quite a number of actions taken by the Korean Government that move in the direction of more openness and a greater prospect of genuine democracy.

The situation is far from what we would like, and we don't mind saying so. But it's also important to recognize that there has been progress, and to the extent we've contributed to it, I think we can take some pride in that fact.

MS. GEYER: Did you have any promises from the South Korean Government about the treatment of Mr. Kim when he returned? I know that the Administration was actively involved in that.

SECRETARY SHULTZ: Yes. We felt that he should be allowed to return and that he shouldn't be put in jail, which is where he was when he left. We would hope that as time goes on, he'll have greater freedom of movement than he seems to have now. As you know, he's now in his house, although people are apparently free to go there and call on him, including news people.

MR. EDQUIST: Mr. Schweid?

MR. SCHWEID: Mr. Secretary, Evan Galbraith, winding up four years as the U.S. Ambassador to Paris, describes the American Foreign Service Officer this way: "He's like a military person. To move up, he avoids trouble. He learns in time to have a horror of confrontation."

Is Ambassador Galbraith's description correct, would you say?

SECRETARY SHULTZ: I think it is a very distressing thing to have an American Ambassador assault both our military people and our Foreign Service people who are serving on the front lines to defend this country.

I have taken part in all too many ceremonies where Foreign Service Officers have been honored as they have been killed in the service of this country. Our lobby has lists of names on each side, and people serve all over the world literally on the front lines, and there are many a Foreign Service Officer and Ambassador who have picked themselves out of rubble and gone back to work. So I think they deserve better than that.

MR. SCHWEID: That sort of moots my follow-up question, which was he also said, "There's something about the Foreign Service that takes the guts out of people." I guess you don't agree with that.

SECRETARY SHULTZ: Well, no, I don't.

MR. EDQUIST: Mr. Pemstein?

MR. PEMSTEIN: Mr. Secretary, looking ahead to --

SECRETARY SHULTZ: In fact, I'll go back to your question. The guts that people display is just really inspiring. I'll give an example that apparently Ambassador Galbraith has no knowledge of. See, his knowledge is not complete.

When Mr. Keogh was killed in action doing a job for peace in southern Africa, within a matter of three or four days there were some 35 volunteers from the Foreign Service to go and take his place in that dangerous assignment. So I think that when he says, "It takes the guts out of people," somebody ought to tie his tongue for him.

MR. EDQUIST: Mr. Pemstein?

MR. PEMSTEIN: I can't help but follow up on that. You're sort of his boss. Are you going to tie his tongue?

SECRETARY SHULTZ: I've said what I have to say right here, and I put out a statement today, and I'm sure he'll hear about it.

MR. PEMSTEIN: Mr. Secretary, next month there are the long-awaited resumption of arms control talks with the Soviets. Are we to expect something soon on this? Have enough pre-arrangements been made? Or are -- is this going to be a years and years process before anything emerges?

SECRETARY SHULTZ: I think we have to be prepared for a long negotiation. These negotiations have historically taken quite a long while, so we have to be ready to be patient and to be careful and deliberate.

At the same time we go there in a constructive and positive spirit. We'll be prepared for active negotiations. We have a first-class negotiating team and a backup structure in Washington and the President at the head of it that's really prepared to work on this.

So we'll just have to see how the process goes, but history does show that it takes a long time to work out these complicated matters.

MR. PEMSTEIN: I'd like to ask you one more question. You've been described lately with a term that your predecessor aspired to but never achieved -- the vicar of foreign policy. I know you're too modest to accept that designation, but I wonder if you feel that you are indeed in control of the foreign policy direction of the United States, certainly -- or let's say in the last year or so.

SECRETARY SHULTZ: Not at all.

MR. PEMSTEIN: Not at all?

SECRETARY SHULTZ: No. The President is in control of it. He is my boss. I see him a lot, and I never do anything except that I feel that I'm acting in concert with his views.

MR. EDQUIST: Ms. Geyer?

MS. GEYER: Mr. Secretary, a few alarmed people are saying that we are seeing a new relationship in the world between over-population and resource exhaustion.

Do you believe this, and do you believe that Ethiopia may be the harbinger of the new time?

SECRETARY SHULTZ: No, I don't. There is no evidence at all of resource exhaustion. Quite to the contrary, I think all of the evidence in recent years is that there is a capacity to produce that's awesome.

The Ethiopian example focuses on the problem of hunger, and there is great hunger in Ethiopia and in many parts of Africa. There's also a demonstrated capacity to produce food in the world. There are, you might say, rules for production that need to be observed, and I say this, recognizing that drought conditions have caused great difficulties in much of Africa.

Nevertheless, if you want to have something produced, you have to have the price of it above the cost of producing it or nothing will happen. It has shown all over the world that when you let the price be above the cost, a lot does happen.

The most recent major example of that is in China where they were following a system that they adopted from the Soviet Union -- and they're frank to say this -- and it just didn't work. They switched to a system that gave the producers genuine incentives, and they have revolutionized the whole process, and there's great productivity.

I think that lesson needs to be learned all over the world, and when it's learned, we'll see that production is there.

MR. EDQUIST: Mr. Schweid?

MR. SCHWEID: Mr. Secretary, the United States has been having some problems, it seems, with some of its alliances lately, problems with New Zealand -- we're running out of time, so I'm trying to capsule the problems -- problems with New Zealand, Australia. Now there are reports that Canada, with Puerto Rico, which is a Commonwealth, Ireland, other countries, are upset about contingency plans to store nuclear weapons.

Is it possible that U.S. nuclear policy is too far ahead of its friends, and that the United States is in for considerable divisiveness as it insists on a policy that apparently a lot of countries don't agree with?

SECRETARY SHULTZ: First of all, our alliances are, I think, as strong or stronger than they've ever been, and the picture is very good from that point of view. Also, I think there is

a keen appreciation around the world that nuclear deterrence has kept the peace, and that if we were to disarm, leaving the Soviet Union armed, it would be a catastrophe for freedom.

As far as the action of New Zealand is concerned, of course, they're a sovereign country and do what they choose. That does disrupt the ANZUS alliance, but it is one incident in an otherwise very strong picture.

MR. EDQUIST: Mr. Secretary -- did you have a comment?

MR. SCHWEID: No, no.

MR. EDQUIST: Mr. Secretary, we're out of time. Thank you very much for joining us. The guest was U.S. Secretary of State George Shultz. The news correspondents included Georgie Ann Geyer of the Universal Press Syndicate, Barry Schweid of the Associated Press, and Ron Pemstein, VOA Diplomatic Correspondent. This is Gary Edquist in Washington.

(5:07 p.m.)



# PRESS

## DEPARTMENT OF STATE



February 15, 1985  
No. 22

PROGRAM FOR THE OFFICIAL WORKING VISIT TO WASHINGTON, D.C. OF THE  
RIGHT HONORABLE MARGARET THATCHER, PRIME MINISTER OF THE UNITED  
KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND, AND MR. THATCHER.

February 19 - 21, 1985.

### Tuesday, February 19

- 7:30 p.m. The Right Honorable Margaret Thatcher, Prime Minister of the United Kingdom of Great Britain and Northern Ireland, and her party will arrive Andrews Air Force Base via British Aircraft.
- 7:45 p.m. Arrival Washington Monument Grounds (Reflecting Pool Side).
- The Honorable George P. Shultz, Secretary of State, will greet the party on arrival.
- 8:00 p.m. Arrival Ambassador's Residence, 3100 Massachusetts Avenue, Northwest.
- Private dinner and evening.

### Wednesday, February 20

- 11:00 a.m. Prime Minister Thatcher will address a Joint Meeting of Congress, U.S. Capitol.
- 12:00 Noon Prime Minister Thatcher will meet with President Reagan, the White House. At the conclusion of the meeting, President Reagan will host a working luncheon in honor of Prime Minister Thatcher at the White House.

S/CPR - Mary Masserini,  
Protocol Office 632-0685.

**For further information contact:**

Wednesday, February 20 (continued)

3:45 p.m. Prime Minister Thatcher will meet with The Honorable Robert Dole, Senate Majority Leader, and Members of the United States Senate, U.S. Capitol, Room S-230.

PHOTO OPPORTUNITY:

PRESS CONTACT: Mr. Walter Riker,  
224-6521

5:00 p.m. Prime Minister Thatcher will meet with The Honorable Thomas P. O'Neill, Speaker of the House, and Members of the United States House of Representatives, U.S. Capitol, Room H-206.

PRESS CONTACT: Mr. Chris Matthews,  
225-2204

6:00 p.m. Prime Minister Thatcher receives the Christian A. Herter Memorial Award from the World Affairs Council of Boston, Drawing Room, Ambassador's Residence, 3100 Massachusetts Avenue, Northwest.

POOL COVERAGE.

PRESS CONTACT: Ms. Marianne Goss,  
462-1340

7:30 p.m. His Excellency Sir Oliver Wright, Ambassador of the United Kingdom of Great Britain and Northern Ireland, and Lady Wright will host a dinner on the occasion of the 200th Anniversary of United Kingdom-United States Relations, Ambassador's Residence, Ballroom.

Dress: Black Tie.

POOL COVERAGE.

PRESS CONTACT: Mr. Nigel Ellacott,  
462-1340

Thursday, February 21

8:00 a.m. Prime Minister Thatcher will host a Breakfast Meeting with U.S. Cabinet Officers for discussions on Trade and Economics.

POOL COVERAGE:

PRESS CONTACT: Ms. Marienne Goss,  
462-1340

10:00 a.m. Prime Minister Thatcher will hold an Open Press Conference, Embassy Rotunda, 3100 Massachusetts Avenue, Northwest.

10:45 a.m. Prime Minister Thatcher will meet with The Honorable Elizabeth Dole, Secretary of Transportation, 400 7th Street, Southwest.

PHOTO COVERAGE:

PRESS CONTACT: Ms. Mari Maseng,  
426-4570

12:15 p.m. Prime Minister Thatcher and her party arrive Washington Monument Grounds (Reflecting Pool Side).

12:30 p.m. Arrival Andrews Air Force Base via U.S. Presidential Helicopters.

12:40 p.m. The Right Honorable Margaret Thatcher, Prime Minister of the United Kingdom of Great Britain and Northern Ireland, and her party depart Andrews Air Force Base via British Aircraft enroute London, England.

\* \* \* \* \*

NOTE

Recognized Credentials for Coverage of all Events

White House - State Department

U.S. Capitol - U.S.I.A., and

British Visiting Press Pass.

# PRESS DEPARTMENT OF STATE



February 19, 1985  
No. 23

AS PREPARED FOR DELIVERY

STATEMENT BY

THE HONORABLE GEORGE P. SHULTZ

SECRETARY OF STATE

BEFORE THE

COMMITTEE ON FOREIGN AFFAIRS

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, D.C.

TUESDAY, FEBRUARY 19, 1985

10:00 am

**For further information contact:**

## I. OPENING

Mr. Chairman and distinguished members of this committee,

I know that we agree on the need for prudent investments abroad to enhance our national security, promote economic and political freedom, and reflect the humanitarian concerns of the American people. Foreign assistance is such an investment. Yet our foreign assistance request for FY 1986 comes before this Committee at a time when this Administration and the Congress are committed to bringing our budget deficits down. As a former budget director, perhaps I am more sympathetic than most to the immense challenge this poses and the painful choices that will have to be made.

Recognizing the overriding importance of reducing the budget deficit, we have carefully constructed our economic and military assistance programs to a level and mix that represent the minimum requirements to support our foreign policy objectives.

At the same time, we must bear in mind that our foreign assistance programs are vital to the achievement of our foreign policy goals. A world of peace, freedom, international stability, and human progress cannot be built by the United



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States alone. We need the support and cooperation of the many friends and allies around the world, who share our hopes and dreams of a better world, and who rely on us. And if we are to count on their support in facing the difficult and sometimes dangerous challenges of the modern world, we must ourselves be a reliable partner. We must be consistent in our devotion to the principles we cherish and proclaim: to promote prosperity, to defend freedom, to help build democracy and respect for human rights, to help alleviate suffering, and to protect our friends and allies against aggression.

In his State of the Union address, President Reagan noted that "dollar for dollar, our security assistance contributes as much to global security as our own defense budget."

Strengthening our friends is one of the most effective ways of protecting our interests and furthering our goals. It gives them the ability and the confidence to defend themselves and to work for peace. If we are willing to pay the relatively modest cost and make the necessary sacrifices today, we can avoid far greater costs and sacrifices in the future. Foreign assistance is a prudent investment in our future, and the world's future.

I first appeared before this distinguished Committee to justify our foreign assistance programs over two years ago. I sought then, as I did last year, to show how closely linked our foreign assistance programs are to our most fundamental foreign policy goals.

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~~The events over~~ the past two years have convinced me more than ~~ever before~~ that we are on the right track. We have strengthened our relationships with our friends in the developing world against Soviet expansionism. We have seen a number of developing countries move toward free and more open economies. Increasingly, the world recognizes that statist economic systems do not work. Free market economies do. And we have witnessed extraordinary progress in the growth of democratic institutions and in the decline of dictatorships, particularly in our own hemisphere.

It is no coincidence that along with the emergence of freer societies we see more open economies. One supports and reinforces the other. People, if they have a choice, want economic growth. They want prosperity. They need only the personal security and the political and economic environment that allows them to exercise their will and use their talents. Our support for the security and territorial integrity of our friends, therefore, advances the most basic human goals of prosperity and freedom. But it also advances another goal, peace. We have seen over the years that economic progress, individual liberty, and world peace are closely related. As President Reagan said in his Second Inaugural Address:

"America must remain freedom's staunchest friend, for freedom is our best ally and it is the world's only hope to conquer

poverty and preserve peace. Every blow we inflict against poverty will be a blow against its dark allies of oppression and war. Every victory for human freedom will be a victory for world peace."

Today we are seeing developments in the Third World which, if we continue to nurture them, will lead to a more secure and prosperous world. There will inevitably be occasional setbacks, but if we stay the course, I believe the emerging pattern of stable and democratic governments will slowly but inexorably grow and be strengthened.

Much remains to be done. The most effective contribution we can make to the developing world is to maintain a healthy American economy. Our economic growth rate in 1983 was a prime reason for the sharp increase in U.S. imports from the non-OPEC developing countries to \$92.3 billion, some 24% over the previous year. The developing nations will reap even more substantial benefits from the vigorous growth of our economy in 1984. They also gain, as we do, from our commitment to restrain protectionist forces.

More than any other factor, however, the domestic policies of these countries will determine the strength and sustainability of their economies and their political institutions. Our foreign assistance can provide those critical incremental resources to help them achieve these objectives.

With this framework in mind, we have engaged in an exhaustive budget review process to assure that the sum of our resources and each individual component are the absolute minimum essential to implement and support our foreign policy.

Overview of 1986 Foreign Assistance Budget and 1985

Supplemental Request

The FY 1986 foreign assistance request totals \$14.8 billion, a \$300 million reduction from the FY 1985 Continuing Resolution level. As I will explain later, we have yet to determine the economic assistance level for Israel. When that assistance figure is eventually included, our request will be higher than the previous year. Economic assistance, which includes Development Assistance, PL 480, the Economic Support Fund, and contributions to multilateral development institutions, accounts for \$8.2 billion. Military assistance, which includes military grants, loans, and training, totals \$6.6 billion.

Our FY 1986 request contains only one modest new initiative--an enhanced economic aid package for the Andean democracies of Ecuador, Peru and Bolivia. With that one exception, our 1986 budget request by and large represents a continuity program, reflecting both the overall fiscal

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constraints under which we are operating and the fact that many of our earlier initiatives--especially in Central America--are now well underway and beginning to show progress.

As in the past, the largest single component of our foreign assistance request is for Israel and Egypt--twenty eight percent (28%) of the total. (This percentage, of course, will be higher when we include economic assistance funds for Israel.) Assistance to base rights countries--Spain, Portugal, Greece, Turkey and the Philippines--accounts for an additional sixteen percent (16%), while military access and frontline states such as Korea and Thailand take up another thirteen percent (13%). Central America and the Caribbean represent another eleven percent of the request (11%). All other country programs account for only twelve percent (12%) of the total resources requested. This twelve percent, however, is spread among more than eighty separate countries and regional programs. Finally, contributions to multilateral development institutions and voluntary contributions to international organizations and programs make up ten percent (10%) of the request, with the remainder of the amounts requested going to the Peace Corps, migration and refugee assistance, international narcotics control activities and a number of smaller programs.



Turning to the specifics of our request, I would like to make the following brief observations:

-- In Development Assistance, we are requesting \$2.1 billion to attack serious conditions of poverty in Africa and Asia, Latin America and the Near East, and to help establish the basic conditions for economic progress. We place heavy emphasis on policy reform, greater use of the private sector, and on technology transfer to foster development breakthroughs. These economic programs are a critical aspect of our overall foreign policy objectives.

-- Closely related to the Development Assistance request is a request for \$1.3 billion in PL 480 for food assistance and balance of payments support to friendly governments. Food aid remains the centerpiece of the American people's humanitarian response to the tragic famine conditions in Africa.

-- The \$2.8 billion requested for the Economic Support Fund is \$1 billion below the amount appropriated in the FY 1985 Continuing Resolution. This is due in part to the fact that we have deferred making any ESF request for Israel at this time. I will elaborate on the question of economic assistance to Israel later in my remarks.

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-- Our request for military assistance--that is, direct Foreign Military Sales credits and grant MAP--is \$860 million more than was appropriated in 1985. Most of this increase, \$525 million, is accounted for by higher levels for Israel (\$1.8 billion as opposed to \$1.4 billion in 1985) and Egypt (\$1.3 billion as opposed to \$1.75 billion). In addition, our military assistance request for Turkey has been increased from the 1985 level of \$700 million to \$785 million. For the Philippines, we are requesting a \$75 million increase over the FY 1985 level.

In conjunction with our FY 1986 request, we are submitting two requests for supplemental appropriations in FY 1985. These include \$235 million in new budget authority to complete our \$1 billion package of relief for the victims of the famine that continues to devastate much of Sub-Saharan Africa. We are also requesting a \$237 million supplemental to meet our arrearage payments to several multilateral development institutions.

### III. The Regions

#### Latin America and the Caribbean

Mr. Chairman, nowhere has the dynamic linkage between foreign assistance and U.S. national interests -- and between democracy and economic opportunity -- been more dramatically

illustrated than in Latin America and the Caribbean. The past year has provided strong evidence that democratic development, and the rejection of the Communist left and the far right, are the keys to enduring peace and improving standard of living for all.

Our policy of lending political, economic, and military assistance to pro-democratic forces is working. In so complex a situation, we should look at the record.

In 1979, four of the five Central American countries were undemocratic, but six years have produced dramatic change. Today only Nicaragua remains under a dictatorship -- having traded a tyrant of the right for the tyranny of the left. Only Costa Rica has not changed politically: it remains thoroughly democratic -- though increasingly and justifiably concerned about the threat from the new and heavily armed Communist tyranny next door.

El Salvador is the most dramatic case of progress. As recently as a year ago, many in the United States, in Western Europe and even in Latin America believed El Salvador was caught in an endless war between guerrillas of the left and death squads of the right. But the National Bipartisan Commission on Central America insisted that electoral democracy

and political dialogue -- not externally imposed "power sharing" -- would prove a workable foundation for attacking the seamless web of political, economic, social, and security problems. Increased economic and security assistance were necessary to give democracy, reform, and economic revitalization a fighting chance.

Last year demonstrated that President Duarte's course was the route most likely to lead to greater respect for human rights and a better life. The Salvadorans themselves made the point in two rounds of national elections in 1984. And they did it again in a different dimension when a civilian jury found five former National Guardsmen guilty of the murders of the four American churchwomen. Support for this democratic renewal was backed unanimously by the National Bipartisan Commission, by President Reagan, by a bipartisan majority in the Congress, and in Europe by Social Democrats as well as Christian Democrats.

It would be naive to claim that all is now reformed, centrist, and peaceful in El Salvador. But the progress is dramatic and undeniable. And U.S. firmness on principles and on behalf of our Salvadoran friends has had a lot to do with it.

The recent history of Guatemala, as much as that of El Salvador, exemplifies the dangers of basing judgments on

stereotypes. The country often ranked as "the most polarized" or with the "least chance of democratic development" has confounded the conventional wisdom. The Constituent Assembly elections seven months ago were not only widely accepted as honest and open, but -- to the surprise of many -- revealed that centrist forces constitute the political majority. It is encouraging that the Guatemalans have moved in this direction almost exclusively on their own.

There is one issue, however, on which considerable controversy still reigns: Nicaragua. While we are promoting democratic reform throughout Central America, the Soviet Union and Cuba are abetting the establishment of a Communist dictatorship in Nicaragua.

If the forces of dictatorship continue to feel free to aid and abet insurgencies in the name of "proletarian internationalism," it would be absurd if the democracies felt inhibited about promoting the cause of democracy.

Peace and economic development in Central America require both the reliability of multi-year funding and the confidence that this long-term commitment will continue to be tied to equity, reform, and freedom. Bipartisan support is essential if the Central America Initiative is to address the Bipartisan



Commission's call for a commitment through 1989 to provide -- in a consistent predictable way -- a balanced and mutually reinforcing mix of economic, political, diplomatic, and security activities.

This initiative is designed to use large amounts of economic aid, coupled with policy reform, to eliminate root causes of poverty and political unrest. Much work is already underway. Discussions are taking place with recipient countries concerning macro-economic adjustment. Progress has been made toward economic stabilization. Regional technical training programs will begin in April. We have begun to work with governments and non-governmental organizations seeking to improve the administration of justice. A trade credit insurance program has been set up through AID and the Export-Import Bank. The revival and strengthening of the Central American Bank for Economic Integration is being studied. And we are working to assist in the revival of the Central American Common Market.

The democratic trend in the Andean region has been equally impressive. All five countries have democratically elected governments. But like their Latin neighbors to the north, many of their economies are being seriously challenged.

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Ecuador, ~~Peru,~~ and Bolivia, have been particularly hard hit by the recent global recession. Their difficulties have been exacerbated by catastrophic weather conditions, sagging prices for their main exports, and, in Peru, a vicious Maoist guerrilla movement.

These countries deserve our help and it is in our interest to help them. We are proposing a special Andean program principally supported by \$70 million in Economic Support Funds to assist these countries in their recovery efforts.

A democracy incapable of addressing major economic problems will be no more permanent than the dictators of the right or left that it has replaced.

We are encouraged that our neighbors in Latin America for the most part are taking the necessary and often painful steps to ensure economic revitalization. They have lowered government expenditures, bringing them in line with government income. They have restricted imports of non-essential goods to save foreign exchange. They have adjusted their exchange rates to reflect economic reality and breathe new life into their export sectors. They have worked with the international financial community to restructure their debts and ensure continued orderly debt servicing. They have reallocated scarce resources even as those resources fell.

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The efforts are beginning to show results. The trade balance for Latin America with the rest of the world has improved significantly, recovering from a negative \$2 billion in 1981 to an estimated positive \$37.6 billion in 1984. Vigorous U.S. economic growth in 1984 created new export opportunities. There also has been growth in real per capita income of about 0.2 percent in 1984 -- not much, but better than the decline of 5.8 percent in 1983 and 3.3 percent in 1982.

The Caribbean Basin Initiative is showing some positive signs. U.S. non-petroleum imports from the region for the first 11 months of 1984 were up 19 percent over 1983. The open U.S. market continues to offer substantial opportunities for the region's exports.

In Latin America and the Caribbean, I believe that the Administration and the Congress have reason to conclude that the policies we have been following the last four years are succeeding. The best option for the next four years is to continue these efforts based on firm, bipartisan support.

The lessons from the recent past and the guidelines for the near future can be condensed into an assertion: The skeptics were wrong about El Salvador, they were wrong about Grenada,

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and they are wrong about Nicaragua -- and all for the same reasons.

Mr. Chairman, what the Administration and the Congress have learned together in the past provides a mandate for the future. The Administration cannot fulfil that mandate without the active support of the Congress. If you and we do not stand firmly on principle and with our friends, we will both lose. A lack of policy consistency would be a significant obstacle to achieving our national objectives in this region over the next months and years.

### Africa

I turn now from the promising developments in Latin America to a region where problems continue to be grave. Africa's desperate economic state is more in the public eye than it has ever been. I would like to devote the major portion of my discussion of Africa today to the economic crisis. In doing so, I do not mean to minimize the relationship between economic development and the national security of African states. Security assistance remains essential for many African countries. States threatened by Libyan adventurism or Soviet-armed hostile neighbors cannot devote the energy or resources necessary to economic development. And economically fragile societies are most vulnerable to subversion and attack.

Our total FY 1986 request for Africa is just over \$1.2 billion. Of that amount 17% is for military-related assistance, roughly, the same amount as in FY 85. The overwhelming majority - over one billion dollars - is for economic assistance. While the military component is small, it is nevertheless extremely important if we are to continue the programs of logistics support and training that we have started and if we are to provide the bare minimum in the way of defense equipment for our friends facing threats. The proximity of the Horn of Africa to the Middle East and vital oil shipping routes in the Red Sea and the Indian Ocean adds a critical strategic dimension to our interests in creating a politically stable and economically viable environment in the region. Consequently, we are seeking the resources necessary to assist Sudan, Kenya, Somalia, and Djibouti cope with their flat economies and to help Sudan and Somalia counter the very real threats to their security.

In southern Africa we continue to work diligently toward a just and lasting settlement for Namibia based on UN Security Council Resolution 435, for continued change in the repugnant system of apartheid in South Africa, and for the economic and political stability of the region in general. The funds that we are requesting for programs in southern African countries will enable us to strike directly at the causes of the economic



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difficulties of the region. In southern Africa, as in East Africa, we intend to thwart the destabilizing influence of the Soviet Union and East Bloc by providing economic assistance and by offering an alternative to Soviet and East Bloc military assistance and training. Mozambique has demonstrated a real intent to move away from heavy dependence upon the Soviet Union and toward a position of true non-alignment. The small MAP and IMET programs for Mozambique are of particular importance in encouraging this process.

In West Africa we have recently seen the spread of both the effects of the drought and long-term economic stagnation and Libyan adventurism. Our assistance is targeted against both the near-term crisis and the long-range effects of the economic crisis.

I would like to focus specifically on the two most urgent crises facing Africa today: famine and economic stagnation. During recent months, untold thousands of Africans have perished. We estimate that some 14 million Africans remain at risk. If they are to survive, they need urgent assistance in terms of food, medical care, and shelter

There is also the broader problem of malnutrition. An estimated 20 percent of Africa's population eats less than the

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minimum needed to sustain good health. Africa is the only region in the world where per capita food production has declined over the past two decades -- a combination of a drop in productivity and rapidly growing population. Africa's food dependency on outside sources has been growing at an alarming pace, with African commercial imports of grain increasing at a rate of nine percent per year during the past twenty years.

In addition to the current severe food crisis, Africa's disappointing economic performance has made it difficult for most African countries to service their debt, propelling many countries from one financial crisis to another. The economic crisis has required that African nations regularly seek debt rescheduling. Ten of the fourteen Paris Club reschedulings in 1984 were for African countries.

The United States has mounted an unprecedented campaign to provide both economic and emergency food assistance to Africa. In this effort, we have not allowed political or ideological differences with any government to weaken our determination to direct assistance to those in need. Since October of last year, we have committed more than \$400 million to send over one million tons of emergency food and other types of humanitarian assistance to Africa. If we add our regular AID food programs, then our total food assistance for Africa is

even larger -- almost 600 million dollars thus far this fiscal year. Our current request for \$235 million in supplemental emergency funding for Africa will bring total food and emergency assistance this year to over \$1 billion. I think we can be justifiably proud of what we have been able to accomplish in such a short period of time. I assure you that our response will continue to be a generous one.

Equally impressive has been the direct response of the American people and the private sector. Through generous contributions to private voluntary agencies, many thousands of additional lives have been, and continue to be, saved. Volunteers for these agencies are directly involved in distributing food, medicines, clothing, and shelter and caring for drought victims in the most remote parts of Africa, enduring extreme hardships and even risking their own lives. Such humanitarian assistance is in the best tradition of America and the values for which America stands.

Public attention has focused on the immediate drought crisis, but it is apparent that Africa's economic difficulties have a profound origin that goes back many years.

Drought has aggravated the problem, but is not the principal cause of Africa's economic crisis. Many of the African governments recognize that past policy failures have

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contributed to the current economic crisis. While we seek to address the immediate crisis, therefore, we must also seek more sustainable solutions to Africa's economic problems. The United States has been in the forefront of those seeking to help African countries move from a statist economic orientation to one which allows market forces to operate freely and which provides appropriate price incentives, particularly to the small farmers. Structural issues which are being addressed include inefficient parastatals, overvalued exchange rates, negative interest rates on bank deposits, uneconomic subsidies to consumers and artificially low prices to producers. In addition to the emergency assistance to meet the drought and famine needs, U.S. economic assistance levels for Africa have increased from \$787 million in FY 1981 to over \$1 billion in FY 1985; For FY 1986 we are again asking for a total of \$1 billion in economic aid. To assist reform-minded governments to undertake desirable reforms, the Administration has established two new programs:

(1) The African Fund for Economic Policy Reform, a program funded with \$75 million in Economic Support Funds in fiscal year 1985 has the following main objectives:

-- first, to provide additional support for those African countries which are in the process of implementing policy

changes or have indicated a willingness and ability to establish growth-oriented policies; and

-- second, to strengthen the international assistance framework for Africa by improved multilateral and bilateral donor coordination at the country level.

Although this Policy Reform Program is still in its initial stages, preliminary reaction to this new initiative has been encouraging. An increasing number of African countries are beginning to alter in a fundamental way their national economic policies. Above all, the relevance of free market economies as opposed to statist solutions has become clear to African leaders as never before. We are in the process of identifying the first African countries to participate in this special program. In addition, we are asking other donors and international financial institutions to work with us and to provide co-financing for these ventures. I might just add that our perception of the roots of Africa's current economic crisis is widely shared by the international community. We are particularly pleased with the World Bank's latest report on sub-Saharan Africa and its stress on the need for economic reform to reverse Africa's economic decline. The World Bank recently launched its own Special Facility which will provide financial support to reform-minded countries -- a facility which complements and reinforces our efforts.

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(2) The "Food for Progress" initiative recently announced by the President is also targeted at achieving policy reform, but exclusively in the agricultural sector. This initiative would use food aid in strategically important African countries to promote reform in the key agricultural sector, stressing market approaches in agricultural pricing, marketing, and the supply and distribution of fertilizer, seeds and other agricultural inputs. One of the goals of the initiative is to supply American food to reform-minded countries on a multi-year basis. The sale of the commodities on the local economies would provide resources for the governments to use in supplying needed incentives and inputs to the farmers while easing the effects on urban consumers of moving toward a market economy. The details of this proposal, including funding levels and sources, will be transmitted to the Congress shortly.

#### Near East and South Asia

One of the most important foreign policy goals of this Administration is to help achieve a lasting peace between Israel and its Arab neighbors. There are no quick and easy solutions for peace in the Middle East, but our assistance plays a crucial role in furthering the peace process. Israel and Egypt remain our principal partners in the quest for peace, and these two nations would be the largest recipients of our



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proposed foreign assistance for Fiscal Year 1986. Our economic and military assistance programs are needed to strengthen Jordan's security and economy, both of which are vital to enable Jordan to confront the risks involved in playing a significant role in the peace process. Our relationships with Saudi Arabia and the Arab Gulf States are important elements in our efforts to advance the peace process and, as I will mention later, to protect our interests in the Persian Gulf.

The United States has a commitment to Israel's security extending over three decades. Our security assistance proposal aims to easing the onerous burden Israel shoulders in meeting its defense needs. The Fiscal Year 1986 Foreign Military Sales (FMS) program will enable Israel to maintain a qualitative military edge over potential adversaries in the region. Further progress towards peace depends in part on Israel having sufficient confidence in its ability to withstand external threats but also confidence in U.S. support and assistance. For these reasons, we are recommending a significant increase in Foreign Military Sales on a grant basis for Israel.

The U.S. and Israeli governments agreed last October to establish a Joint Economic Development Group to review economic developments in Israel, the role of U.S. assistance in support of the Israeli adjustment program, and Israeli longer-term

development objectives. At a meeting in December, Israeli government officials presented the annual White Paper outlining Israeli economic objectives and assistance requirements for the remainder of this fiscal year and for FY 1986.

Our security assistance is a reflection of the U.S. commitment to Israel's security and economic well-being. In addition, we have indicated our willingness to provide extraordinary assistance in support of a comprehensive Israeli economic program that deals effectively with the fundamental imbalances in the Israeli economy. Without such a reform program, however, additional U.S. assistance would not resolve Israel's economic problems but merely help perpetuate them. Moreover, without economic adjustment Israel will become even more dependent on U.S. assistance in the future. Our objective is to seize the window of opportunity provided by greater Israeli understanding of the problems of their economy. The Israeli government has made some considerable progress to date in developing an adjustment program. But further progress is necessary if their program is to put Israel back on the path of economic health and additional U.S. assistance is to serve a useful purpose. Accordingly, the Administration intends to hold open for the time being the amount and form of ESF which we will be requesting from the Congress pending further discussions with Israel and further evolution of its stabilization program.

Our discussions will continue to focus not only on short term stabilization measures, but also on Israel's longer range development objectives so that Israeli citizens can have confidence in a brighter, more prosperous future. We agreed during Prime Minister Peres' visit last October to work together to promote foreign investment in Israel, particularly in the high technology area where Israel has a comparative advantage. Both governments are examining existing programs and frameworks which might help to improve Israel's investment climate and attract venture capital from abroad. It is clear that in Israel's case -- as in other countries -- mobilizing both domestic and foreign venture capital depends on an atmosphere that encourages private enterprise, appropriate tax structures and market pricing policies. Private sector initiatives hold the greatest promise for helping Israel achieve its development goals, and we are encouraged by the interest that has been generated in both countries. Our real objective is to support Israel's own efforts to seize the opportunity to establish the fundamental conditions for economic growth in an age of new technology.

The Camp David accords and the Egyptian-Israeli peace treaty remain the cornerstone of our Middle East peace policy. Egypt has demonstrated its firm commitment to those accomplishments by repeatedly refusing to disavow them as a

price for resuming its historic leadership role in the Arab world. Our assistance helps ensure that Egypt will remain strong enough to continue to resist the pressures of radical forces which seek to undo what has been achieved. Egypt remains an important force for moderation and stability not only in the Middle East but also in Africa, where it plays an important role in helping African states deter Libyan adventurism. Egypt's ability to continue this deterrent role depends heavily on our assistance. The FY 1986 Foreign Military Sales Program has been increased to enable Egypt to continue replacing obsolete Soviet equipment and remain a credible deterrent force in the region.

Another major U.S. interest in the Middle East is to maintain free world access to the vital oil supplies of the Persian Gulf now and in the future. The Persian Gulf countries produce over 25% of the free world's oil supply. Through our assistance, we help to improve the security of our friends in this area. Oman is cooperating closely with the U.S. toward our common goal of maintaining security and stability in that vital area and freedom of navigation through the Strait of Hormuz; Oman's agreement to permit access to its facilities represents a key asset for the U.S. Central Command. Although not recipients of U.S. financial assistance, the other Gulf states and Saudi Arabia, as members with Oman in the Gulf

Cooperation Council, have shown the will and the ability to defend themselves against encroachment of the Iran-Iraq war. The Administration is embarking on a comprehensive review of our security interests and strategy in the area, focusing on how our various programs in the security field complement our efforts in the peace process and contribute to the general stability of the region.

In North Africa we have longstanding and close relationships with Morocco and Tunisia as firm friends and strategically located geo-political partners. Morocco, with whom we have transit and exercise agreements, and Tunisia are both in difficult economic circumstances. Our assistance program in Morocco, in concert with other donors, is designed to help the Moroccan Government as it implements necessary economic reforms. We have expressed to the Government of Morocco our disappointment over the unwelcome development of the Libya-Morocco treaty of August 1984. Qadhafi's aggression against neighboring states and his undiminished support of terrorism and subversion worldwide are continuing causes of concern. We have registered these concerns with the Moroccans and told them that we discount the possibility that association with King Hassan could influence Qadhafi constructively. Despite differing views on how to deal with Qadhafi, however, the economic and political rationale for this assistance to Morocco remains; indeed it is stronger.

South Asia

A major foreign policy objective in South Asia is to obtain a negotiated settlement to get the Soviet Union out of Afghanistan so that the refugees can return and Afghans can exercise their own sovereignty and independence. In our efforts to achieve this goal, it is vital that we help ensure the security of Pakistan in the face of Soviet intimidation. Our six-year assistance program for Pakistan serves this goal. It is designed to support Pakistan's economy and its development and to help strengthen its defenses through provision of military equipment and training.

The U.S. has several important goals in South Asia. We seek to prevent conflict among the major states of the region; to help the region develop economically, and to foster the success of democratic institutions. India, the largest democracy in the world, plays a pivotal role in the peace and stability of the region. Our development assistance program for India will concentrate on more sophisticated research and higher technical training, building on India's strong scientific and technological base. Our assistance programs in Bangladesh, Sri Lanka and Nepal demonstrate U.S. support for the moderate non-aligned policies and economic development of these countries.



Europe

Security assistance proposals for the European region are designed to redress the military imbalance in Europe and counter the increased Soviet military threat in Central Europe and in Southwest Asia. The assistance supports key NATO allies and has the dual result of providing the U.S. with continued access to important military bases and helping these countries modernize their own military capabilities. By so doing, our security assistance sustains confidence in our best efforts commitments which are the foundation of base agreements.

U.S. foreign policy objectives in Spain are to support Spanish democracy, to encourage Spanish movement towards a more open economy, and to contribute to Western defense by assuring continued U.S. access to vital air and naval facilities in Spain. The security assistance program plays a key role in achieving these objectives.

The Spanish military has assumed a role appropriate for armed forces in a democracy. Our assistance is necessary to help Spain meet its goal of modernization to NATO standards and to provide tangible evidence of the benefits Spain receives as a partner in the Western alliance, as demonstrated by its bilateral relationship with the U.S. as well as its

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participation in NATO. Our security assistance program thus plays an important role in helping Spain to consolidate and strengthen its new democratic institutions.

Prime Minister Gonzalez' government has taken politically difficult steps to open Spain's traditionally protectionist economy to market forces. This decision was particularly courageous since Spain's economic austerity program has been accompanied by high unemployment.

But as a result, the Spanish economy has shown impressive improvement in 1984. Its economic program would have placed a much more onerous burden on the Spanish people without our support. The security assistance program helps in modernizing the economy through scientific and technical exchanges and permits Spain to continue its economic recovery without jeopardizing its military modernization.

Our objectives in Portugal are similar to those in Spain. Portugal is striving to consolidate its 10-year-old democratic institutions while it assumes an expanded role in western political and military structures. It is also pursuing a demanding economic austerity program in an attempt to reform its troubled economy, which is the second poorest in western Europe. The U.S. security assistance program assists

Portuguese economic development efforts and permits Portugal to continue its program of military modernization aimed at assuming expanded NATO defense responsibilities.

U.S. security assistance to Portugal therefore provides both real and symbolic support for Portugal's attempt to strengthen its democracy and free-market economy. It provides a cornerstone for Portugal's attempts to play a more effective role in NATO. It also serves to meet the assistance goals to which the U.S. is committed under the 1983 agreement.

Our security assistance to Greece and Turkey contributes to important strategic policy objectives on the southern flank of NATO. Turkey's position between the Soviet Union and the Middle East and proximity to southwest Asia make it a natural barrier to Soviet expansion into the Middle East and the Persian Gulf. The Soviet invasion of Afghanistan, the Iran-Iraq War and the disintegration of Lebanon highlight the importance of a politically stable and militarily credible Turkish ally in this disturbed region. We also benefit from our military relationship with Turkey by our use of extremely valuable military and intelligence facilities. The United States accordingly has a compelling interest in enhancing Turkey's ability to meet its NATO commitments and deter potential aggression in Southwest Asia through provision of security assistance.

Our interests are not confined to NATO security objectives. We have sought the cooperation of the Turkish Government in promoting a settlement on Cyprus. The Turkish Government accepted and supported the U.N. Secretary General's initiative. We are now working with all the parties to ensure that efforts in the wake of the recent summit in New York to reach a settlement between the Government of Cyprus and the Turkish Cypriot community can move forward. Accordingly, we believe that any attempt at one-sided efforts to impose conditions regarding Cyprus on security assistance to Turkey would not only be unwarranted but would set back the prospects of a settlement on Cyprus.

On the economic side, Turkey has taken far reaching and courageous steps to stabilize and liberalize its economy. U.S. concessional aid to Turkey is directly and constructively related to Turkey's efforts to create a freer and more sound economy.

We are also seeking a substantial level of security assistance for Greece. While we have our differences with the Greek Government, we see those differences in the context of a relationship between two democratic allies who share important interests. We recognize Greece's strategic importance in the eastern Mediterranean. We derive important benefits from our

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military facilities. Our security assistance program is an important element in our relationship with Greece. It is exceeded only by our request for Israel, Egypt, Turkey and Pakistan.

#### East Asia and Pacific

Foreign assistance is an investment in the future that can benefit both recipient and donor. This is particularly evident in the East Asia and Pacific region where the returns paid on our foreign assistance investment have been enormous. For some 20 years East Asian countries have achieved higher economic growth rates than any other region of the world. They have achieved these remarkable results principally by relying on the dynamism of free market systems. As a result of this rapid economic growth, the region now accounts for more of our foreign trade than any other region of the world. Since former aid recipients in the region have reached the stage of development where they no longer need bilateral aid, and in some cases have become aid donors themselves, East Asia and Pacific countries now account for only a small portion of our worldwide assistance programs despite the vital importance of the region to the United States.

In spite of this generally bright picture, the region still has pressing economic and security problems that we must confront. The Administration's FY 1986 foreign assistance

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request for East Asia and the Pacific that addresses these problems totals approximately \$818 million. The requested economic assistance of \$335 million will be concentrated in the three largest members of the Association of South East Asian Nations, the Philippines, Indonesia, and Thailand. The bulk of the \$483 million requested for military assistance will go to deter direct military threats to Korea and Thailand and to enhance our close military relationship with the Philippines, a treaty ally. We also propose modest assistance programs in other ASEAN countries, in Burma, a country that has become increasingly important to our anti-narcotics efforts, and in the islands of the South Pacific. I would like to highlight some of our specific concerns.

The Philippines has passed through difficult times that have adversely affected the economy. The government has begun to take corrective measures and has concluded an economic stabilization agreement with the International Monetary Fund. These actions are showing signs of progress. The Philippine situation is further clouded by a growing armed insurgency by the New People's Army, the military arm of the Communist Party of the Philippines, which has been able to exploit the country's political, economic, and social difficulties. The revitalization of democratic institutions, the establishment of long-term growth through structural economic reform, the maintenance of our vital security relationship, and the successful resistance to a communist takeover of the



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Philippines are intertwined. Our integrated economic and military assistance program is designed to support all of these objectives.

Like the Philippines, Thailand is a treaty ally of the United States. It is also a front-line state that faces serious security challenges caused by Soviet supported Vietnamese aggression in neighboring Cambodia. Our security assistance to Thailand supports the government's efforts to improve social and economic conditions in the war-affected Thai-Cambodian border areas that have experienced a large influx of refugees because of continued brutal attacks by Vietnam. Our military assistance supports the modernization of Thailand's defense forces to provide a deterrent to further Vietnamese aggression.

The specific efforts of the Philippines and Thailand are reinforced by their membership in ASEAN, which represents the best hope for peace and stability in Southeast Asia. Consistent with our strong support for ASEAN and in recognition of the importance of our relationship with Indonesia, we have also proposed economic and military assistance for that nation. Indonesia has continued to make good progress in its development program and maintaining sound economic policies in the face of an international recession. Our military sales to Indonesia have enhanced our common strategic interests in Southeast Asia. We also plan to continue the ASEAN regional

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technical assistance program. In another ASEAN member, Malaysia, where U.S. private investment continues to be a major catalyst of economic growth and development, the government has expressed interest in continued defense cooperation with the United States within the context of that nation's non-aligned status. Malaysia has played a constructive role in international affairs and has forcefully advanced ASEAN's strategy to bring about a withdrawal of Vietnamese forces from Cambodia. We propose to continue our modest military assistance program in support of these efforts.

Another important U.S. treaty ally is the Republic of Korea. The prevention of North Korean aggression against South Korea is indispensable for peace and stability in the region and important to our own security. So far we have been successful in deterring aggression and preventing a recurrence of hostilities on the Korean peninsula. To maintain our support for the U.S.-ROK alliance we propose to continue an FMS credit program that will permit the ROK to improve the capabilities of its combat forces, many of which are stationed with our own forces along the DMZ and would operate with us under a joint command in time of war.

I now want to emphasize the importance the Administration places on proposed legislative action that will require no additional appropriation under the bill you are considering. Our expanding economic, scientific, and cultural ties with

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China have been mutually beneficial and have become a very important element in our overall relationship. Consistent with this growing friendly relationship, the President has sought changes to laws that link China with the Soviet bloc. I am pleased to note that, with your support, important progress was made in this effort. Last year we proposed the elimination of the prohibition on assistance to China to permit us the flexibility to provide some assistance -- such as training -- if we so chose. This proposal was approved in both the House Foreign Affairs and Senate Foreign Relations Committees. The overall bill was not passed, however, for reasons unrelated to China. To remove this anachronism in our laws affecting China, I ask you to pass this proposal this year.

#### Multilateral Development Banks

Thus far I have stressed the vital role American bilateral assistance plays in promoting the security and stability of the developing world. As I am sure each of you appreciates, this task is far too great for one country to attempt to do alone. Fortunately, we do not have to. Our friends and allies in the industrialized world devote a considerable amount of their resources to the task of promoting the development process, which in turn yields dividends in the expansion of economic trade and strengthening of democratic institutions. These resources are becoming too scarce to allow for inefficient use

of any kind. A coordinated approach among donors has always been desirable. It is now critical.

A principal tool available for such coordination is, and will continue to be, the pooling of a portion of our economic assistance through the multilateral development banks (MDBs). MDB lending remains a significant and growing source of investment capital for developing countries. In FY 84, MDBs together committed \$22 billion in new loans. That a lending program of this size was sustained with a U.S. paid-in contribution of \$1.3 billion testifies to the advantages of using the MDBs to share the burden of providing aid. The U.S. benefits directly from the MDB's' efforts to promote strong and sustained progress in the developing countries through increased sales of U.S. goods and services. Indeed, a significant portion of the U.S. trade deficit can be attributed to the decline in purchases by debt-troubled developing countries, a decline which appropriate development assistance can help reverse.

While valuable as a source of development finance, the MDBs play an equally critical role by providing sound market-oriented economic policy advice to their borrowers. They also impose financial discipline on the development objectives of their clients. These institutions are devoting increasing resources to projects and programs designed to

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support private enterprise in the developing world. For many years, the World Bank's special affiliate, the International Finance Corporation, has focussed on the specific needs of the private sector. The regional development banks are beginning to follow the World Bank's lead. The strengthened commitment on the part of these institutions to private enterprise may prove to be one of the most important factors in supporting a successful development process.

We are convinced that the MDBs have a crucial role to play in advancing world-wide growth and development, and increasing the private sector contribution to that process. We thus consider our participation in them a necessary complement to our bilateral assistance policy. In recent years this Administration, acting in close consultation with the Congress, has sought to reduce the cost to us of providing an effective level of support to these institutions, while maintaining U.S. leadership. We have been successful in negotiating overall replenishment levels which we believe are adequate to the needs of borrowing members but also take into consideration our budgetary constraints. Maintaining U.S. leadership, however, depends on our meeting these obligations in a timely manner. I, therefore, urge Congress to support fully both our FY86 request for \$1.3 billion and our FY85 Supplemental request for \$237 million.

Summary

In closing, Mr. Chairman, I would like to emphasize the basic theme of this year's budget presentation. We have a responsibility to stick with the policies that have worked or begun to work. Quick fixes, pulling back from the fray, or hoping for diplomatic miracles are not responsible options. But if we stand together, firmly, predictably and realistically defending our principles and our friends, and do so in the steadfast manner the problems require, then we can prevail. Our FY 1986 budget request is designed to do just that.