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# PRESS DEPARTMENT OF STATE



March 15, 1985  
NO. 51

STATEMENT BY  
THE HONORABLE GEORGE P. SHULTZ  
SECRETARY OF STATE  
BEFORE THE  
SENATE FOREIGN RELATIONS COMMITTEE  
MARCH 15, 1985

**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 States alone. We need the support and cooperation of the many friends and allies around the world who share our hopes and

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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.

When I appeared before this distinguished Committee last year, I sought to show how closely linked our foreign assistance programs are to our most fundamental foreign policy goals.

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

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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."

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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.

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.

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Overview of 1986 Budget

The FY 1986 budget request for the International Affairs Function is \$19.3 billion. Of that amount, the 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.

The remaining \$4.5 billion requested for the International Affairs Function principally finances the operation of the Department of State, USIA, the Export-Import Bank, the Board of International Broadcasting, our assessed contributions to international organizations, contributions to U.N. peacekeeping activities, and U.S. participation in multilateral international conferences.

Within the International Affairs Function, some appropriation accounts would receive an increase under our request, while others would decline. The function 150 total, however, is well below the FY 1985 enacted level. This will

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remain true even with an add-on for Israel that we may request in the coming weeks. These increases and decreases among individual appropriation accounts reflect the priorities of the Administration and the "budget freeze" philosophy that was applied to this year's budget process. They also reflect our efforts to distribute our scarce resources in a way that will maximize our foreign policy returns and help meet the pressing development and security needs of our strategic partners. Our FY 1986 foreign assistance 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 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 (11%) of the request. All other country



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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

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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.

-- 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 \$1.2 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.

-- The \$2.9 billion request for the State Department budget includes critically important funds to enhance our security program in the face of increasing terrorist threats against U.S. personnel and facilities. Additional funds are also requested to expand and improve the Department's ability to obtain and interpret foreign policy information.

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### III. The Regions

#### Latin America and the Caribbean

Mr. Chairman, nowhere has the linkage between foreign assistance and U.S. national interests -- and between democracy and economic opportunity -- been better illustrated than in Latin America and the Caribbean. The past year has provided clear 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. Let us look at the record.

In 1979, four of the five Central American countries were undemocratic. Six years have produced dramatic change. Nicaragua remains under a dictatorship -- having traded a tyrant of the right for the tyranny of the left -- and Costa Rica remains thoroughly democratic -- though increasingly and justifiably concerned about its heavily armed Communist neighbor. But, an unprecedented transformation has taken place in the rest of Central America.

El Salvador has undergone the most dramatic change. As recently as a year ago, the country appeared caught in an

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endless war between guerrillas of the left and death squads of the right. But as the National Bipartisan Commission on Central America found, electoral democracy and political dialogue -- not externally imposed "power sharing" between guerrillas and governments -- proved to be the practical basis for attacking the seamless web of El Salvador's political, economic, social, and security problems. In turn, 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 significant and undeniable. U.S. firmness on principle and

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steadfastness on behalf of our Salvadoran friends has had a lot to do with it.

The recent history of Guatemala exemplifies the strength of the currents of change in the region. The country conventional wisdom has often ranked as "the most polarized" or with the "least chance of democratic development" in Central America has confounded the conventionalists. 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. Elections for President, Vice President, Congress and local offices have been set for October. It is encouraging that the Guatemalans are moving 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 Sandinista leaders in Nicaragua are moving quickly, with Soviet-bloc and Cuban help, to consolidate their totalitarian power. Should they achieve this primary goal, we could confront a second Cuba in this hemisphere, this time on the Central American mainland -- with all the strategic dangers that this implies. If history is any guide, the Sandinistas would then intensify their efforts to undermine neighboring governments in the name of their revolutionary principles -- which Fidel Castro himself

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flatly reaffirmed on American television several weeks ago. Needless to say, the first casualty of the consolidation of Sandinista power would be the freedom and hopes for democracy of the Nicaraguan people. The second casualty would be the security of Nicaragua's neighbors, and the security of the entire region.

I do not believe anyone in the United States wants to see this scenario unfold. Nicaragua's immediate neighbors -- Costa Rica, El Salvador and Honduras -- have been increasingly emphatic in telling us how dangerous to them that scenario would be. Yet there are those here who would look the other way, imagining that the problem will disappear by itself. There are those who would grant the Sandinistas a peculiar kind of immunity in our legislation -- in effect, enacting the Brezhnev Doctrine into American law.

The democratic forces in Nicaragua are on the front line in the struggle for progress, security, and freedom in Central America. Our active help for them is the best insurance that their efforts will be directed consistently and effectively toward these objectives.

Communist dictatorships feel free to aid and abet insurgencies in the spurious guise of supporting "liberation". Democracies, the true target of this threat, must not be

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inhibited from defending their interests and the cause of democracy itself.

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 economic aid, coupled with sufficient policy reform, to eliminate the 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.

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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.

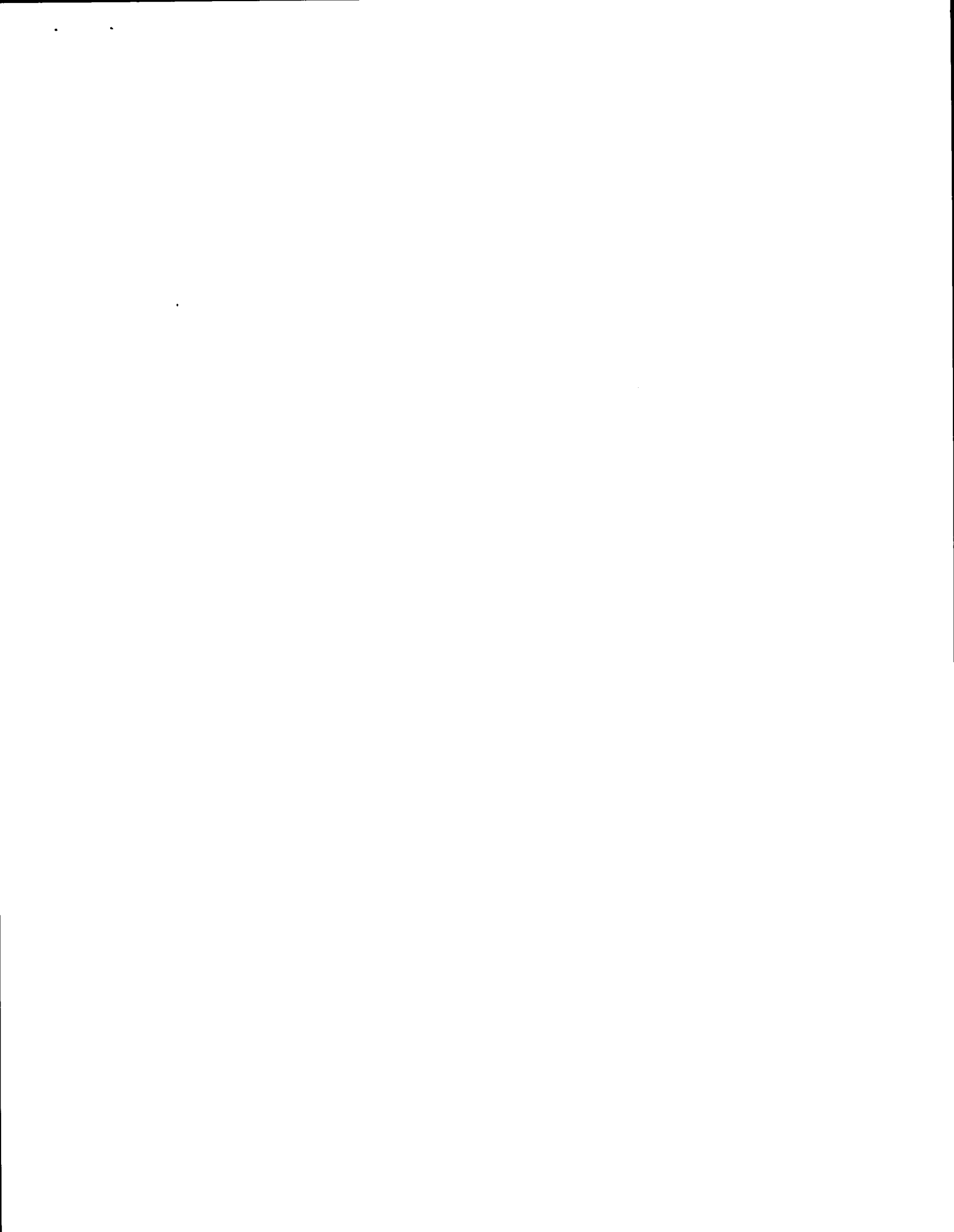
Ecuador, Peru, and Bolivia, have been particularly hard hit by the recent global recession. Their difficulties have been exacerbated by catastrophic weather conditions, sagging prices for their main exports, and, in Peru, a vicious Maoist guerrilla movement.

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





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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, and they are wrong about Nicaragua -- and all for the same reasons. Mr. Chairman, what the Administration and the Congress have learned together about Central America in the recent past provides a mandate for the future. The Administration cannot fulfill 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

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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

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will enable us to strike directly at the causes of the economic 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 minimum needed to sustain good health. Africa is the only

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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

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year. 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 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

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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. The Administration has established two new programs to assist African governments to undertake desirable reforms.

Last year the Administration requested \$75 million as the first step in a five year \$500 million program designed to provide additional financial support for selected African countries who are undertaking significant economic reforms.

We are currently discussing use of these funds for possible programs with four African countries: Zambia, Malawi, Mali and Rwanda, and may choose a fifth country later. In each of these four countries our programs will facilitate and accelerate major policy reforms designed to stimulate economic growth

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through agricultural production and reduced governmental impediments to efficient utilization of limited economic resources.

In our FY 86 budget submission we are seeking a second appropriation of \$75 million. Economic reform has become a major part of our dialogue with all African countries, and facilitated with many aspects of our regular program. However, implementing some of these reforms requires timely support of flexible funds, not tied to other long-term projects. This is what this \$75 million is for. The experience of the past few months indicates that there is major international support for this program in Africa and in other donor countries.

The flexibility provided over this program has permitted us to have an impact on policies of donors and recipients alike which far exceeds the modest amount of funds involved in this request. I can think of no other single aspect of our assistance activities which more directly bears on the factors that have contributed to what is commonly called "the African Economic Crisis". 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.



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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.

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.

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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.

In recent weeks, there appears to have been movement in the region of the type which, if sustained, could facilitate Jordanian entry into direct negotiations with Israel based on UN Security Council Resolution 242. Israel's Prime Minister Peres has welcomed Egyptian President Mubarak's call for direct negotiations between Israel and a Jordanian-Palestinian delegation. Saudi Arabia's King Fahd and President Reagan, in their recent discussions, agreed that a stable peace must provide security for all states in the area and for the exercise of the legitimate rights of the Palestinian people. We will support any practical effort to move the Arab-Israeli dispute to the negotiating table, the sooner the better.

Israel and Egypt remain our principal partners in the quest for peace, and these two nations would be the largest recipients of our 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

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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 interest in the Persian Gulf.

The United States has a commitment to Israel's security extending over three decades. Our security assistance proposal aims to ease 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.

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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. 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 have a durable effect. 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.

We held a series of very useful discussions recently with Israeli Minister of Finance Modai on Israel's current efforts and those it hopes to take in the future. These discussions were a very useful contribution to our dialogue, which is continuing, and a step forward in our consideration of how additional U.S. economic assistance could support an effective Israeli stabilization program.

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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.

Mr. Chairman, I cannot tell you how much I admire the great efforts that Prime Minister Peres and his colleagues have been making in struggling not only with Israel's current economic problems, but other problems in Lebanon, in the peace process, and in their relations with Egypt. Even with all the

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difficulties in the economy now being faced, I have complete confidence that in the end these problems will be resolved and we will see emerge a healthy, strong and developing Israeli economy with strong leadership there from Prime Minister Peres and his colleagues.

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

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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



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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



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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.

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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 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

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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.

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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. We have our differences with the Greek government. We want a better relationship with Greece, but the Greek government has to do its part as well. We recognize Greece's strategic importance in the eastern Mediterranean. We derive important benefits from our 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.

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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 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

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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 encouraging, but more has to be done to turn the economy around. 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 Philippines are intertwined. Our integrated economic and military assistance program is designed to support all of these objectives.



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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. The on-going Vietnamese military offensive along the Thai-Cambodian border and frequent Vietnamese forays into Thailand underscore the importance of modernizing 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 technical assistance program. In another ASEAN member, Malaysia, where U.S. private investment continues to be a major

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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 China have been mutually beneficial and have become a very important element in our overall relationship. Consistent with



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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 Programs

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.

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The principal tool available for such coordination is the pooling of a portion of our economic assistance through the multilateral development banks (MDBs) and the development programs of the United Nations and the Organization of the American States. 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 MDBs 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 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

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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 FY 86 request for \$1.3 billion.

The United Nations and OAS programs for development also make valuable contributions to the development process. The role of institutions such as the United Nations Development Program (UNDP), the World Food Program (WFP), and UNICEF have complemented our bilateral efforts. We support these programs

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and continuously and forcefully seek to improve their effectiveness and efficiency.

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.

# PRESS DEPARTMENT OF STATE



March 15, 1985  
No. 52

PRESS CONFERENCE  
THE HONORABLE GEORGE P. SHULTZ  
SECRETARY OF STATE  
FRIDAY, MARCH 15, 1985

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March 15, 1985  
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PC#32

PRESS CONFERENCE  
BY  
THE HONORABLE GEORGE P. SHULTZ  
SECRETARY OF STATE  
WASHINGTON, D.C.  
FRIDAY, MARCH 15, 1985, 2:34 P. M.

MR. KALB: Ladies and gentlemen, this will be an on-the-record news conference by the Secretary of State, George Shultz. Mr. Secretary.

SECRETARY SHULTZ: I've just met with the President and reported to him on the Vice President's and my trip to Moscow and meeting with General Secretary Gorbachev.

The President sent us with a clear, constructive message. He believes that this is a potentially important moment for U.S.-Soviet relations. He has begun a new term and his policies are firmly in place; we and the Soviets are back at the negotiating table in Geneva; and now there is a new leader in place in Moscow.

So our two Governments have an opportunity for a high-level dialogue to deal with specific problems and to achieve concrete results. The President remains ready to pursue this process with energy and realism. Toward that end, he directed that we provide the General Secretary a candid assessment of both the obstacles and opportunities before us.

The substance of our agenda is well known. It involves arms reduction, regional disagreements, bilateral issues, and human rights.

In each of these areas there are differences -- objective differences of values and national interest that will be difficult to resolve.



The President firmly intends to work towards a more constructive relationship across the board.

In Geneva the main objective is to achieve agreement at the earliest possible time on deep reductions in offensive nuclear arms. We also want to launch a longer-term dialogue with the Soviets on the contribution that strategic defenses may be able to make to a more stable military relationship. We see no obstacles from either side to getting down to specifics in these talks.

President Reagan also believes that we need better understanding with the Soviet Union on the necessity for each to contribute to peaceful solutions to the world's problems, particularly in regions of crisis and potential confrontation.

Reflecting his own strongly held views and those of the American people and the Congress, the President would like to see progress on human rights issues. He hopes that a process of dialogue and confidential diplomacy and better Soviet understanding of the positive impact that progress in this field could have in other areas of the relationship will yield results.

Finally, the President is prepared to seek an expansion of bilateral cooperation across a broad range: people-to-people contacts, cultural exchanges, airline safety, non-strategic trade, and other areas of mutual interest. We are now in the midst of discussions with the Soviets in a number of these fields.

There is a natural tendency in the United States to view change with optimism -- we are a nation of optimists and that is good. We also tend to give others the benefit of the doubt, and that, too, is good. Indeed, it is in that spirit that we carry on in the several diverse areas of discussion with the Soviet Union.

But as we do, we carry along with our good faith and hope a healthy measure of realism -- a realism based upon a history which has not always fulfilled our expectations.

We and the Soviet Union carry an enormous responsibility for preserving peace and fostering better understanding. In the coming months, the President intends to devote his fullest efforts to both objectives.

MR. GEORGE GEDDA (ASSOCIATED PRESS): Mr. Secretary, the Vice President came away from the meeting the two of you had saying that he had high hopes for improved Soviet-American relations.

Could you tell us on what these high hopes were based?

SECRETARY SHULTZ: I think basically on the things that I've identified here, and I think this statement is sort of an elaboration of what the Vice President said. But it is true that we have a President starting his second term, his policies are in place, and he has the perspective of the four years ahead of him. We have a new leader in Moscow. We have arms talks going on; and for that matter we have had an array of talks on other issues, with some agreements here and there.

So it is an important moment, and the President feels that it is important for us to be prepared to move forward if it turns out that that is also the Soviet Union's wish. And of course Mr. Gorbachev, in his various public statements, has indicated that that is his wish.

QUESTION: Mr. Secretary, you haven't mentioned a summit meeting between President Reagan and Mr. Gorbachev. Where does that stand?

SECRETARY SHULTZ: Well, I think that the President would be glad to see Mr. Gorbachev here in the United States at his convenience; but where beyond that that stands, I don't have anything further to add. But I think it would be a constructive thing for them to meet.

QUESTION: Mr. Secretary, Prime Minister Thatcher said she believes that she can do business with Mr. Gorbachev. Yet he is very much a product of the Soviet system over some years.

Is there any reason to feel that there is any sound basis for a change in Soviet policy because of the new leadership?

SECRETARY SHULTZ: I think you have to expect continuity. Mr. Gorbachev gives the feeling of a very capable, energetic person who is businesslike -- that is, when you go to a meeting, he seems to be well informed and well prepared and gets right at the issues, and in a conversational kind of form.

Whether it turns out that you can do business is another matter. It's one thing to be businesslike, but then we have to find the substance of the issues and see where we can go on them. And what I have said, with the President's blessing here -- I went over this statement carefully with the President before coming here -- is that he is prepared to work at it in a constructive vein.



So we have two businesslike people. The President's prepared to work at it. Whether anything can come of it remains to be seen. But I think there is an important responsibility on both sides to make every effort to take advantage of this moment of opportunity.

QUESTION: Mr. Secretary, you've mentioned an array of other talks with the Soviets with some agreements. Can you be more specific in whether you mean the Middle East or transportation? Can you be more specific?

SECRETARY SHULTZ: Well, the things that we have managed to agree on in the last year or so -- the hotline upgrade is an example; the long-term grain agreement, the additional sales, the beginning of things in the non-strategic trade area, some contacts in other fields. So there's been an array like that of things where we have talked.

Of course, I suppose the most momentous agreement -- it's not an agreement in substance but an agreement in procedure -- is to undertake new arms reduction talks in Geneva.

So there have been a number of things of that kind that do show that it's possible for these two countries to come to an agreement on certain things. And that I think is something to note along the way. But I don't put a tremendous amount of emphasis on it, but it's a plus.

QUESTION: Mr. Secretary, is there any reason now, given the draw-down of the U.S. Embassy in Beirut, to keep it open at all, given the difficult circumstances in working there?

SECRETARY SHULTZ: Yes. We have an important representational job to do in Lebanon, even under the current circumstances, and we intend to do it. Of course we have to size the number of people in our Embassy to the task that needs to be performed; and, given the difficulties now in Lebanon, there is in a sense less to do, so you don't need as many people. But we will continue to do what we feel is in our interest to do in Lebanon.

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QUESTION: Mr. Secretary, has the abrogation of the May 17, '83, agreement between Lebanon and Israel affected in any way the United States Government resolve to help Lebanon rid itself of occupation and the achievement of a free and independent Lebanon?

SECRETARY SHULTZ: We continue to advocate a free and independent Lebanon with all foreign forces removed and with arrangements that will look to the security along Israel's northern borders, so that the tendency to use southern Lebanon as a base from which to attack northern Israel isn't repeated. That of course was the basis on which the Israelis proceeded into Lebanon in the first place. So we continue to advocate those goals.

The May 17 agreement was an agreement for Israeli complete withdrawal, and we believe that the Israelis are correct to withdraw now.

Personally, I think it would be better all around for all parties in the area if the Lebanese and the Syrians were prepared to negotiate the Israeli withdrawal so that arrangements were made that would provide for the kind of stability that will prevent just a recurrent pattern of violence. So that would be constructive, but it isn't happening.

QUESTION: Mr. Secretary, your response a moment ago to the question on the draw-down of staff at the Embassy suggested that that was being done merely because there was less to do. We have been led to believe in Washington that there are many other considerations, not the least of which is the security of Americans in Lebanon.

Would you comment on the sense of deja vu that certainly some of us have about the security situation in Lebanon, and about the continuing reasons for U.S. presence in Beirut?

SECRETARY SHULTZ: Obviously the security situation is a tense one for everybody, not just Americans. However, we don't intend to be pushed out of a region by terrorist threats. At the same time, there is no point in having people in a situation where there is danger more than you need. So the two considerations combine to lead you to reduce the presence for now. And if things should stabilize -- I hope they will, but they are far from that right now -- but if they do, then we would reintroduce people who would have a role to play in helping Lebanon reconstruct itself and be the prosperous place that it once was but is far from right at this moment.

QUESTION: Will the Ambassador remain there?

SECRETARY SHULTZ: Yes.

QUESTION: Was there anything that you heard in Moscow from Mr. Gorbachev which suggested that there are particular areas where the Soviets are ready to move, or where you sense a particularly promising opening?

SECRETARY SHULTZ: Between his statements and the Vice President's statements and the ones that I made, we covered the ground broadly. But, of course, in even that brief time -- I guess we were there for almost an hour and half, but still that's a brief time considering two-way translation and the fact that of course they had the funeral and all the events surrounding, and so on -- it wasn't possible to get into any real detail. But I think it's a fair statement that the general tone of the discussion was a businesslike and constructive tone.

QUESTION: Mr. Secretary, can I follow that? Did either you suggest, or General Secretary Gorbachev suggest, adding a special impetus or urgency to on-going negotiations? In other words, did either of you suggest that both sides send new instructions to their teams or add a special importance to on-going negotiations?

SECRETARY SHULTZ: Of course the arms control and reduction negotiations in Geneva carried on, and our side has very strong instructions, constructive proposals to make. Mr. Karpov said that in the meeting in which he was given his instructions, that meeting was chaired by Mr. Gorbachev, so I assume that Mr. Gorbachev agreed with those instructions. I'm sure he did. So there's no reason to shift things around.

I think we have to remember that this relationship between the U.S. and the Soviet Union is a complicated, vitally important relationship; and while personalities matter -- and we do have two strong personalities at the heads of the two governments -- nevertheless you have to look always at the interests and the values and the differences as well as the opportunities to resolve them, and bear that in mind.

QUESTION: Mr. Secretary, Mr. Gorbachev has accepted invitations to attend -- to visit France and West Germany. Why do you think we have had no public response yet to the U.S. overture?

SECRETARY SHULTZ: Well, you have ask him. I can't speculate about that.

QUESTION: Do you think this is negative?

QUESTION: Mr. Secretary -- thank you, sir -- on the ANZUS situation, will there be any bilateral defense relations now with New Zealand? And when you meet with the Australian officials, will you ask them for a deeper military commitment to the United States?

SECRETARY SHULTZ: Insofar as the ANZUS situation is concerned, the Government of New Zealand, as is its sovereign right to do, has decided to prohibit port calls by U.S. naval ships. Given that decision on their part, that basically breaks the military relationship on which the ANZUS Treaty, and the relationship under the ANZUS Treaty, is based. And so we have proceeded in that manner to reduce quite sharply the military-to-military relationships, although they don't get eliminated entirely.

New Zealand is a friendly country which shares Western values. I know many New Zealanders, been there several times; it's a wonderful country. So they have basically broken the military relationship.

As far as Australia is concerned, we basically retain the structure of the ANZUS Treaty; and we will continue to have a strong and constructive, worthwhile relationship with the Australians for our mutual defense needs in the region.

QUESTION: Mr. Secretary, as you know, President Mubarak has been here asking the United States to take a step toward reviving the peace process in the Middle East by being willing to have a dialogue, as he calls it, with a joint delegation of Jordan and Palestinians.

Under what circumstances would the United States agree to do that?

SECRETARY SHULTZ: Well, we have done quite a few things to advance the peace process in the Middle East. President Mubarak's suggestion is one suggestion. There are a number of others.

We have, of course, had the Prime Minister of Israel visiting here last fall. The King of Saudi Arabia has been here recently. President Mubarak was here. The Foreign Minister of Jordan will be here next week. So we have a very active diplomacy in the field.

I think it is fair to say that there has been movement among the parties in the region which we have encouraged. And so it's important -- and it seemed to me this was President Mubarak's main point -- it's important to try to keep this momentum going; and he deserves credit for helping get it going.

So to that end, after the Jordanian Foreign Minister has been here, Ambassador Richard Murphy will be sent by the President and myself to the region. He'll go to Israel, he'll go to Egypt, he'll go to Jordan, he'll go to Saudi Arabia, he'll visit other countries, and he will continually assess developments. He will report back promptly, and we will be doing everything that we can to keep the momentum toward peace in the Middle East going. It is of vital significance not only to the parties in the region but to ourselves and other countries as well.

QUESTION: Mr. Secretary, what effect would you expect there would be on American interests from any improvement in Soviet-Chinese relations?

SECRETARY SHULTZ: I think that if there is an improvement in -- would you say your question again? I perhaps misunderstood it.

QUESTION: If there is an improvement in the Chinese-Soviet relationship, would you expect this to affect American interests?

SECRETARY SHULTZ: Probably in a positive way. That is, the Chinese have put certain conditions down for any really fundamental change. They have talked about the masses of troops -- Soviet troops -- along their borders, and the deployment of the SS-20 missiles. They have talked about the Soviet sponsorship of the Vietnamese occupation and advance into Cambodia. They have talked about the Soviet Union's invasion and continued military activities now, over five years or so, in Afghanistan, and have said that these conditions should be changed. We think if those conditions were changed, it would be positive; it would be good for the world.

QUESTION: What was Mr. Gorbachev's reaction when you issued the invitation to a summit, and did he give you any indication of how soon we might be able to expect one?

SECRETARY SHULTZ: I think I can only say that the President feels that this is an important moment, for all the reasons that I have specified, and believes that it would be good in

due course to meet with Mr. Gorbachev, and no doubt the Soviet Union has this, Mr. Gorbachev has that possibility under consideration, but I can't in any way try to speak for him.

QUESTION: Did he give you any reaction at all, though, when you were there?

SECRETARY SHULTZ: I just can't try to speak for him in any way. I don't think that's appropriate for me. I can only say what our views are.

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QUESTION: Mr. Secretary, can you say whether you attach any particular military or political significance to the continuing buildup of SS-20's by the Soviets and, well, whether you regard that as "business as usual?" And second, did the issue come up in your meeting with Mr. Gorbachev?

SECRETARY SHULTZ: Unfortunately, it is "business as usual" that we see continued deployments and continued development of the Soviet strategic and intermediate-range missile; and of course, getting control of this process mutually is what the Geneva talks are primarily about. So we will proceed on that basis.

QUESTION: Mr. Secretary, is it the Administration's view that the ascension of Gorbachev represents more than a change in style?

SECRETARY SHULTZ: It remains to be seen. I think Mr. Gorbachev has, understandably, made a point that the keynote is continuity, and he has been part of the group of people and the leadership of the Soviet Union that have produced the present set of policies, and I wouldn't expect to see it change sharply. But in any case, what we can have some control over is our own posture. And we don't know what may be on the minds and intentions of the Soviet Union, but we hope constructive. They have said so.

From our standpoint, we want to proceed, as I say in the statement that I discussed with the President, we want to proceed with a sense of realism. Of course, we have to maintain our capability to defend our values and our interests, and at the same time we have to be ready -- and make it clear to the Soviet Union that we're ready -- to undertake a genuinely constructive dialogue with them, and to try to work out concrete solutions to problems. And we will hope that they will respond. In any case, for our part, we can continue to be in that stance and encourage a response on their part.

QUESTION: Mr. Secretary, in recent times, you've spoken about the need to support freedom fighters around the world. I've got two questions on that: Has the Administration decided what it's going to do in Congress on supporting the insurgents or rebels or contras in Nicaragua? And secondly, given the situation in Indochina where the anti-Vietnamese Cambodians were given a pretty big beating, why doesn't the United States do something to help them out militarily? They've been asking for it.



SECRETARY SHULTZ: First of all, on the latter question, we continue to be in close consultation with our friends in the ASEAN countries, and we are basically supporting what they are trying to do; and we are continually reviewing the nature of that support with them.

On the former part of your question, we believe that the people fighting for freedom and independence in Nicaragua should be supported. If your question is sort of tactical -- "What is our, sort of, legislative strategy?" -- that I'm not in a position to go into. But as far as the importance of standing with people who are trying to attain freedom and a more open, a more pluralistic society in Nicaragua is concerned, we are with them.

QUESTION: Mr. Secretary, as a result of your visit to Moscow, have you come any closer to making decisions on what you'll do with regard to the SALT II Treaty toward the end of this year, when you have to make certain basic decisions as to whether to adhere to it or exceed the limitations on strategic launchers?

SECRETARY SHULTZ: No, there's no change in our view of that between this week and last week.

QUESTION: Mr. Secretary, the Vice President was greeted with boos and shouts of "Go home" this morning in Brasilia. Apparently, the reason was the foreign debt. It seems to be the first time that an American official was blamed for that or was booed for that.

Do you see that issue, the foreign debt, becoming a problem between the Brazilian new government and the United States?

SECRETARY SHULTZ: The question of how to handle the foreign debt is a difficult one. It's been worked with very hard, particularly over the last two years. I think it came first to the fore with respect to the Mexican debt.

The IMF is the international agency primarily dealing with it. We have played, I think, a very constructive role -- Secretary Regan when he was in the Treasury and Paul Volker in the Federal Reserve, and now Secretary Baker. We've tried to assist from the standpoint of the State Department.

But I think the United States has been a very helpful partner in trying to help countries work their way through the debt problem. It involves, on the one hand, rescheduling, on the other hand, undertakings by countries that have the debt to



create more healthy conditions in their country economically so there is some chance of repaying. And I think, number three -- and most important really -- is the development of an atmosphere of expansion in the world economy and in the individual economies, because you can't work out of debt through austerity alone. You've got to have expansion. And of course, the contribution of the United States to world expansion has been critical and immense. So I think the United States' contribution to the solution of this problem has been a very strong and positive one, and well-appreciated by financial people all over the world.

QUESTION: Can you please say what further reforms you would like to see in the Israeli economy before naming an economic aid figure?

SECRETARY SHULTZ: Well, I don't want to get into the position of trying to prescribe for somebody else's economy, but I do think that, clearly, the things that they say and are trying to do are key things; and the underlying things are, number one, get control of the budget, which means getting control of spending, because tax rates in Israel are already so high that they are on the downward part of the Laffer Curve -- that is, if you raise taxes, you'll collect less money. So it's got to be done through controlling spending.

Second, associated with that, there needs to be, and the Israelis are proposing, a budget control law which I hope will be passed -- they have proposed it -- to enable the Finance Ministry to have a better hand on the spending by the various ministries so that when they say, "We are going to spend X amount," they will come somewhere near controlling it to that amount.

Second is the control of the money supply, and the Bank of Israel -- there is legislation to make the Bank of Israel a more independent organization so it isn't simply an agency that has the role of funding the deficit, but has a more independent stance to get control of the money supply which is fueling the inflation.

Third, to deal with the problem of the cross-rate of the shekel and other currencies. Here they have an especially difficult problem because they more or less relate themselves to the dollar, and even as they have gentle devaluations with respect to the dollar, given the dollar's strength, those devaluations don't quite take hold with respect to the European currencies, and most of their trade is with

Europe. So they have those dilemmas to work with. They understand the problem well, and have made some headway, but it's difficult sledding.

MR. KALB: We have time for one more question.

SECRETARY SHULTZ: Well, then, you pick the questioner.

MR. KALB: I have too many friends here, sir.

SECRETARY SHULTZ: All right. Then, if you're going to chicken out, I'll have that lady back there.

(Laughter)

QUESTION: We've just sent two senior officials to Chile -- Two senior U.S. officials have now been to Chile in the past month or so, and meanwhile, we have deviated from the common practice of supporting loans to Chile in the multilateral banks. How do you view the situation in Chile now, and particularly the impact of these recent steps by the U.S.?

SECRETARY SHULTZ: I don't know what impact the actions in the bank votes will have, but they suggest the reservations we have about the current situation in Chile. There was a time when it seemed that there was movement toward what is called "liberalization," and I think that was promising; but there has been movement away from that.

We continue to work with the people and Government of Chile, but we would like to see political reform and also to see Chile's economy come back, and that of course, is something that will derive from a variety of factors, not simply the stance of the government.

QUESTION: Thank you.

(The Press Conference concluded at 3:05 P.M.)

# PRESS DEPARTMENT OF STATE



March 15, 1985

NO. 53

## COMMUNICATIONS TALKS WITH U.K., ITALY, AND THE VATICAN

The Department of State will hold bilateral consultations on International Communications and Information Issues with government officials from the United Kingdom on April 16-17 in Washington, with Italian officials in Rome April 23-24, and the Vatican April 25.

These consultations are the latest in a series of bilateral meetings that the Department of State has undertaken with countries that are active participants in international discussion of communications and information matters. Over the past two years there have been meetings with officials from the UK, FRG, the Netherlands, Mexico and Japan.

U.S. delegations for these consultations will be headed by Ambassador Diana Lady Dougan, the State Department Coordinator for International Communication and Information Policy. Officials from the Federal Communications Commission (FCC), the National Telecommunications and Information Administration (NTIA), the Office of the U.S. Trade Representative (USTR), and other interested agencies will participate in the talks.

Companies or organizations that have an interest in communications or information policy matters concerned with any of the countries are encouraged to contact the Office of the Coordinator to make their views known prior to the meeting.

FOR FURTHER INFORMATION CONTACT: Charles Loveridge, Office of the Coordinator, Department of State, 653-8818.

**For further information contact:**

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# DEPARTMENT OF STATE

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March 18, 1985  
No. 54

REMARKS BY  
THE HONORABLE GEORGE P. SHULTZ  
SECRETARY OF STATE  
AND  
THE HONORABLE ANATOLIY DOBRYNIN  
AMBASSADOR TO THE U.S.S.R  
AND DEAN OF THE DIPLOMATIC CORPS  
AT THE RECEPTION FOR THE DIPLOMATIC CORPS  
Washington, DC  
March 16, 1985

SECRETARY SHULTZ: I know it may not be possible to quiet this crowd down, which is a good sign.

Ladies and gentlemen, we'll just interrupt for a moment or two for some comments. I'll make a few comments; and Ambassador Dobrynin, as the Dean of the Diplomatic Corps, will make some comments; and then the music will be playing in the Jefferson Room, to the absolute horror of Clem Conger (laughter), where you can dance.

But this is a very special evening. It's the official opening of the Benjamin Franklin State Dining Room and also the suite of offices downstairs for the Secretary of State.

These Diplomatic Rooms and the collection of Americana reflect much more than 18th century elegance. They reflect our history as a nation, reminding us of the values that we represent. And I hope that these rooms and the beautiful furnishings will witness great achievements in our diplomacy, and I know that they will certainly inspire our efforts and perhaps inspire any from other countries who come here and work with us in this setting.



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I'm very pleased that this opening has provided another opportunity to bring all of us together in the Diplomatic Corps, although I'm very much aware of the fact that there is no shortage of diplomatic social occasions in Washington. (Laughter)

But this one is special. We use the words "renovate" and "refurbish" to describe the work that has been done in these rooms; but I think as you look around, you will all sense an aura of continuity. A sense of history permeates these rooms. It is American history, of course, but it is also a history of America's involvement in the rest of the world.

Perhaps most important, it is a history of international efforts to achieve goals shared by men and women on all continents -- peace, freedom, respect for human rights and human dignity. Pursuit of these goals is an unending task. It's the noble work of diplomacy, as all of us know. Efforts for peace often fail and yet we all have hopes -- justifiable hopes, I believe -- that progress is possible and that our strenuous labors are not in vain. If we work together, if we dedicate ourselves to mankind's highest aspirations, then we will make strides toward that better world that is our guiding vision. We must have the strength and the wisdom and the courage to carry it on.

This past week, the President sent me to the Soviet Union to join in the mourning for a leader who has passed and to meet the new leader of that country. The President feels that our two countries face a moment of opportunity. The President has a fresh mandate from the American people. The arms control dialogue has resumed, and now the Soviet Union has a new leader in place.

I believe any realist must recognize that the agenda before us is formidable -- in arms control, in regional tensions and conflicts, human rights and a great many bilateral issues. And the differences between us are grounded in basic differences in values and national interests. In other words, they go deeper than personalities and yet personalities will play a part. The President approaches all of these issues with a positive attitude. We are realistic but ready to build a constructive relationship. That can be said of the United States approach throughout the world.

I arrived in Moscow a little bit before Vice President Bush arrived. He had been traveling in Africa where he observed the hunger that is related to the drought and to the other problems of Africa and pledged our continuing efforts from

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the standpoint of the United States basically to provide as much food as the rest of the world combined to do everything we can to meet the problems of hunger and at the same time to try to help people understand why, beyond the drought, the production of food is at such a low level and what may be done about it.

Of course, the Vice President is also traveling to the Caribbean, to South America, to Central America. We know that our agenda is vast -- Africa, Asia -- but in every case, what we are seeking to do is to be a constructive player on the scene.

We, all of us here, who are engaged in the work of diplomacy, face a great challenge, but I believe we can meet it. Today the conditions exist for a period of great vigor and accomplishment if all of us in the Diplomatic Corps -- I don't just mean the Diplomatic Corps in Washington, but those of us engaged in the work of diplomacy throughout the world -- can work together, we can turn mankind's hopes into realities. We owe it to ourselves -- to the great nations we represent and to all the world's people -- to strive for this goal with all our might.

Now, I'd like to ask Ambassador Dobrynin if he would say a few words in his capacity as Dean of the Diplomatic Corps.  
(Applause)

AMBASSADOR DOBRYNIN: Mr. Secretary, Mrs. Shultz, my fellow Ambassadors, ladies and gentlemen:

On behalf of all my colleagues, the members of Washington's diplomatic community, I would like to thank you, Mr. Secretary, and you, Mrs. Shultz, for this splendid reception, your hospitality and really enjoyable evening we spent with you tonight.

In today's complicated world, a diplomat is not a glamorous figure going to the reception but rather a working horse. (Laughter) That is why an opportunity for the Ambassadors to get together with you, Mr. Secretary, and close associates at such a reception is very much cherished by each and every one of us. And I would like to congratulate you and Mr. Conger who's over here for this splendid redecorated hall which really conveys the sense of history of the United States -- not only the past, but I hope the future, too.

You, Mr. Secretary, are always the one who gives us a helping hand. First, when we just arrived in Washington and then when we started conducting business together. Sometimes it

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so happens that we find ourselves in an unfamiliar environment. And again it is you, Mr. Secretary, who helps us out.

This was the case when many of us attended for the first time this year's Presidential Inauguration Ball. It was a splendid evening and everyone enjoyed it very much, although some of the new Ambassadors kept asking me if it was the United States national custom to have foreign envoys observe the President and First Lady from a balcony far above. (Laughter) There's a part here almost next to the sky. I assured them that this is now in Washington in the cosmos, the higher the better. (Laughter)

In any case, I am sure every Ambassador appreciated that the Secretary of State was all the time by our side as a true politician who will never abandon his own constituency, in this case our Ambassadors.

We are very pleased that you see to our needs through your charming and very efficient Chief of Protocol, Ambassador Roosevelt. As a result of it, we have the best service in town, including free bus transportation and free drink coupons. (Laughter)

Particularly we appreciate your efforts, Mr. Secretary, to bring us together, knowing about the goodness of your own position as chief United States diplomat and the busiest one. I have some impressive statistics for my colleagues from reliable sources to prove the point. In 1984, the Secretary of State visited 29 countries; spent 370 hours and 8 minutes in the air (laughter); and traveled 169,611 miles, which makes almost seven trips around the globe or, using more modern language, three-fourths of the distance between here and moon. (Laughter)

With this in mind, we are pleased to note that this kind of meeting has become a well-established tradition of Washington social and political life, and I could testify to this. Today (inaudible) is my personal jubilee -- ten years since my 13th anniversary as Ambassador to the United States, according to the new calendar introduced by the President; ten years since my 16th anniversary or, to be more exact, simply 23 years. So I have been to quite a number of the Secretary's parties for the Diplomatic Corps. Nevertheless I cannot stop being fascinated by their symbolic significance, specifically today.

Well, here we are, envoys of our countries from practically every corner of the world, representing our peoples, our governments and our ideas. But so, in a manner of speaking,

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this dining room tonight is the whole world in a miniature form, and I hope you, Mr. Secretary, notice not a bad one. (Laughter)

There are, of course, some things we sometimes argue about between ourselves. Different nations are insisting that they were the first to discover America. My good friend of many years and our Vice Dean, Ambassador Wilhelm Wachmeister, who's standing next to me here, always tells me that America was discovered by the Vikings. Another friend of mine, the former Vice Dean of the Diplomatic Corps, Ambassador Ghorbal of Egypt -- he just left recently -- tried to convince me that the discovery of America was owed to ancient Egyptians who crossed the ocean in their Ra boats. (Laughter) The departing Chinese Ambassador confidently told me recently that it was they, the Chinese, who had discovered California (laughter) with its famous valley -- I meant Silicon Valley. (Laughter) The Ambassador of Spain proudly reminds us about Columbus, etc. As the Dean, I do not argue with my colleagues. I know for sure that we, the Russians, were the first to discover America. (Laughter)

Anyway, I believe we are all discovering America anew, especially those who came to this country not long ago, and let us say that the first to help us in this discovery is the State Department and its personnel. On behalf of the Diplomatic Corps, may I convey our thanks to you personally, Mr. Secretary, your staff and Protocol offices for all your guidance and help.

I would like to confess, though, that we Ambassadors sometimes feel somewhat guilty for causing too much trouble to the State Department. Just imagine what effort and cost it must have taken to issue thousands of new tax exemption cards (laughter) of three different colors (laughter) to all diplomats and members of their families (laughter). I remember hard times when diplomats were looking for an apartment in Washington entirely on their own. Now at least we diplomats don't have to blame ourselves later if our wives wouldn't approve the choice. Life became much more easier for us -- the choice must be approved first now by the State Department. (Laughter)

But a few words on a more serious note really. As you know, later this year we will be celebrating the 40th anniversary of the United Nations organization international body which was set up to help bring about peace, security and social progress to the peoples of the world. Unfortunately, many of the ideals proclaimed in the United Nations Charter are yet to be translated into reality, and the reality is still much



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too far from those ideals. Huge material resources are being spent to accumulate mountains and mountains of weapons. At the same time, millions of people on our planet are suffering from hunger. Flames of armed conflicts are blazing in many corners of the world. The continued threat of nuclear catastrophe remains a sad fact of our times.

We diplomats are fully aware of our prime responsibility to preserve peace, eliminate the menace of nuclear holocaust. Our peoples are looking at us with the hope for a safer future. That is why we must double and triple our efforts to radically change the dangerous situation we live in and make the earth a more secure place for our children and children of our children. I am sure they will then remember us by a vote of thanks. I would like to use this good opportunity to assure you, Mr. Secretary, once again that all of us, the Ambassadors and Chiefs of Missions, are ready and willing to work with you to achieve this dream of mankind.

I would like to say a few words (which) specifically touch about Soviet-American relations. So in my capacity as Ambassador and Dean, I would like to say a very few words.

The strategic policy line of the Soviet Union remains unchanged under the new leadership. This means that all our country's thoughts will continued to be focussed on peaceful, constructive work. This means that in the field of foreign policy the Soviet Union's course is clear and consistent, as was pointed out a few days ago. At a preliminary meeting of our Party, Mr. Gorbachev specifically mentioned the course of peace, friendship and progress.

The only reasonable way out of the existing situation in our opinion is the agreement of the confronting forces on the immediate termination of the arms race, above all nuclear arms on earth and its prevention in space, an agreement which could help everyone to advance toward the cherished goal -- the complete elimination and prohibition of nuclear weapons forever, to the complete removal of the threat of nuclear war. This is our firm conviction.

You, Mr. Secretary, spoke with Mr. Gorbachev, and I think he made it very clear our intentions. We would like to have the Geneva negotiations a complete success though we understand it is difficult and long courses. Our position in this toward the United States is really clear. My government, now under the leadership of Mr. Gorbachev, once again is convinced that both our sides should better know each other, meet each other and must discuss all the problems which face the Soviet Union and the United States. We should find the

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ways to get closer together. The Soviet Union is not seeking confrontation with the United States but is for improvement for relations with your country, Mr. Secretary, as well as with all the other countries in the world. You know this personally from Mr. Gorbachev who you met two days ago.

And, in conclusion, I have something to offer you, Mr. Secretary, from all of our Diplomatic Corps.

SECRETARY SHULTZ: What is it?

AMBASSADOR DOBRYNIN: This is a gift for you. Please take it. (Laughter)

SECRETARY SHULTZ: Is it significant that it's in a red package? (Laughter)

AMBASSADOR DOBRYNIN: Yeah. Yes, of course, the First Lady likes the red color. Her dresses -- usually she dresses in red colors. (Laughter)

This is from all of us. This is a collection of records with national music of some of our countries represented here, and it is being given to you with a special meaning. Our idea is that in times of trouble with any of our countries, you put on record of that country and listen to the music. (Laughter)

We are sure that this will relieve the tension and help you cope with the situation. Besides, the Ambassadors will be better off if they are to be summoned by you when you are especially angry, Mr. Secretary. All of us will be glad to sit down with you and listen to the music together and our official talks will be much more easier. (Laughter)

So I hope it will serve a useful purpose for all of us. I only asked in here that those Ambassadors who were not yet able to donate to this collection, please send it directly to the Secretary's office. (Laughter)

Ladies and gentlemen, I propose a toast to the Secretary and Mrs. Shultz. I don't any drink, but thank you very much. (Laughter and applause)

SECRETARY SHULTZ: Thank you very much, Ambassador Dobrynin; and I think I should say in the spirit of the records, which is a very fine gift and I'll be interested to hear all this mood music as I move around the world -- I'll have to get a little Victrola for the Air Force jet to play it as we're going -- but in the spirit of that, let me remind you that

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now the band will be playing and the Jefferson Room is available for dancing. I'm going to escort Mrs. Shultz there even though she's just -- this is her first night out really for her after a long recovery, but we'll go and we'll take a few steps to start the dancing. (Applause)

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# PRESS DEPARTMENT OF STATE



March 18, 1985  
No. 55

INTERVIEW WITH  
SECRETARY OF STATE GEORGE P. SHULTZ  
ON  
"THIS WEEK WITH DAVID BRINKLEY"  
WASHINGTON, D.C.  
SUNDAY, MARCH 17, 1985, 11:48 A.M.

MR. BRINKLEY: Mr. Secretary, thank you very much for coming in with us today. We're happy to have you here.

SECRETARY SHULTZ: Thank you for inviting me.

MR. BRINKLEY: Have you had any response, directly or indirectly, from Mr. Reagan's proposal for a summit meeting with Mr. Gorbachev?

SECRETARY SHULTZ: Not really.

MR. DONALDSON: Why not? Why can they respond to the French and the Germans in principle, but not to us?

SECRETARY SHULTZ: You'll have to ask them that question.

MR. DONALDSON: I just did, but I didn't understand the answer.

SECRETARY SHULTZ: The United States is different. It's much more powerful, and we are engaged with the Soviet Union in many ways very directly, so more has to be thought about, no doubt, as is true in our own case.

MR. DONALDSON: You don't read into this any attempt to rebuff us or to hold us up to, sort of, public laughter for making a request which they don't deign to respond to immediately?

SECRETARY SHULTZ: We didn't make a request; we made a suggestion, put forward in good faith by the President, suggesting that this is an important moment and perhaps something more constructive could be worked out. However, he



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has also noted -- and we have emphasized -- that the key thing here is for us to maintain our strength and our sense of purpose; and if, in that environment, something more constructive can emerge, then that would be good.

MR. WILL: The Administration continues to call this "a moment of opportunity." Yet Mr. Gorbachev says that the theme of his leadership will be continuity, which means the continuation of policies that this Administration finds highly and comprehensibly unsatisfactory. And he has begun his tenure by making threats against Pakistan and linking it in some way with Nicaragua.

What's your conclusion to be drawn from that?

SECRETARY SHULTZ: Well, I tend to take people at their word, and the statement that there will be continuity -- I think you have to look at that. They did threaten the Belgians, but the Belgians have gone ahead and deployed. They have threatened the Pakistanis, and I think the Pakistanis will hold firm in their concern about what's going on in Afghanistan.

MR. WILL: Now, they did link in some way in the Soviet press. They're saying that somehow their attitude toward Pakistan's involvement with the Afghan resistance is linked to their -- Soviet -- behavior toward Nicaragua. How do you see it linked?

SECRETARY SHULTZ: I don't see it linked. I think that the situation in Nicaragua is one in which our interests are threatened, but more than that, in which freedom of the people in Nicaragua and in Central America is threatened; and we have to stand with those who are fighting for freedom there, just as we have to support those who are resisting the blatant Soviet aggression in Afghanistan.

MR. WILL: I've heard a report that Mr. Karpov has been very menacing in his performance in Geneva so far, saying that he would blow up the talks unless we were prepared to abandon SDI. Is that a fair characterization -- "menacing" -- of his behavior so far?

SECRETARY SHULTZ: Oh, I don't know about that, but he did give a public interview that I guess played yesterday -- I don't know just when it was recorded. But if that kind of performance is to mean that the Soviets approach those negotiations as propaganda opportunities, then that doesn't bode very well for the negotiations. The negotiations should take place as a private diplomatic effort, in which the rules of confidentiality that they have set up are observed.

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MR. WILL: Are we prepared to say at this point that we are not interested in a cosmetic arms control agreement, that the only agreement we're interested in would have substantial force reductions, and if not, if we can't get that, we don't want an agreement?

SECRETARY SHULTZ: Well, substantial force reductions leading to zero is what the President wants, and there's just --

MR. WILL: But we've always wanted that.

SECRETARY SHULTZ: -- not much point in ratifying what peoples' plans for the future are.

MR. WILL: But we did that in SALT I and SALT II. We essentially did ratify -- it was a snapshot of the arms race at that moment. Are you saying that --

SECRETARY SHULTZ: That is the basis on which President Reagan consistently criticized both of those agreements, and so we seek something different; and I felt, myself, that one of the notable aspects of the Geneva agreement that we reached in January was that both sides said that they were interested in radical reductions, leading to zero.

MR. DONALDSON: The Soviets are deploying these SS-24 and -25 heavy missiles. What's your view? Is the -24 in violation of SALT II or not?

SECRETARY SHULTZ: We think it raises very considerable questions about that, but beyond that point, what it shows is the continuing modernization of the Soviet land-based weapons, and in this case, you have a heavy, MIRVed missile that is probably mobile. And I think the emergence of weapons of that kind only emphasizes the importance of defense against them, because they are not in a fixed place where you know where they are.

MR. DONALDSON: Well, there is a story this morning that there are two schools of thought within our government. One is that although they are destroying some of their old missiles to make room for the -24's, that that is within the treaty, and we ought to encourage them to do it. And the other is, which you seem to have suggested, that they may be in violation of that treaty, and we ought to come out against those new weapons.

SECRETARY SHULTZ: Well, there are many aspects to the treaty.

MR. DONALDSON: Which is your view of it?

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SECRETARY SHULTZ: One aspect is in terms of new missiles, as distinct from numbers of missiles; and it's the new systems that are brought into question.

MR. DONALDSON: What's your view on this one?

SECRETARY SHULTZ: Well, I think -- to me, it is a clear -- a new missile.

MR. DONALDSON: Well, that's a violation.

SECRETARY SHULTZ: There are questions about --

Exactly. There are questions about whether, in a purely technical sense, it fits within certain treaty language as might be interpreted by a lawyer.

MR. WILL: You just mentioned the fact that Candidate Reagan opposed SALT II. Now sometime this fall, probably, when the Trident-Alaska goes into service, the Administration, in order to continue what, by the Administration's own position, is unilateral compliance with SALT II -- unratified, but we're still complying with it -- in order to comply with the sub-limits on MIRVed missiles, we will have to dismantle some land-based ICBMs or chop up a Polaris submarine.

How can this Administration, staffed almost entirely by people who hated SALT II, continue to comply with it and dismantle systems, while asking Congress for billions more for an MX?

SECRETARY SHULTZ: I have to make that decision as we come to it; and in the meantime, the President's policy is a "no undercut" policy, in the interest of seeing if we can't bring forward, from the present Geneva negotiations, the promise of the radical reduction in the agreement that led to these negotiations.

MR. WILL: Well, the SALT II stipulates 2,250 launchers for each side. We've never been over that. The Soviet Union's never been under that, have they?

SECRETARY SHULTZ: Well, when you say "never," I think that you're wrong on that.

MR. WILL: Not since SALT II.

SECRETARY SHULTZ: But it is a problem, and the mobility of missiles increasingly raises problems about verification, whether you can really count them and know how many there are and where they are.

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MR. BRINKLEY: Mr. Secretary, we have all grown up since World War II being told -- and I think believing -- that a summit meeting between the leaders of two huge nations raises substantial public expectations and so, therefore, should be carefully prepared so as to be sure, that when they were over, something worthwhile came out of them.

We have been told that, haven't we?

SECRETARY SHULTZ: Yes, and I think it's correct.

MR. BRINKLEY: Well, now we are talking about a summit meeting with, as far as I could tell, no preparation at all, just a rather casual meeting, you might say, chit-chat or whatever. I don't -- What do we have in mind for this meeting?

SECRETARY SHULTZ: Well, I really don't have in mind casual chit-chat. (Laughter)

MR. BRINKLEY: Well --

SECRETARY SHULTZ: There has been, implicitly, quite a lot of preparation, in the sense that the two sides have made their positions quite clear on a very wide range of issues. There has been a lot of discussion; there have been a few agreements in the past year. There is a wide variety of things under discussion now.

And so, at a moment when the President is starting a new term with his basic policies in place, when we do have arms talks starting in Geneva, when we have a new leader of the Soviet Union, it seems to be a moment when it would be useful to review the bidding, not with no preparation and not on the basis of chit-chat or just "getting to know you," but on the basis of reviewing all of the various substantive issues, which are deep and difficult.

MR. BRINKLEY: Let me interrupt here for a moment.

We'll be back with more questions for the Secretary of State in a moment.

(Station break.)

MR. BRINKLEY: Mr. Secretary, we are hearing in Washington now -- and I think we've heard it from you -- that in relations between the U.S. and the Soviet Union, we now have a "window of opportunity," which implies that something exists now which did not exist before and may not exist in the future. What is this? I mean, what is it --



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SECRETARY SHULTZ: Well, just to go over it, there has been a considerable amount of discussion of the deep and difficult issues between the two countries. There is a President starting a second four-year term with policies in place, so he has examined the range of these issues. There is a new leader of the Soviet Union who is going to have the opportunity to fill vacancies in the Politburo and thereby, no doubt, strengthen whatever his point of view is, as he looks ahead in their evolution as a country. And we do have important discussions going on now, pointed towards arms reduction -- not just control, reduction. At least, that's the stated subject of these negotiations.

So all of these things together create a moment when, at least the President believes, it would be worthwhile to review the bidding, and see where we may go from here.

MR. WILL: All the arguments about the details of Soviet-U.S. relations are really, at bottom, arguments about one question: What does the Soviet Union want; what's the goal of the regime? Is it, as some people say, an inherently militarist and expansionist regime, deriving its legitimacy from its role as the keeper of a revolutionary flame against the rest of the world, or is it just another great power that wants to get along with us? What's the Reagan Administration view?

SECRETARY SHULTZ: I think you have to assume the former, because that's, basically, the way they've always described themselves and they've always behaved.

MR. WILL: In other words --

SECRETARY SHULTZ: Now --

MR WILL: -- they are an expansionist, militarist, ideological power?

SECRETARY SHULTZ: -- Now, from our standpoint we have to recognize that as a reality, or certainly potential reality, and generate the strength of purpose, and ability, along with our allies, to protect and defend and enlarge the scope of freedom in the world. And knowing that, and knowing that these two ideologies are not truly compatible, we have to expect competition. But that doesn't mean, in this world, that we have to resign ourselves to a nuclear holocaust, or anything of that kind. We need to work to prevent it.

MR. WILL: But isn't the premise of an arms control process that we, by negotiation, can change the fundamental character and aspirations of the Soviet regime? And after all, they've been saying since 1959 that they're for reducing weapons.

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SECRETARY SHULTZ: I don't think that that is the premise. I think we have to accept that the kind of system they have described to us they have is probably the way they think about it, and we have to position ourselves so that we are able to deal with that, and, under those circumstances, see if there are some agreements that will reduce the level of potential outbreaks of nuclear or other forms of warfare.

MR. DONALDSON: Mr. Secretary, King Hussein of Jordan has now said that he has gone as far as he can go in trying to inch back into the Middle East peace process, that if the United States will not reverse its position and see a joint Palestinian-Jordanian group, that he's going to, in effect, wash his hands of it.

Are you going to reconsider it?

SECRETARY SHULTZ: Well, I think that, first of all, it's important to notice that over the past six to eight months there have been a number of favorable developments in the direction of Middle East peace -- there have also been some steps in the other direction -- but King Hussein's recognition of Egypt, despite the fact that Egypt, as the condition always was, has continued its peaceful relationships with Israel; the Iraqi desire to resume diplomatic relations with us, despite the fact that we have as strong, or stronger, a relationship with Israel than ever; the efforts on the part of King Hussein to engage with some sort of Palestinian delegation on the idea of direct negotiations with Israel -- these are all positive things.

On the other hand, as far as dealing with the PLO is concerned, we have set down certain conditions, very simple ones, basically: that they recognize Resolution 242, which is essentially the territory-for-peace formula, and recognize that Israel is a state and exists and has a right to exist, so that when the negotiations take place, they don't take place on the idea that somehow one party is seeking to eliminate the other.

MR. DONALDSON: Well, is the answer to my question, then, "No"? -- my question being, "Will we reconsider our policy and meet with a joint Jordanian-Palestinian group?"

SECRETARY SHULTZ: Your question doesn't lend itself to yes or no.

MR. DONALDSON: But it was King Hussein who proposed it.

SECRETARY SHULTZ: There is motion there, and the President is despatching Ambassador Murphy to the area, and we'll explore these possibilities, and we will see if it isn't possible to construct a Palestinian delegation, for example, that is not a PLO delegation.

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MR. DONALDSON: All right, on that point, Mr. Secretary: Now King Hussein, last week and again today abroad, and President Mubarak of Egypt, are complaining that the United States policy of not getting in as a mediator, as an on-the-table bargainer, until both the Arabs and the Jewish nation sit down together, is wrong, just absolutely wrong and defeatist.

How do you answer that?

SECRETARY SHULTZ: I think the message that we have tried to give over there -- namely, that if peace is going to come about, the parties out there are going to have to think it over and decide some things for themselves -- that message has gotten through, and I think it's a fine thing.

MR. DONALDSON: So you're saying, "Boys, you're on your own. If you --

SECRETARY SHULTZ: No, we're not.

MR. DONALDSON: -- ever get together, come see us."

SECRETARY SHULTZ: No, we're not. We're saying that the United States is ready, and has been very heavily involved in all of this, and we're prepared to undertake further things, but we want to see the ante, some ante, put on the table by everybody, and that's beginning to happen, so I think it's a healthy process.

MR. WILL: Mr. Secretary, if the Sandinista regime is as wicked as the Administration says it is, and Nicaragua is as important as the Administration says it is, and our duty to help freedom fighters is as clear as you said it was in your San Francisco speech, isn't the Administration program awfully small, compared to the gravity it's described? I mean, fourteen million dollars? We have the Navy and the Marines, and all the rest. Shouldn't the Administration say that we're not going to rely just on -- I mean, by its own terms -- just on fourteen million dollars here and there, but are going to take more decisive actions?

SECRETARY SHULTZ: Well, we are not relying on fourteen million dollars. We're relying, first of all, on the strength of the ideas involved, on the proven workability of a free and open society to produce a better life for people. We are helping the surrounding countries to find democracy, the rule of law, and economic development, to stand in contrast with what's going on in Nicaragua. And we intend to give every support we are able to for those within Nicaragua who will fight for what the Sandinista revolution's goals were in the first place.

MR. BRINKLEY: Mr. Secretary, thank you very much. Thanks for coming in, giving us your views. It's been a pleasure to have you with us today.

SECRETARY SHULTZ: Thank you very much.

(The interview concluded at 12:15 p.m.)