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Last Updated: 02/08/2024

PRESS DEPARTMENT OF STATE



No. 62
April 1, 1985

PROGRAM FOR THE OFFICIAL WORKING VISIT TO WASHINGTON, D.C., OF HIS EXCEL-
LENCY BELISARIO BETANCUR, PRESIDENT OF THE REPUBLIC OF COLOMBIA, AND
MRS. BETANCUR.

April 2-4, 1985.

Tuesday, April 2

- 10:25 a.m. His Excellency Belisario Betancur,
President of the Republic of Colombia,
Mrs. Betancur and their party arrive
Andrews Air Force Base, Maryland, via
U.S. Presidential Aircraft.
- 10:45 a.m. Arrival Washington Monument Grounds
(Reflecting Pool Side).
- The Honorable George P. Shultz,
Secretary of State, will greet
the party on arrival.
- 10:55 a.m. Arrival Regent Hotel, 2350 M Street,
Northwest.
- 11:40 a.m. President Betancur will lay a wreath at
the Tomb of the Unknown Soldier, Arlington
Cemetery, Arlington, Virginia.
- Private lunch.
- 3:30 p.m. President Betancur will address Members
of the Permanent Council of the Organization
of American States, Salon Simon Bolivar,
Organization of American States, 17th
Street and Constitution Avenue, Northwest.

S/CPR - Mary Masserini,
Regent Hotel - Protocol Office
429-0100, Ext.

For further information contact:

Tuesday, April 2 (continued)

At the conclusion of the Address, President Betancur will proceed to the OAS Museum of Modern Art of Latin America for the Opening of the "Colombia Church of Santa Clara Colonial Art Exhibit", and attend the following Reception, OAS Museum.

5:40 p.m.

His Excellency Belisario Betancur, President of the Republic of Colombia, and Mrs. Betancur will host a Reception for Members of the Colombian Community of Washington, D. C., Shoreham Hotel, Ambassador Room.

Dress: Business suit.

PRESS CONTACT: Ms. Virginia Varela,
387-8338

7:30 p.m.

The Honorable George P. Shultz, Secretary of State, and Mrs. Shultz will host a dinner in honor of His Excellency Belisario Betancur, President of the Republic of Colombia, and Mrs. Betancur, Department of State, Thomas Jefferson Room.

Dress: Black tie.

Wednesday, April 3

7:30 a.m.

President Betancur will host a Working Breakfast for Financial Leaders, Mayfair Court, Regent Hotel.

PHOTO COVERAGE: Photographers to be at Mayfair Court 15 minutes before scheduled meeting.

9:30 a.m.

President Betancur will have Coffee with The Honorable Robert Dole, Senate Majority Leader; The Honorable Robert C. Byrd, Senate Minority Leader and other Members of the Senate Foreign Relations Committee, U.S. Capitol, Room S-116.

10:30 a.m.

President Betancur will have Coffee with Members of the House Foreign Affairs Committee, Rayburn House Office Building, Room 2200.

12:00 Noon

President Betancur will receive an Honorary Doctor of Laws Degree and address the assembly, Intercultural Center Auditorium, Georgetown University. At the conclusion of the Address a Reception will follow in the Atrium.

1:00 p.m.

The Reverend Timothy S. Healy will host a luncheon in honor of President Betancur, Riggs Library, Healy Hall, Georgetown University.

Wednesday, April 3 (continued)

2:10 p.m. President Betancur and his party arrive
The World Bank, 1818 H Street, Northwest.

Signing Ceremony (Fourth Bogota Water
Supply and Sewage Project Loan Agreement),
Conference Room, E 1244.

PRESIDENT BETANCUR WILL MEET WITH THE FOLLOW-
ING AT THE REGENT HOTEL, PRESIDENTIAL SUITE,
8th FLOOR:

3:15 p.m. The Honorable George P. Shultz,
Secretary of State.

4:15 p.m. The Honorable James A. Baker, III,
Secretary of the Treasury.

PHOTO COVERAGE OF ABOVE MEETINGS: Photographers
to be on 8th floor no later than 15 minutes
before scheduled meetings.

5:00 p.m. President Betancur will meet with The Honorable
George Bush, Vice President of the United
States, Vice President's Residence.

8:00 p.m. His Excellency Belisario Betancur, President
of the Republic of Colombia, and Mrs. Betancur,
will host a dinner in honor of The Honorable
George Bush, Vice President of the United
States, and Mrs. Bush, Ambassador's Residence,
1520 20th Street, Northwest.

Dress: Black tie.

PRESS CONTACT: Ms. Virginia Varela,
387-8338

Thursday, April 4

7:30 a.m. President Betancur will host a Working Break-
fast for Government Commerce Leaders, Mayfair
Court, Regent Hotel.

PHOTO COVERAGE: Photographers to be at Mayfair
Court no later than 15 minutes before scheduled
meeting.

9:15 a.m. President Betancur arrives Inter-American
Development Bank, 801 17th Street, Northwest,
for a Signing Ceremony, Andres Bello Auditorium

10:00 a.m. President Betancur will meet with The Honorable
Edwin Meese, III, Attorney General of the
United States, Presidential Suite, Regent Hotel

PHOTO COVERAGE: Photographers to be on 8th
floor of hotel no later than 15 minutes before
scheduled meeting.

Thursday, April 4 (continued)

11:30 a.m. President Betancur will meet with President Reagan at the White House. At the conclusion of the meeting President Reagan will host a working luncheon in honor of President Betancur, Old Family Dining Room, White House.

3:30 p.m. President Betancur will hold an Open Press Conference, Regent V Room, Regent Hotel. Doors will open at 3:00 p.m.

5:15 p.m. Members of the Flota Mercanta Grancolombiana will host a Reception in honor of His Excellency Belisario Betancur, President of the Republic of Colombia, and Mrs. Betancur, Ballroom, Regent Hotel.

Dress: Business suit.

PRESS CONTACT: Ms. Virginia Varela,
387-8338

5:50 p.m. President Betancur, Mrs. Betancur and their party arrive Washington Monument Grounds, Reflecting Pool Side.

6:05 p.m. Arrival Andrews Air Force Base, Maryland.

6:15 p.m. Departure from Andrews Air Force Base via Colombian Air Force Aircraft enroute Bogota, Colombia.

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NOTE:

Recognized Credentials for coverage of events:

White House - State Department

U.S. Capitol - U.S.I.A. - V.O.A.

and

Columbian Visiting Press Pass

* * * * *

PRESS

DEPARTMENT OF STATE



No. 63
April 1, 1985

REMARKS BY
THE HONORABLE GEORGE P. SHULTZ
SECRETARY OF STATE
BEFORE THE
FOREIGN POLICY CONFERENCE
FOR
LEADERS IN HIGHER AND INTERNATIONAL EDUCATION
LOY HENDERSON AUDITORIUM
MONDAY, APRIL 1, 1985, 9:24 A. M.

MR. JOHN T. McCARTHY: Good morning again, ladies and gentlemen. Welcome to this Conference for Leaders in Higher Education. I have the great honor and pleasure to introduce to you, as our first speaker, the Secretary of State, Mr. Shultz.

SECRETARY SHULTZ: My role is to welcome you and to give some brief indication of our outlook on foreign affairs. Let me say first that I really do welcome you as a group of people from around the country who are interested in foreign affairs, and education about them, in various ways.

It's very valuable from the standpoint of the country that in our educational institutions there is a lot of attention to these subjects on as informed and thoughtful a basis as possible, and the fact that you're here shows your interest and readiness to discuss these issues.

Of course, I have to speak, myself, as a university person, which I've spent most of my life in various universities, and the only private association that was not stripped away from me when I was drafted into this job -- (Laughter) -- was that I'm still a professor on leave from Stanford University. And

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so I say to them, "You can't threaten me around here. I've got tenure." (Laughter) I always can get a job, or have one there.

Let me just make a few overall remarks about the foreign policy arena. I think first it's important to identify the way of thinking about this subject, and from the President's standpoint there's three words that sort of underlie the way he is going about it.

The first is to look around the world with realism, try to describe to ourselves what is taking place and what explains it, and be ready to say that publicly, whether it happens to be agreeable or disagreeable. And I say that with respect to our adversaries and also with respect to our friends, who we sometimes have some disagreements with -- like our trade disagreements with our great friend Japan right now. We have to say what we believe is the truth, and then try to base our policies on that perception of the reality that's out there. So that's the first point.

The second point is to recognize that if we're going to count in the world -- if our ideas are going to count, if our interests are going to be represented -- then we have to have strength ourselves. When I use the word "strength," and when the President uses it, obviously it includes a defense capability to be able to defend our interests and to work with our allies.

But it also includes the strength of our economy, the getting of our economy back into a position where it is productive, expanding, productivity increasing, with a sense of venture and entrepreneurship on the rise. All of those things add strength. Our relationships with our friends, the strength of our alliances, obviously, are a very important part of this.

And then I think, also, the sense of purpose as a people, the belief in ourselves that the things we stand for are good things, not only for ourselves but for others -- all of these things are part of strength, as the President sees it, and we have to nourish that.

And then we have to be ready, wherever, to engage in a constructive process of trying to work out problems. We want to be part of the solution, not part of the problem. So all around the world -- and as a world power, with world interests, we are involved all around the world -- we try to take that approach.

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Now of course, unfortunately, as you look around the world there are some key points of tension. But, for the most part, things are moving along and there's no big boiling-up, and what we are trying to create around the world is a sustainable kind of set of relationships that can last, that can prosper, and to nourish that.

A lot of what we're doing in our foreign policy I call "gardening." That is, you've got to get out there and get around and get the weeds out and get the seed planted, and so forth. You've got to do those kinds of things and be constantly at it. And remember, just because there's no crisis, just because somebody is a friend, just because somebody supports you, doesn't mean you should neglect those people.

On the contrary, you have to say to yourself, because it isn't a squeaky wheel, it should get attention so that it doesn't become one. So an awful lot of gardening is in keeping; and then we do try, as we develop relationships in critical areas, to get on a path that we can sustain.

I think that the picture in Asia is an outstanding one right now. That doesn't mean there aren't plenty of problems, but there are also some very good things happening. And if you take the example of China, where this country, beginning with the opening created by President Nixon's diplomacy, there has been a gradual evolution in our relationship with China.

But particularly in the last two or three years, we have said to ourselves: Now, there have been these ups and downs. There tends to be -- there has been, since the Nixon opening, periods of euphoria about it and periods of depression about it, up and down. Let's try to get away from that. Let's try to find a relationship that is sustainable, that recognizes problems, tries to solve them, recognizes there are some problems that are just going to be there for a while, and we have to learn how to manage them rather than expect that they are going to get solved overnight.

So we get ourselves into a path that is a sustainable path. And we've tried to do that in various settings around the world.

Obviously, a big part of our foreign policy agenda is directed at the management of our relationship with the Soviet Union, with all of its repercussions. This is an extremely difficult relationship to manage, first of all because the nature of their society and the nature of our society are very, very different. Their objectives, their values, the way they go about things, are just completely

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different from ours -- we all know that. And I think, while we might nourish the hope that there might at some point be some changes in the way they tend to approach things, it seems to me that is most likely wishful thinking.

So we have to say to ourselves: Here is a different society that's also a powerful factor on the world scene, and we can't ignore that, so we should try to find a sustainable relationship that directs itself toward solving those problems that we can deal with in a manner that suits our interests. And in saying that, we have to recognize that they are not going to agree to things that suit our interests unless they also suit their interests. So we have to think about it that way.

We have an agreement that was worked out finally last January to reinstitute negotiations about major offensive and defense and space arms. They're taking place now in Geneva. If we get an agreement for radical reductions in those armaments -- offensive armaments -- and if we get an agreement to shift the nature of deterrents more in the direction of defense, then that will be very much in our interest; no matter what else happens. Of course, it needs to be done on an equitable basis; it needs to be done on a basis that can be verified. If we can get those things, well, that will be positive. And so on.

I could identify problems of regional tension. Obviously, there are some severe issues of human rights that separate us, and which we will never let up on, as well as a myriad of bilateral problems, which, in the right atmosphere, probably can get resolved reasonably satisfactorily.

But at any rate, just to bring this to a conclusion -- and I could talk about Central America or southern Africa, or Cambodia, or Eastern Europe, or wherever -- but just to bring this to a conclusion, I think we have to, in our relation with the Soviet Union, be realistic, be strong, and be ready to negotiate things where we can see that it's in our interest to do so. And I do believe, myself, that it is in our interest to have a relationship with them that is as constructive and stable as we can make it, while recognizing gross differences mean that the nature of the relationship will never be what it is with many other countries around the world.

Well, let me just return to the beginning here and say again how much I welcome the interest that you have in affairs of

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state. We welcome very much the opportunity to work with you, both in this conference and in all of the subsequent ways that we can interact. We like to push our ideas out and get you to think about them, but we're also ready to listen to your ideas, and consider this to be very much of a two-way street.

So, thank you very much for being here and thanks for listening to me this morning.

(Applause)

PRESS

DEPARTMENT OF STATE



No. 64
April 1, 1985

AS PREPARED FOR DELIVERY

REMARKS BY
THE HONORABLE GEORGE P. SHULTZ
SECRETARY OF STATE
BEFORE THE
TENTH NATIONAL CONFERENCE ON
BLACKS IN HIGHER EDUCATION
Washington, D.C.
April 1, 1985

The longer I spend at the Department of State, the more conscious I become of its unique position among government agencies. Unlike the other Cabinet departments, our focus is on development and management of policy, rather than administration of heavily-funded programs. The only resource we have in doing our job is the people in the Department, both Foreign Service, Civil Service and that tiny sprinkling of in-and-out non-careerists, of which I am one. The quality of our foreign policy and of our representation around the world depends directly on our ability to tap the skills and talents of the best of all segments of American society. Not only is it a matter of simple fairness and equality; but the national interest requires that we have a Foreign Service Officer Corps that represents the rich ethnic diversity of the United States.

Foreign Policy and the Black Community

Today, I want to underscore my personal commitment to increasing the involvement of the black community in international affairs. And I want to reaffirm the Department of State's commitment to increasing the representation of minorities and women in our work force.

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The historically black colleges and universities have a central role to play in this effort, and in other areas. As you know, this was recognized by the President's Executive Order 12320, signed back in 1981. The President directed federal agencies to increase the participation of black colleges in federally sponsored programs.

Further, both the Civil Service Act of 1978 and the Foreign Service Act of 1980 mandate continued efforts by the Department to develop a work force that fairly represents the American people. We must do so in accordance with the principles of merit, equal employment opportunity, and fair and equitable treatment for all. I and the other senior officials of the Department of State are strongly committed to this effort, both from personal conviction, and from our knowledge that fair representation means a more effective Foreign Service.

We have made progress. Let me cite the Foreign Service Officer Corps, which staffs our diplomatic missions overseas and in Washington assists the President and myself in the formulation and conduct of our foreign policy. The percentage of minority Foreign Service officers has almost tripled during the past ten years, from 4.2 percent in 1975 to 12.4 percent today. The number of women officers has doubled, from 9 percent to over 18 percent.

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Our recent incoming Junior Officer classes have typically been over 20 percent minority and over 30 percent female. As these new recruits rise in their careers, we will find increasing numbers of them in senior Department positions.

More progress is needed. Our entrance process is competitive, but I have no doubt that there are many among your students who have both the ability and commitment necessary to succeed.

In addition to our general entry procedures, we have affirmative action programs for entry to the Foreign Service and for summer internships, both in Washington and in embassies overseas. We are also actively recruiting Foreign Service specialists in a wide range of areas from security officers to engineers. We welcome applicants from your institutions in those areas as well. I will be asking my chief advisor on personnel matters, the Director General of the Foreign Service and Director of Personnel, George Vest, to follow up with you by letter and give full details of all of our employment possibilities.

I ask that you remember the State Department when you are counseling your students about their futures. Our careers are unique, full of challenge and diversity.

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They demand the best our country has to offer and we need your help in making your students aware of these opportunities. We believe there is an underutilized pool of talent at the historically black colleges and universities whose interest in the Foreign Service can and should be aroused. Our Equal Employment Opportunity Office is here to help find that talent. I am determined that in my tenure as Secretary we will seek the best people everywhere. With the challenges our country faces in the world today, we can afford to do no less.

I understand that a number of the schools in your association want to know how the black academic community can become more involved in foreign relations. One way is through our Diplomat-in-Residence program. For a number of years we have assigned a Senior Foreign Service Officer to a black college. The officer gives courses, lectures, holds seminars, counsels students, and aids in the administration of the institution. The Department pays the officer's salary and gives him an allowance. During the 1984-85 academic year an officer was assigned to Morgan State University. Assignments of officers under the Diplomat-in-Residence program are made on the basis of proposals submitted by colleges and universities throughout the country. We have several historically black colleges and universities that are strong contenders for 1986-87, and I want to urge all of you to apply.

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The Foreign Service Institute, which is our permanent link with academia, can provide you with all the information.

The Institute is home to the Center for the Study of Foreign Affairs. Together, they invite well over 200 scholars each year to lecture and to train foreign affairs professionals. The Center, which was founded only two years ago, sponsors a thriving research program in which symposia play a key role. Last year the Center conducted a seminar on the American relationship with Nigeria and another, part of its conflict management series, on the negotiations that led up to the independence of Zimbabwe. Soon, the Center will host a symposium on "What Science and Technology Can do to Help Africa Feed Itself". Few foreign policy subjects have such a sense of urgency and priority for the Department of State and the President. The Institute and the Center welcome your interest and involvement in their activities.

Another way the black academic community can become more involved in foreign relations is through our external research program. This is administered by the Bureau of Intelligence and Research and its Office of Long-Range Assessments and Research. Every year, limited funds are made available for research and conferences related to the immediate concerns of the Department's policy bureaus.

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Additional funding is made available for specialists outside the Department to conduct long-range assessments.

Finally, you should know about our Scholar-Diplomat Seminars. In the past ten years, over 1600 scholars have participated in this weeklong program. Each participant is assigned to a Department official, typically at the desk-officer level, and works with him in his daily tasks. The scholar thus gains unique insight into the making of foreign policy in his field of expertise. The Bureau of Public Affairs can give you complete information.

International Issues Before Us

As Americans, we all face a full agenda of international challenges. Let me say a few words about some of the issues we are grappling with, that I am sure are of interest to you.

The American people have greater interest in African developments today than in many years. This is all to the good. Africa has enriched our country with its culture, and is important to us both economically and politically. We take an active interest in seeking to help Africa resolve its problems.

Africa is beset with a longstanding economic crisis aggravated by drought and famine. We estimate that at least 20 million people across the continent are at risk. To meet this crisis, we and other Western nations have provided urgent assistance with food, medical care and shelter. Since last October, the United States has committed more than \$600 million in food assistance. Total food and emergency assistance from the United States to Africa this year will reach more than \$1 billion - as much as the rest of the world combined.

While adverse climatic conditions have been a cause of much of the current despair, there are other causes as well. African nations have received less income in recent years for their raw materials. Insufficient capital investment has been available to promote needed economic development. Difficult terrain and inadequate transportation systems further retard growth. In addition, unwise government economic policies, relying too heavily on state control, have deadened the initiative of small-scale farmers, the backbone of Africa's economy. In recent years, many African governments have come to recognize that past mistakes have contributed to the current crisis. The United States is now encouraging structural changes that will expand private incentives and promote increased food production and development.

Vice President Bush has just returned from a trip to Africa. His journey focused attention on our efforts to help meet the current food crisis. He also explained our desire to work with African governments to provide the necessary development assistance and other resources that will promote economic growth. The task ahead is a daunting one and progress is absolutely vital for the millions of people of Africa. We believe there is some hope for progress. Free economies have brought improvement in widely differing societies the world over. Efforts at liberalization are bringing encouraging results in some African countries; we believe this approach holds similar promise throughout the continent, and will do all in our power to help.

Africa also faces serious political problems. In some parts of the continent, hostile states confront each other; elsewhere, internal political or ethnic rivalries threaten civil discord or war. Other nations, such as the Soviet Union, Cuba, and Libya, attempt to exploit these conditions. We cannot solve all of Africa's problems. But we can use our influence to help promote solutions.

Of course, our eyes focus on South Africa. President Reagan has made clear our position that South African apartheid is an affront to every principle and ideal of our country.

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The President declared on December 10th:

"We . . . call upon the Government of South Africa to reach out to its black majority by ending the forced removal of blacks from their communities and the detention, without trial, and lengthy imprisonment of black leaders . . . [W]e ask that the constructive changes of recent years be broadened to address the aspirations of all South Africans . . . We urge both the Government and the people of South Africa to move toward a more just society."

Apartheid must end. There has been some change in South Africa, faster today than in earlier years, but not nearly enough. We believe the influence of our diplomacy, the influence of American companies doing business there, and our assistance programs for black South Africans do make some contribution to positive change. There must be much more change, peaceful change that should build until South Africa achieves freedom and justice for each and every one of its citizens. To this end we are constructively -- and actively -- engaged.

We strongly condemn the government actions that, in recent weeks, have caused many deaths. The government must answer the demands of the black majority with negotiations.

South Africa needs peace, not violence; dialogue, not confrontation and repression.

Our policy also rests on the view that resolution of regional problems would contribute to peaceful change within South Africa. Thus, our diplomacy has helped to reduce violence across the borders between South Africa and its black-ruled neighbors. We continue -- along with four of our allies -- to seek the independence of Namibia in accordance with UN Security Council Resolution 435. We seek a regional settlement addressing also the issue of Angola, including a withdrawal of the Cuban intervention force.

In sum, we are actively working to achieve goals in southern Africa that all Americans can support -- peaceful change away from a racist system, greater stability in the region as a whole, including the removal of all foreign forces, and Namibian independence. A great deal remains to be done. But we can do our job only if we are engaged, physically present, in contact with all parties and able to bring our limited influence to bear. The alternative -- disengagement -- will only reduce our ability to achieve these goals and make us less relevant to this important region.

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Let me now turn to the Caribbean, a region of the world that has a special importance and relationship to the United States. With few exceptions, the nations of the Caribbean are democratic, governed by freely elected leaders responsible to their people. These societies value their independence and democratic heritage.

In October 1983, the states of the Eastern Caribbean, Jamaica, and the United States joined together in the liberation of Grenada. We acted to turn Grenada back to its own people, after the island had fallen prey to a bloody power struggle among its Marxist-Leninist rulers. Last December, with the inauguration of Prime Minister Blaize, a free Grenada was welcomed back to the community of democratic nations.

The leaders and peoples of the Caribbean have demonstrated their commitment to democracy. In fact, many studied the principles of free government in the United States at institutions such as yours. But their countries confront serious economic problems. Although they may not face the challenge of externally supported insurgencies, all must deal with the difficulties posed by high debt and unemployment, poor markets for their traditional exports, and often inadequate economic institutions and infrastructure.

President Reagan's Caribbean Basin Initiative provides for 12 years of one-way free trade to increase imports of most products from designated countries into the United States. Twenty-one countries have been designated beneficiaries since January 1984, when the program went into effect. We have early indications of progress: non-petroleum imports into the United States from these countries were up 17.9 percent in 1984 and American investors are showing greater interest in the region, although business investment decisions take time. We think the program will produce favorable results as the countries of the Caribbean adjust to the realities of the international marketplace.

Before I conclude, let me say a few words about our efforts to control, limit, and reduce nuclear weapons.

The President's policies, in his first term, strengthened our defenses, reinvigorated our economy, and helped restore the country's sense of engagement and leadership in the world. In so doing, they have laid the basis for a stable, mature relationship with the Soviet Union.

At the Geneva talks that opened March 12th, our goal is to achieve radical reductions of nuclear weapons and to increase strategic stability.

At the same time we seek to move to a different kind of strategic relationship, one less reliant on the threat of offensive nuclear devastation and more reliant on non-nuclear defensive systems that threaten no one. We have embarked on a research program to determine the feasibility of such defenses -- the Strategic Defense Initiative. Strategic defenses, if workable, would give our children and grandchildren a safer world.

Our negotiators have instructions to be flexible and determined in attempting to reach equitable agreements. Such agreements would have to maintain the security of the United States and our allies, ensure deterrence, enhance stability, and reduce the risk of war.

To succeed, we must be united at home. Domestic divisions will only encourage the Soviets to sit back and wait for us to make unilateral concessions, as they always do. So, to achieve our common goal, we need your support.

Conclusion

We strive to live up to our nation's ideals in the formulation and execution of our foreign policy. This is the only road to success. And thus our efforts and your efforts have much in common.

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America is probably unique among nations in the depth of its commitment to moral ideals in foreign policy -- freedom, democracy, racial justice, human rights. We can be proud of the good that our country has achieved in the world, just as we are conscious of how much more needs to be done. Our commitment derives from the nature of our society, and our ability to promote freedom and justice abroad depends very much on our success in achieving freedom and justice at home. I, for one, am very confident of this great country's ability to do both.

PRESS

DEPARTMENT OF STATE



April 2, 1985
No. 64A

QUESTION-AND-ANSWER SESSION OF
THE HONORABLE GEORGE P. SHULTZ
SECRETARY OF STATE
BEFORE
NATIONAL CONFERENCE ON BLACKS IN HIGHER EDUCATION
WASHINGTON HILTON HOTEL, WASHINGTON, D.C.
MONDAY, APRIL 1, 1985, 4:45 P. M.

DR. LUNA I. MISHOE (Chairman, NAFEO Board of Directors): Mr. Secretary, we thank you very much for coming to us, and we were very pleased about the substance of your discussion with us here this afternoon. We're very pleased to know that you stand for a full commitment of more blacks in the foreign and diplomatic service. When we go back to our campuses, I'm sure we're going to emphasize that.

We're pleased to know about your commitment to those twenty million Africans who are hungry, without medical care, without food and shelter in Africa. This is project number one, and we're pleased about it; and your position and the President's position on apartheid in South Africa pleases us.

Thank you very much for telling us about these things.
(Applause)

And, finally, we know you're going to get a balanced import-export trade worldwide sometime. (Laughter)

Now, may we ask that the questions be brought to President Spearman (Dr. Leonard O. Spearman), and President Spearman is going to give me the question. I will read the question, and I'm sure the Secretary will do the answering.

SECRETARY SHULTZ: Sort of like playing Russian roulette.
(Laughter)

DR. MISHOE: Mr. Secretary, to what extent are U.S. national security interests involved in the maintenance of our present policies in southern Africa? That is, why is southern Africa important to our interests?

SECRETARY SHULTZ: First, it's important because there are people there having great difficulty. It is an area where freedom is not available to many people, and therefore there is a morality to our engagement.

Second, it is important because it is an area rich in resources, some of them to be found in very few other places in the world. So the richness of the resource base there, added to the concern for people, I think represents the essence of our basic interests.

Of course, it happens to be a location which is an area, around that area, that is of strategic importance. But basically I think you see an interplay of our ideals and our interests, and so we are engaged. We feel that with all of the problems and with all of the discouragements, nevertheless there has been progress and our presence helps.

So we say we shouldn't just throw up our hands and say, "We don't like what's going on here, so we're gonna' go home." We should say, "Well, we don't like what's going on here, but we're going to be engaged, and we're going to work constructively and peacefully to change things for the better." That's our program.

DR. MISHOE: Mr. Secretary, if development is a priority for the Reagan Administration, will it support and push for additional funding for IFAD -- International Fund for Agricultural Development? This program has successfully aided poor rural farmers in Africa and elsewhere.

SECRETARY SHULTZ: This is a program that we have supported and continue to support that is aimed at those objectives. I believe I'm identifying it correctly as one in which we have sought to draw the support of other countries, with some success but not as much success as we might like.

At the same time, we have felt that the policies that surround agriculture in many African countries -- as I said in my talk -- have discouraged the farmers. And so we have on a bilateral basis -- that is, U.S. to individual countries -- developed not only this massive food aid program, but also

an economic incentive program that's designed to get at these same problems. And we have been heartened by the fact that the World Bank, in its report on Africa as of last September, wrote an analysis very similar to the one that we put forward to the Congress about a year earlier in justifying this incentive program.

So we're trying to make common cause and be part of multinational efforts, but also to push our own effort which gives us a chance to work directly with individual countries.

DR. MISHOE: Mr. Secretary, why does America so strongly cling to economic peace with Japan, despite their strong tendency to practice economic war with the United States? (Laughter)

SECRETARY SHULTZ: I would say that's a provocative question. (Laughter)

We are engaged in a very intense negotiation right now to get the Japanese to open their markets, not only to our goods but to those of countries around the world, more than they have in the past. It's a very intense negotiation, and as with these things often there is a level of acrimony that goes with it. Right now it's kind of at its height.

But, having said that, let me point out to you that over the past few years our exports to Japan have been steady and growing slightly, which is more than you can say to most other countries around the world.

The big trade imbalance that we have with Japan results from the fact that we have a line of exports that looks like this (indicates), and we have a line of imports from Japan that goes like this (indicates). So it is the desire of American consumers and producers to buy Japanese products that has led to that surge of imports and created the big imbalance in our trade.

We need to have a better balance. The kind of imbalance we have today simply won't last, and it is a fact that the Japanese market is much less open to us than ours is to them. They just have to open up more if they're going to be a responsible partner in the international economic system, and we have basically been trying to shake the situation up to cause that to happen. But it's been very frustrating and difficult, but nevertheless I think we are seeing some progress.

I might just say on that subject, before you count the United States out, the United States is the world's largest exporter, so we can sell things abroad. We sell more than any other country does.

The dollar is now priced -- its value with relationship to other currencies is very high because of the large flows of money into the United States, and that causes the value of the dollar to be a lot higher than it would be if it were just reflecting trade relationships. Of course, that puts our products at a competitive disadvantage.

I expect at some point the dollar will come more into line with the trade-based kind of relationship, and then our products will be even more competitive than they are today. I tell my friends around the world who are always complaining about, as they say, "the high dollar," I say, "I hear you complaining now, but it's nothing compared with the complaints you're going to give when the dollar gets a little lower and American businesses and products can compete even more competitively than today."

DR. MISHOE: Mr. Secretary, most of the people of the Caribbean Basin are blacks or Spanish. What special plans do you have to increase the involvement of the historically black colleges and universities in program development and implementation?

SECRETARY SHULTZ: I have mentioned the Caribbean Basin Initiative that is designed to stimulate trade and give the countries of the Caribbean a chance to ship into our market and to encourage investment there.

The basic reason why that ought to be quite helpful is that most of those countries are small, and so if their investment is oriented only to the internal market of that country, it's not a very big market, and therefore the scale of production will be small.

In order to have low costs, you have to be able to generate in many cases economies to large scale. So if they have a guaranteed access well out into the future -- 12-year horizon -- to our market, the largest in the world, it enables them to take advantage of economies to scale.

Insofar as involvement of people here is concerned, of course it would be through our Department activities or, more to the point when it comes to investment and trade, of course, that is not something done by governments in our type of society, it's done by businesses. So the businesses that are involved

are the ones that would contribute. And I would think you would find out what businesses those are, and it may very well be that you'd be able to provide people with some special qualifications to help in the relationship with those countries.

DR. MISHOE: Mr. Secretary, we have one more question. We have sampled the questions well, and we only have one left, and we thank you for answering these questions.

How many senior Foreign Service Officers went to historically black institutions last year? (Laughter) How long does the program last?

SECRETARY SHULTZ: Well, I don't know the answer to that question right off the top of my head, but it's an interesting question. (Laughter) And we ought to find the answer.

(To Deputy Assistant Secretary Clarence Hodges): Maybe you know?

DEPUTY ASSISTANT SECRETARY CLARENCE E. HODGES: Only about three.

SECRETARY SHULTZ: Three. Well, we ought to get more, and you can help us and let us know who your capable students are that are interested in international affairs. Let us get their names and get them into the process of application, and I can assure you they'll get a fair shake and then some. So we'd be glad to have them, and we're looking all the time.

As I pointed out, the proportions in our entering groups are much higher than they have been before. And as time goes on, these people will rise in the ranks of the Department's activities, and we'll see a much stronger representation of blacks, other minorities, and women in the upper reaches of our activities.

In the meantime, I'm not waiting for that, myself. I'm very actively looking for people who can do the jobs up at a higher level and come in sort of from other activities. But I think the basic long-run way of getting at this is to bring people in at the bottom, give them the career exposure and the experience and so on, so that they become well qualified for the jobs. That is what we're trying to do.

Thank you very much for inviting me here. I appreciate the chance to be with you.

(Applause)

PRESS DEPARTMENT OF STATE



No. 65
April 2, 1985

REMARKS BY
THE HONORABLE GEORGE P. SHULTZ
SECRETARY OF STATE
BEFORE
SIXTH ASEAN-U.S. DIALOGUE
LOY HENDERSON AUDITORIUM, WASHINGTON, D.C.
TUESDAY, APRIL 2, 1985, 9:04 A. M.

UNDER SECRETARY W. ALLEN WALLIS: Good morning. I want to welcome you to this ASEAN-U.S. Dialogue, a renewal of a series of successful meetings, and we hope this will be another one.

I have the pleasure and the honor of presenting to you the Secretary of State.

SECRETARY SHULTZ: My role is to welcome you, and I welcome you. (Laughter) But it goes a little further than that. Both as Secretary of State and as an individual who in various walks of life, private and public, has spent quite a lot of time in various countries of ASEAN and am quite familiar with that part of the world, I think from the standpoint of the United States it's a very important area. And the ASEAN grouping, as a grouping, has always struck me as an ingenious and very worthwhile kind of undertaking.

So we're very pleased as a government to have this kind of opportunity for an exchange of views as well as, of course, the annual dialogue partners meeting out in one of the ASEAN countries -- I think in Kuala Lumpur this coming year.

There are many aspects to the interest of the United States with the ASEAN countries, and they, of course, range from

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security concerns -- which we support what ASEAN is doing -- and, obviously, economic relationships. As I understand it, this meeting probably will concentrate on economic relationships. That's well and good, because they are of tremendous importance to all of us.

I believe that two-way trade between the U.S. and ASEAN countries, taken as a group, is on the order of \$26 billion now. It's increased in the last year by almost 12 percent overall. It's interesting to note that the increase of exports from the ASEAN countries to the United States has increased on the order of 20 percent. In other words, the flow from there to here has exceeded in its rate of growth the flow in the other direction.

I think keeping these trade flows going and promoting and maintaining a good investment climate are very important to both of us. On the trade front there's great concern all over the world with the problem of protection, and I know whenever I go to the ASEAN countries, that is what I mostly hear about -- protection in the United States.

I have managed to say, in the light of the various trade figures, that if we are a protectionist country, we're doing a lousy job of it, given our trade imbalance and the increases even in products like textiles where there is a world-wide quota system. I might say that that system is not my idea of how to run economies, but there it is; it's been constructed by political pressures over the years in all countries.

But, at any rate, we fight protection very hard here, and it is tough when you have a trade picture like the one that we have but it will not diminish our efforts to keep our markets open; first and foremost because we think that serves the interest of the United States and; second, because it serves our interests indirectly by contributing to a open trading system in the world.

I believe that you, from the ASEAN countries, have a challenge to face not only in examining the ways in which our market has its deficiencies from your point of view in letting us know about that, but examine your market and what sort of restrictions you place on the import of goods and ask yourself whether that is in your long-run interests. I think, basically, the answer is no, although it is certainly the case in countries that are thought of as developing countries. Not all the ASEAN countries really can be thought of that way anymore.

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But, at any rate, there certainly are reasons why you want to provide a ray in which an industry may build itself up, but you don't want to build in inefficiencies.

The investment climate is extremely important to all of us. I don't mean by that to focus necessarily on foreign investment to a country, but just on investment as such, which involves an attitude toward ownership, profitability, enterprise. It seems to me it has to start with what your attitudes are toward investment by your own nationals and then, by extension, if you believe in the principle of no differentiation between the treatment of investment from whatever source, then that would apply to others as well.

At any rate, I know that all of these issues are ones that you'll be exploring, and my main object here is to welcome you and to say how important I think this whole relationship is. It's not only important now, but I think it gives every reason to expect that it will be more important as the years unfold, and the degree to which that's so will be a reflection of how well we all manage it. And so a discussion of all these issues in a group like this is, I think, something to be welcomed, to be taken very seriously.

I expect all of you to work very hard in this Conference, 24 hours-a-day, 7 days-a-week approach, but have a little fun as well.

Thanks very much for being here. I look forward to seeing you not only here but out in the region.

(Applause)

(Remarks concluded at 9:15 a.m.)

PRESS DEPARTMENT OF STATE



No. 66
April 3, 1985

STATEMENT OF
THE HONORABLE GEORGE P. SHULTZ
SECRETARY OF STATE
BEFORE THE
SUBCOMMITTEE ON COMMERCE, JUSTICE, STATE,
THE JUDICIARY AND RELATED AGENCIES
OF THE
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE
April 3, 1985

For further information contact:

Mr. Chairman and Members of the Committee:

I am here today to discuss the President's budget request for the the Department of State. The Department is a principal national security arm of the United States Government. War only starts when diplomacy fails. Diplomacy is the front line, world wide, 24 hours a day. As a result, this budget should be seen as a fundamental part of our national security program.

For Fiscal Year 1986, the President and I are requesting \$2,561,013,000 to support the Department's activities at home and abroad.. This figure is \$30,648,000 less than the estimate of \$2,591,661,000 for FY 1985.

Before discussing the details of our appropriations request, I would like to tell you about some of our accomplishments since I talked with you last.

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In the field of Reporting and Analysis:

- We have established the new political and economic officer positions authorized by the Congress as part of the Administration's program to rebuild the Department's reporting and analysis capabilities. Sixty percent of these were overseas positions; some of the domestic positions were used to augment our analysis of terrorist organizations and activities.

- We have opened five new Foreign Service posts, including embassies in Grenada and Brunei and consulates in Brisbane, Australia; Pusan, Korea; and Shenyang, China. (Shenyang is the third consulate we have opened in China.)

In the field of Security;

- 144 posts worldwide have received funds for emergency perimeter security improvements.

- We have contracted with 10 U.S. construction firms to design and build major physical security improvements at 37 high-threat posts abroad. These firms are beginning to survey construction requirements this month.

- 60 fully armored vehicles will be delivered to posts worldwide by early fall of this year to augment the current fleet, which is woefully inadequate.

- Mobile security training teams have been formed and after special training will be dispatched to overseas posts in June to train foreign national security personnel and Americans in antiterrorist tactics, such as defensive driving, and hostage survival techniques.

I will come back to Reporting and Analysis and Security in a moment.

In the field of Reciprocity;

- We have imposed travel and real estate controls on certain foreign missions and their diplomats (mostly Eastern Bloc).

- We have begun issuing red, white and blue federal diplomatic license plates for vehicles owned by foreign missions and their personnel as part of a program to require that all diplomatic vehicles carry adequate third party liability insurance.

In the field of Management;

- Partly in response to OMB and the Grace Commission, we are developing a five-year workforce plan to determine the appropriate size and structure for the Foreign Service. Our goals are to reduce staffing at the mid and senior levels and add junior officer positions. In the last promotion cycle, we took the difficult decision to curtail promotions into the Senior Foreign Service.

In the field of Communications;

- We have formed a crisis communication team equipped with tactical satellite systems that can provide emergency communications for three simultaneous crises.
- We have installed four classified information systems that provide "paperless" handling of sensitive information at overseas posts.

I am proud of these accomplishments, but much remains to be done. Therefore, we are requesting an appropriation for Fiscal Year 1986 in four major categories:

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First, we seek \$1,962,376,000 for the Administration of Foreign Affairs -- to cover the Department's basic diplomatic and consular functions, salaries, operating expenses, allowances, overseas building construction and maintenance. Second, in the category International Organizations and Conferences, we request \$553,574,000 to cover assessed contributions to international organizations of which the United States is a member, contributions for United Nations peacekeeping activities, and American participation in multilateral international conferences. Third, under the heading of International Commissions, \$26,278,000 is required to meet our treaty commitments under boundary agreements with Canada and Mexico and to cover our share of expenses as a member of eleven international fisheries commissions. Finally, in the category of Other Appropriations, we request \$18,785,000 for Bilateral Science and Technology Agreements with Yugoslavia and Poland, support for the Asia Foundation, and the Soviet East European Research Training Fund.

FY 1986 is the first time in 14 years the Department has not requested an increase in funding. Nonetheless, within this necessarily harsh fiscal environment, we will continue to meet the challenges which are central to the security and economic vitality of the nation.

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We will pursue the President's policies to reduce the risk of war through arms control and nuclear nonproliferation, to fight terrorism, and to expand opportunities for economic development and personal freedom through trade promotion, solutions to international debt problems, increased food production and other humanitarian efforts.

The Department's budget strategy has been to hold the line on spending in all areas except those which are absolutely essential to accomplish our mission. While we cannot fund all our current activities at existing levels, we will seek to increase productivity through automation and management improvements to absorb significant workload increases in areas such as passport issuance and administrative support.

But three important areas must be maintained and strengthened. They are:

1. Expanding and improving the Department's ability to obtain and interpret foreign policy information through improved reporting and analysis.
2. Improving the security of our people overseas.
3. Improving our personnel management and training.

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I would like to discuss reporting and analysis first. It is our central function. When I talk about reporting and analysis, I mean information about the thoughts and plans of key foreign leaders, the factors which influence them, how they make policy decisions and how they will react to our own decisions and those of other countries. We must predict trends, intentions and objectives. Ultimately, I must use this information and related judgments as a basis for policy recommendations to the President.

These recommendations based on reporting and analysis are critical to our national security. The Department is the single most important source of foreign affairs information for the entire United States Government. In the case of the national security-intelligence and economic intelligence categories, the Department provides more than half of all foreign affairs information available to the government. Concerning the internal politics of other countries, the Department provides about two-thirds of this data.

But, as I have stated to the Congress before, State's ability to meet national reporting and analysis requirements has seriously atrophied in the previous decade in the face of budget constraints.

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With the support of the Congress, we have begun to restore our weakened reporting and analysis capability. Based on the advice of our Ambassadors, assessments by our regional bureaus, evaluations by the Bureau of Intelligence and Research, inspection reports, and advice from other elements of the intelligence community, the Department has identified where our reporting analysis capability is deficient and produced a three-year plan to remedy that deficiency. This year the Administration is seeking 176 new positions for this purpose.

Mr. Chairman, I would now like to turn to the issue of security. Last year I told the House and Senate Appropriations Committees I was taking two steps: first, an immediate effort to improve worldwide security primarily in the Persian Gulf area and, second, that I planned to convene a high level advisory panel to study how the worldwide security problem would affect us in the future and to make recommendations to deal with it.

As you know, the bombings in Beirut led to a greatly expanded effort to strengthen the security of our facilities and people overseas -- an effort which received strong Congressional support.

All our posts have intensively reviewed their security needs, and these reviews have been the basis for quick action. We have made immediate improvements at 23 high-threat posts, and we are planning to construct 13 new office buildings that will meet new security standards. In addition, we have contracted with private firms to provide longer-term improvements at 38 of our posts. We have kept Congressional leadership advised of our progress on a regular detailed basis.

It has been a crucial necessity to spend more money to protect our people abroad, and the Congress, on a bipartisan basis, has been enormously helpful. Last year the Congress authorized a \$361 million security supplemental of which \$110 million was appropriated. That money is currently funding the bulk of the new measures we are now taking.

We are now seeking the balance of this emergency authorization in a 1985 supplemental appropriation to allow us to start the construction of these new embassy buildings and other essential actions. It is a major undertaking. Delay extends the period of danger to our people.

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The high level advisory panel was formed last summer under the chairmanship of retired Admiral Bobby Inman. Its members include Senator Warren Rudman and Representative Dan Mica, former Under Secretary of State Larry Eagleburger, Ambassador Anne Armstrong, Lt. General D'Wayne Gray, Chief of Staff of the Marines, Robert McGuire, former Police Commissioner of New York City and now President of Pinkerton.

This distinguished and experienced group plans to give me a report and recommendations in late May. But it has recently given me some preliminary suggestions. The most important preliminary finding of the Panel is that facilities at perhaps 139 of our 262 posts abroad do not meet our new minimum security standards and are in need of replacement or significant overhaul. For example, some posts are located on the streets in downtown areas while others are vulnerable for other reasons.

There is one other development regarding security of our personnel overseas I would like to comment on. I recently announced the formation of a new joint venture between the State Department and the private sector: the Overseas Security Advisory Council.

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The Members of this Council will come from a wide range of American businesses that operate abroad, American law enforcement agencies, and other foreign affairs agencies. The Council's goals are:

- to establish a continuing liaison between officials in both the public and private sector in charge of security matters.

- to recommend plans for greater operational coordination between the government and the private sector overseas.

By working together to enhance security, I know we can be more effective in saving lives and reducing the dangers of doing private or official business abroad.

Mr. Chairman, I would like to conclude my remarks with some thoughts about personnel management and training in the Foreign Service. In doing so, I would like to point to the strong record of Congressional support for our personnel most recently expressed in the Foreign Service Act of 1980. Your support affects morale strongly, and we deeply appreciate it.

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It is a truism to say that our people are the Department's most important resource. We must never lose sight of this fact. It is why we attach so much importance to improved security, to pay and benefits, and to training.

For the last sixty years the Congress has directed the Department to provide training in foreign affairs for the Foreign Service and other government agencies without providing a location for it. The Foreign Service Institute, which has become one of the finest training centers in language, area and professional studies, has been housed in a series of temporary buildings, apartments, a garage and now unsatisfactory office building space in Rosslyn. We will have to curtail the training program mandated by Congress in the Foreign Service Act of 1980 if we do not get new space. The time has come to establish a permanent, national foreign affairs training center to serve all foreign affairs agencies. To that end, we seek authorization for the establishment of such a facility for the Foreign Service Institute. Next year, we plan to request an appropriation for feasibility studies, site acquisition, and design, architectural and engineering planning for the project.

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This year the Congress will again be looking at benefits, principally retirement. I ask you to keep in mind the bravery, devotion to duty and sacrifice made by the men and women in the Foreign Service. Our people are constantly exposed to the dangers of terrorism, kidnapping, bombings, and mob action. In just the last two years, 21 Americans assigned to Foreign Service posts abroad were killed by hostile action.

In a world in which the threat of terrorism is mounting, and America is called upon to deal with a difficult, dangerous, and debilitating array of problems, it is the Foreign Service which is out there on the front line.

Allowances, differentials and benefits do not enrich Foreign Service personnel. They partially compensate for unhealthy or dangerous living conditions or the absence of services such as public education to which all Americans are entitled. Now, many of them are reduced in this budget as a function of the 5% pay cut.

Mr. Chairman, I would be pleased to answer any questions you and members of the Committee may have.

PRESS DEPARTMENT OF STATE



April 4, 1985
No. 67

WILLIAM L. BALL, III
SWORN IN AS ASSISTANT SECRETARY OF STATE
FOR LEGISLATIVE AND INTERGOVERNMENTAL AFFAIRS

William L. Ball, III was sworn in April 2, 1985 as Assistant Secretary of State for Legislative and Intergovernmental Affairs. He succeeds W. Tapley Bennett, Jr., who retired from the Foreign Service.

Mr. Ball was born June 10, 1948, in Belton, South Carolina. He attended public schools in Spartanburg, before enrolling at the Georgia Institute of Technology in Atlanta, Georgia, in 1965. He received a Bachelor of Science degree in Industrial Management from Georgia Tech in 1969.

Following graduation, Mr. Ball was commissioned a regular officer in the United States Navy, where he served three years aboard the guided missile destroyer USS Sellers (DDG-11), followed by three years' service at the Navy Department in Washington.

In 1975, Mr. Ball was released from active duty and began service on the United States Senate staff in the office of Senator Herman Talmadge of Georgia. From 1975 to 1976, he served as legislative assistant for national security affairs to Senator John Tower of Texas, after which he served Senator Tower as a professional staff member on the Senate Armed Services Committee.

In 1978, Mr. Ball was appointed Administrative Assistant and Staff Director for Senator Herman Talmadge, who at the time was Chairman of the Senate Agriculture Committee. When Senator Talmadge left office in 1981, Mr. Ball was appointed Chief Clerk to the Armed Services Committee by Senator Tower, the Committee Chairman. Later that year, Mr. Tower made Mr. Ball his Administrative Assistant, and he remained in this capacity as the Senator's chief of staff until January of 1985, when Mr. Tower retired from the Senate.

On March 5, 1985, President Reagan nominated Mr. Ball for the position of Assistant Secretary of State for Legislative and Intergovernmental Affairs.

Mr. Ball is married to the former Patricia Adkins of Memphis, Tennessee, and they now reside in Washington, D.C.

PRESS DEPARTMENT OF STATE



No. 68
April 5, 1985

INTERVIEW WITH
THE HONORABLE GEORGE P. SHULTZ
SECRETARY OF STATE
ON ABC-TV'S "GOOD MORNING, AMERICA"
Washington, D.C.
April 5, 1985

DAVID HARTMAN: Mr. D'Escoto just said to us that if the United States and President Reagan is serious about peace in his country and between our countries, why not just sit down and talk to the Nicaraguan government? What's wrong with that?

SECRETARY SHULTZ: We tried it. I went to Managua myself and met there, and then we had eight or nine meetings in Manzanillo and got nowhere. In fact, we stopped that process because the Nicaraguan government was trying to use that process to undermine the regional negotiating program known as the Contadora program, which our talks were designed to support.

MR. HARTMAN: How do you characterize Mr. D'Escoto's remarks then, here on live television to the people of the United States? He just now said the Contadora process -- or he told me earlier this morning on a taped interview that we didn't run -- that they want -- they like the Contadora process, they support it, and they want to proceed with it.

SECRETARY SHULTZ: Well, President Betancur put it very well to President Reagan yesterday. He said that what the President has done here is take out of the Contadora process one of its key elements, namely, the element of national reconciliation and responsive government -- democratic government -- and raised it up and put it forward very forcefully to Nicaragua and say, "Do this."

It's completely consistent with the Contadora process and helpful to it, but if we're going to have international stability in that region, we've got to have reconciliation within the countries involved. Look at the contrast. In El Salvador, we now see democracy really working, and we see that democratic government trying to reach out, as President Duarte has done, to the guerrillas, and draw them into the democratic process.

Of course, I suppose, instructed by Nicaragua and Cuba, they've stiff-armed President Duarte, but here, what President Reagan

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is proposing, and what is embodied in the Contadora process, and what the Nicaraguans agreed to when they agreed to their 21 objectives in Contadora -- what is proposed is, why doesn't the Nicaraguan government reach out to the opposition groups in Nicaragua and seek national reconciliation with them?

MR. HARTMAN: How do you characterize -- you just heard Mr. D'Escoto -- how do you characterize his remarks to the American people on television this morning?

SECRETARY SHULTZ: (Laughter) Well, you gave him a lot of rope, and it seemed to me he just -- when he said "Well, what about democracy?" Are they interested in democracy? Is the President's plan being broadcast to the people of Nicaragua the way his comments are being relayed to the American people on your program? What about the report of yesterday of this mass grave that's been found, with identified political prisoners in it? There is a lot to answer for in Nicaragua.

MR. HARTMAN: And yet, our Speaker of the House, Mr. O'Neill, yesterday called this plan by Mr. Reagan a "dirty" -- what did he call it? -- a "dirty trick." This morning how do you react to that from Mr. O'Neill?

SECRETARY SHULTZ: It's hard for me to see how an effort to bring about peace, to bring about stability, to bring about freedom and democracy, to give people a chance for economic development, is a "dirty trick." I think that those are objectives that are decent, clear and important, and it's important for the American people to always be behind objectives like that.

MR. HARTMAN: How do you proceed now, Mr. Shultz? We've just, you know, heard the Nicaraguan government essentially say, "Forget it, that's not a plan." You've got to move forward now. What do you do now? What's your plan of attack, if you will?

SECRETARY SHULTZ: We will keep this offer on the table. We will hope that the Nicaraguan government will think it over a little more carefully. We will, I think, confidently expect that some others in the region will go to them, perhaps some of those who are friendly to them, and say, "Look, you'd better think this over carefully; it's part of what seems to be agreed on in Contadora. You'd better do something like this, if we're going to have a peaceful situation in our part of the world."

So I think there's a lot of room for people to let this sink in, and when they see it for what it really is, namely, a very important step by President Reagan to try to bring about national reconciliation and peace in that part of the world.

MR. HARTMAN: Mr. Shultz, thanks for joining us this morning.

SECRETARY SHULTZ: Thank you.

PRESS DEPARTMENT OF STATE



April 8, 1985
No. 69

CRITICAL ISSUES OF THE 80'S REGIONAL FOREIGN POLICY CONFERENCE

PITTSBURGH, PENNSYLVANIA
May 2, 1985

The World Affairs Council of Pittsburgh and the U.S. Department of State are co-sponsoring a Regional Foreign Policy Conference at the Westin William Penn Hotel in Pittsburgh, May 2. Other organizations in the area representing business, education, ethnic, women and civic groups are cooperating in this day long program. The conference is designed to encourage an exchange of views between citizens of the region and Department of State officials who formulate and implement foreign policy.

The Honorable Chester Crocker, Assistant Secretary of State for African Affairs, will deliver the keynote address following the 12:00 p.m. luncheon. Panel discussions led by Department officials and local experts will focus on Central America and Arms Control and U.S.-Soviet Relations.

The press is cordially invited to cover the sessions which are ON-THE-RECORD. Upon request, the Department of State officials will be available for press interviews at the hotel.

If you wish to attend, arrange interviews or desire additional information regarding the day's agenda, please contact:

Judy Neese
World Affairs Council
of Pittsburgh
100 Fifth Avenue
Pittsburgh, Pennsylvania 15222
(412) 281-7970

Randee Exler
Bureau of Public Affairs
U.S. Department of State
Room 5831
Washington, D.C. 20520
(202) 632-5192

For further information contact:

PRESS DEPARTMENT OF STATE

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No. 70
April 11, 1984

AS PREPARED FOR DELIVERY

NATIONAL POLICIES AND GLOBAL PROSPERITY

ADDRESS BY
THE HONORABLE GEORGE P. SHULTZ
SECRETARY OF STATE
BEFORE THE
WOODROW WILSON SCHOOL OF
PUBLIC AND INTERNATIONAL AFFAIRS
PRINCETON UNIVERSITY
Princeton, New Jersey
April 11, 1985

For further information contact:

My theme today is simple: The American economy is a success story -- a dramatic success story. But success brings with it new challenges, which we must address with great energy in order to preserve and build on the success we have achieved.

We face a paradox. In the past two years, our economy has made the strongest recovery of any in the last three decades, and the expansion remains robust. Yet we also see, in our domestic and international economic relations, some unusually large and important imbalances:

- a large net capital inflow,
- an exceptionally strong dollar,
- the largest trade deficit in our history, and
- large and continuing deficits in the U.S. federal budget.

What relationship is there, if any, between our clear economic success and these equally clear imbalances? How do these imbalances relate to each other? What are our prospects if the imbalances continue? And what conclusions follow for economic policy -- in this country and in other countries?

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These are the issues I would like to discuss with you today.

The economic policies of this Administration -- reducing the role of government, promoting private initiative, and encouraging free trade -- have led the United States out of recession and toward prosperity. We can be proud of our economic performance. Our expansion has led to export-induced recoveries abroad -- underscoring the interdependence among the world's economies.

In large part, the imbalances I mentioned have contributed to our economic success; some are partly the result of it. To a degree, they have been exacerbated by the economic policies of other nations. Whatever their source, my main conclusion can be stated up front: These imbalances are interrelated, and they must be corrected if we are to maintain the momentum of our economic success. We -- and other countries -- share a responsibility to make some hard political decisions.

Let me focus on these imbalances, first as they impact on the American economy, and then as they are mirrored in other countries. Then I will lay out the policy responses I see as necessary -- responses by all nations -- to keep the world economy on the path of sustained, non-inflationary growth.

Capital Flows

First, the large net capital inflows into the United States.

An impressive investment boom has driven American economic expansion in the past three years. To a large extent, this boom reflects the new investment incentives the Administration provided in its first term -- including incentives for vital research and development, which is the source of future investment. Gross saving by individuals, business, and state and local governments also recovered from its recession low of 18 percent of GNP in 1982 to 20 percent in 1984.

But with the federal deficit, gross national saving alone could not finance this higher level of investment. In 1984, gross saving in the United States by individuals, businesses, and state and local governments ran about \$730 billion. On a basis net of capital consumption, the figure was \$325 billion. These are healthy amounts by recent standards. After taking account of the large federal deficit, however, total national saving amounted to only about \$150 billion on a net basis or \$555 billion on a gross basis -- considerably less than the \$635 billion recorded in gross private domestic investment in 1984.

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As measured by our current account deficit, net capital inflows into the United States were about \$100 billion last year. This is almost one-fifth the size of our gross national saving -- and two-thirds the size of our net national saving -- and has been an important factor in financing the expansion of our investment and therefore of our economy.

These inflows have come about largely because of the health and vigor of our own economy, in contrast with the less attractive conditions for lending and investment in other countries. But they come to some degree at the expense of building up foreign claims on the United States. On the basis of current trends the United States will soon become a large net debtor nation -- our foreign liabilities could exceed our foreign assets by \$100 billion by the end of the year.

And underlying conditions are bound to change in the future. As opportunities to invest improve in other countries, capital inflows into the United States will slow down and outflows will increase. In other words, even if we are prepared to finance investment in the United States through a continuing net inflow of funds, we cannot count on attracting adequate funds indefinitely.

Without a compensating increase in domestic saving to support our own investment -- and if our federal deficit continues to preempt a large portion of domestic saving -- lower capital inflows could force a decline in our investment and impair the long-term growth of the American economy.

The Strong Dollar

These large net capital inflows into the United States have produced an extraordinarily strong dollar. Although the dollar has receded somewhat in the last month, it is still, on a trade-weighted basis, about 80 percent above its 1980 average in nominal terms.

The exchange value of the dollar today is determined far more by capital movements than by trade balances. Many factors have contributed. The restoration of America's economic vitality and leadership on the world scene has had an important effect on investment decisions. Our economic success -- and our bright prospects -- cause investments in dollar assets to be judged more attractive and less risky than others despite the dollar's high value. The dollar market also offers the widest selection and greatest liquidity. And dollar assets are serving not only as a store of value, but as a political safehaven as well.

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Exchange markets reflect all these considerations, particularly as they contrast with the poor growth performance in Europe, the financial problems of the developing world, and the large excess of saving over domestic investment in Japan.

The net inflows of foreign capital, and the resulting high dollar, have certain advantages. By reducing the cost of imports and forcing domestic suppliers to compete more effectively, the strong dollar has helped restrain inflation in the United States. The net capital inflows have helped moderate interest rates as well. Abroad, the growth of American imports and slower growth of American exports have stimulated export-related jobs and generated economies of scale for foreign producers. The high value of the dollar also makes offshore procurement, tourism, and American foreign direct investment in other countries all less expensive.

But the extraordinarily high dollar also has important disadvantages:

-- It reduces the competitiveness of our exports and the potential for their growth. Even though our exports have increased and the United States is still the world's largest exporter, our share of the world market for exports of manufactured goods in volume terms is estimated to have declined by 25 percent since 1980.

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-- Because of increased domestic demand, economic activity in the United States has not yet been appreciably restricted. But that may change.

-- The dollar's strength is causing painful structural adjustments in many of our export-related industries; it is altering the character of the American economy in a basic and, in my view, undesirable way. Lower costs in other countries -- due to exchange rates -- are leading many American firms to locate abroad production facilities that would otherwise be competitive in the United States. Such decisions to locate or expand abroad would be both difficult and costly to reverse if the dollar's exchange value came down.

-- The large decline in the value of other currencies against the dollar has also eroded the value of existing foreign investments, sales, and earnings denominated in foreign currencies.

-- In the meantime, the growth of our imports is spurring protectionist demands for tariffs, nontariff barriers, and export subsidies. Whatever short-term relief for specific industries such measures might provide, the overall long-term cost to the mettle of the American economy, to the American consumer, and to the world economy would be devastating.

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Let us never forget the catastrophic effects of protection in the 1930s and the exhilarating impact of more open trade in the decades following World War II.

The Trade Account

This leads me to the most visible international consequence of the strong dollar: its role in our huge and growing trade deficit, which reached a record \$123 billion in 1984.

Despite the strong dollar, our exports in fact grew last year by 9 percent to a total of \$218 billion -- demonstrating the underlying strength of the American economy and reflecting adjustments in efficiency occurring within the market place. Nevertheless, the growth of imports overwhelmed the growth of exports, increasing 24 percent in volume terms and 26 percent in value terms. Over half of the \$85 billion deterioration in the U.S. trade account since 1980 has been attributed to the strong dollar.

I have already mentioned the growing demands for protectionism. The Administration is resisting these pressures, and I will have more to say about our approach to trade policy in a moment.

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But one point is crucial here: We should not delude ourselves into thinking that a lowering of foreign barriers will have a decisive or even substantial impact on the trade deficit.

We can break the back of the trade deficit only through a combination of, first, a stronger worldwide recovery, and second, a strengthening of other currencies in relation to the dollar, as the performance and prospects of other economies improve and as these prospects are recognized by the markets. Even with movement on these fronts, the effects on the trade deficit will be gradual.

With depreciation of the dollar, U.S. imports would become more expensive and there would be some increase in inflationary pressure, at least initially. The growth of imports should slow down, but probably with a lag. Purchases of raw materials, energy products and petroleum, specialized capital goods, and many consumer goods do not respond quickly when their prices rise.

The growth of our export sales will depend on several factors: on our ability to remain competitive; on a faster pace of economic recovery in other nations, notably Europe; on the success of adjustment efforts in developing countries; and on long-overdue action by Japan to open its markets.

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Exports to the developing countries, particularly to those in Latin America burdened by debt, will still depend upon their ability to expand their exports to pay for our goods. This means our markets and those of other industrialized countries must remain open to their products. And many American exporters have already lost major foreign markets, recoverable only with a major effort.

The U.S. Federal Deficit

I have discussed the large net capital inflows, the strong dollar, and the huge trade deficit. It is no coincidence that these imbalances are accompanied by huge federal budget deficits.

As long as there are ample unused resources in our economy, the federal budget deficit does not cause major immediate problems for the United States. But current deficits are simply not sustainable indefinitely. These deficits can become a habit and weaken an essential discipline over federal spending and over the size of the federal government. They drain off national savings, leading to increased reliance on foreign capital or curtailment of needed investment. And as our expansion begins to stretch our resources, continued large deficits pose an increasing danger to that very expansion.

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We can all continue to debate what combination of policies is best designed to deal with all the imbalances I have discussed -- budget deficits, large capital inflows, the dollar at financial highs, and trade deficits. But a consensus has emerged that action to reduce the federal budget deficit is an essential part of our response. The President has shown the way with his proposals and in his negotiations with the Congress. Special interests must give way to the general interest.

Control of government spending, coupled with vigorous growth, must be the key to our effort. We must cut spending in a way that does the least harm to the economy's investment and growth potential and to basic national security. But significant cuts must be made now. Tax rate increases are not the answer. To the contrary, the recent Reagan tax cuts, like the Kennedy cuts two decades earlier, have stimulated investment, fueling the recovery and contributing to the future productive potential of the economy. In fact, further tax simplification and reform could be very helpful in reducing tax-induced distortions in economic activity and in stimulating additional growth.

Other Industrialized Countries

So far I have focused primarily on the American economy.

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But in our interdependent world, the impact of domestic policies and performance on the economies of other nations is a two-way street. Other countries face challenges in their own domestic policies. They, too, must meet their challenges if the world economy is to correct the imbalances that cloud our common future. The imbalances can do harm also to important political relationships. We all have a job to do.

The major industrialized countries are recovering from the 1980-1982 world recession at different rates. Whereas the United States, and to a lesser degree Japan and Canada, have expanded vigorously, Western Europe still lags. Average real growth in the four major European economies (Germany, France, the United Kingdom, and Italy) accelerated in 1984, but only to a year-over-year annual rate of 2.4 percent. This rise represented less than half the average of the American, Japanese, and Canadian rates. The Japanese and Canadian expansions, however, have depended heavily on the stimulus of exports to the U.S. market. The increase in Canadian exports to the United States amounted to over half the increase in Canadian GNP in current prices between 1982 and 1984, while the increase in Japanese exports to the U.S. market was over 10 percent of the increase in current-price GNP over the same period.

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The slowness of recovery in Europe results from conditions that stifle investment, particularly structural problems in labor markets and government disincentives to adjustment and growth. The rigidities in European labor rates and conditions also tend to bias investment toward capital-intensive technologies -- further inhibiting the growth of employment. There has been essentially no net job creation in Europe since 1970, compared with the American record of over 26 million new jobs during the same period. Over 7.5 million net new jobs have been created in this country since the trough of the recession in 1982.

Expressed as a share of output, gross investment in Europe has declined steadily since the first oil shock in 1973 and is now well below its share in the 1960s. Since investment opportunities in Europe have been less attractive than elsewhere, capital has flowed elsewhere. Much of the capital has come to the United States, either as investment in U.S. assets by foreigners, disinvestment by American investors abroad, or a reduction in the previous rate of foreign lending by U.S. banks. At the same time it is estimated that half of Western Europe's growth in 1984 came from export sales to the United States. These exports amounted to \$75 billion or nearly 22 percent of total U.S. imports last year.

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Capital outflows from Europe and a dependence on exports to the United States -- like the other imbalances I have mentioned -- cannot be expected to continue indefinitely. Other OECD governments must find ways to stimulate growth-oriented investment, thereby making their investment opportunities attractive to domestic and international capital. At stake is an efficient allocation of global resources -- a system which responds to economic potential. This will require sound economic policies and hard political decisions -- but the result will be sustained growth, job creation, and a brighter economic future.

Japan is a special case. The \$37 billion U.S. trade deficit with Japan, as we all know, is a source of intense friction in our bilateral relationship and the cause of much of the growing demand for protectionism in this country. But the more meaningful measure of Japan's external imbalance is not our bilateral imbalance but Japan's overall trade surplus, estimated at \$44 billion in 1984.

The Japanese could reduce their trade surplus with the world by pursuing policies to offset the impact of their high savings rate.

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Gross private saving in Japan is over 30 percent of GNP, about 50 percent higher than the average of the other OECD countries. This high rate of saving means low consumption. The excess of production over private and public consumption is not being used in domestic investment. It therefore appears as net exports. Or, to put it another way, under current conditions Japan relies on a large excess of exports over imports to maintain full employment.

Opening up investment opportunities within Japan would be one way to use such resources and reduce the pressure to export. The needed decisions are more difficult for Japan politically than economically. The structural rigidities in the Japanese economy restrict access by even Japanese firms and investors. If the Japanese Government would improve incentives and reduce restrictions that currently restrain domestic and foreign firms from investing in Japan, all nations, especially Japan, would benefit. Steps are already underway to liberalize the Japanese capital market, so as to channel Japanese savings more efficiently to both foreign and domestic uses, and to widen the financial opportunities facing Japanese firms. As this proceeds, and as the international role of the yen expands, we would expect the value of the yen more fully to reflect the strength of the Japanese economy.

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On the trade side, the removal of barriers to the sale of foreign goods and services in Japan would expand market opportunities for foreign suppliers, increasing Japan's imports. Prime Minister Nakasone's recent speech, and the Japanese Government's package of measures to lower trade barriers and encourage imports, are a laudable and encouraging beginning. More specifics must come.

All these steps would help defuse protectionist pressures in other countries. But Japan must deal with its savings-investment imbalance if its chronic imbalance in trade is to be corrected.

The Developing Countries

The external accounts of the developing countries, like those of the European countries, help make up the mirror image of ours. The United States takes nearly 60 percent of all manufactured exports of developing countries to the industrial world. At the same time, our capital inflows from the developing nations are in part the result of American investors bringing their money home, or of American banks reducing their foreign lending, as opportunities in those countries appear less attractive.

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Despite the progress made since the 1982-1984 debt crisis, many developing countries still face the need for fundamental changes in their economies and economic strategies.

Several high-debt countries have successfully tackled the job of stabilizing their economies. They have cut public-sector spending to more nearly match their resources, priced currencies to reflect better their market value, and set interest rates to encourage saving. They now face the need to get away from massive price subsidies or public-sector dominance of investment resources and economic activity.

The emphasis should be on the positive. Austerity is not an end in itself. For difficult adjustments to be undertaken and sustained, a country's citizens must be able to see real prospects for future growth. Economic expansion, fueled by increased investment and exports, is the only way these countries can raise living standards for their people.

This is a theme that applies to many of the issues I have discussed today. Adjustments such as these are more difficult politically than economically -- requiring new ways of thinking even more than they require resources.

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The cuts we must make in our own federal spending are painful, but they are justified because they safeguard the continued growth of the productive, private sector of our economy. The structural reforms in Europe that will ensure an attractive investment climate for domestic savings and international capital are necessary to restore Europe's own growth and technological advance. For the Third World, structural adjustment is the key to economic development.

The developing countries will clearly need financing as they go through this process. But where will this financing come from? No one can realistically expect that official development assistance, bilateral and multilateral, is likely to expand; the net flows are already very large -- around \$34 billion from official donors. And it is a fact of life that commercial bank lending will not return to the high levels of the past decade. Even increases from current levels are unlikely until developing countries improve their creditworthiness and offer productive investment opportunities. In any case, most developing countries already have more debt than they can readily handle.

There is no escaping this hard conclusion: Domestic saving and private foreign equity investment will be the main sources of funds available to finance development and stimulate growth.

Development and growth will come only to countries with sound domestic policies that stimulate domestic savings, promote trade, and attract external resources:

-- India is a striking example of a country that finances 92 percent of its investment needs from domestic savings. India's recent growth has been impressive and its prospects are bright.

-- Protectionism in the developing world can be a further drag on growth. The barriers to trade among developing countries are a hindrance to Third World expansion, and the barriers to outside trade and investment also retard development.

-- The value of foreign equity investment cannot be measured by the volume of funds alone. Foreign investors often bring technological and management skills that cannot be easily obtained in other ways. The enterprises of such investors tend to grow more rapidly and export more of their output than the economy as a whole. Moreover, there is no conflict between what needs to be done to stimulate foreign and domestic investment; both respond to a stable and predictable regulatory environment and to an expectation that they will be treated fairly.

Many developing countries seem reluctant to encourage foreign investment. It is their decision to make. But a number of countries have shed once fashionable mythology and recognized the opportunity. Now, after consistent application of sound policies, they are reaping the benefits.

International Trade

For developed and developing countries alike, economic growth clearly depends also on the continued openness of the world trading system, and indeed on a further liberalization of world trade. This is a collective international responsibility.

Protectionism is not the remedy to an illness. It is, itself, an illness. It is a hidden tax on the consumer, often an extremely regressive tax. Hold onto your pocketbooks when politicians start trying to "protect" you against buying what you want to buy. Even in the relatively open U.S. market, one estimate is that U.S. protectionist policies cost American consumers directly almost \$60 billion in 1980. That was over \$250 for every man, woman, and child in the country. Protectionism keeps prices up, reduces living standards, and stifles growth.

Trade promotes the flow not only of goods and services, but also of ideas. All countries benefit from the further division of labor that permits a broadening of the international marketplace. Those developing countries will grow the fastest that reduce impediments to trade and exploit their comparative advantage. Nor can developed countries repeal the laws of economics and defy the principle of comparative advantage; they must be prepared over time to phase out industries in which they are no longer competitive.

The ninefold growth in the volume of international trade since World War II reflects the success of the world trading system. During this period, world trade increased considerably more than world production. In the pre-war period, by contrast, protectionism and a decline in world trade thrust the world into depression. A new initiative is needed to sustain what has been achieved.

The United States has proposed -- and strongly urges -- a new round of multilateral negotiations early next year to liberalize trade, particularly to eliminate non-tariff barriers such as quotas, voluntary export restraints, and subsidies. We want the GATT to extend its coverage to trade in services, agriculture, and high technology and to strengthen its system of safeguards and dispute settlement.

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Progress in these areas will provide new opportunities and new markets, bringing tangible benefits to both developed and developing nations. It will also contribute to the fight against protectionism. In the absence of progress on the multilateral front, pressures for protection and a retreat to reciprocal bilateral arrangements will mount.

From a global perspective, a splintering of the multilateral trading system into a multitude of bilateral arrangements would be a backward step. Bilateral free trade agreements, however, such as we have negotiated with Israel and have offered to discuss with other countries, need not have this result; they can stimulate trade and strengthen the multilateral system. Free trade agreements are sanctioned by the international rules and involve a tighter trade discipline; they can promote freer trade than the multilateral system is currently prepared to accommodate. Our hope, nonetheless, is that the example of greater liberalization -- and the recognition that the United States can pursue another course -- will help motivate a larger group of nations to tackle the job of expanding trade on a global basis.

But we cannot forget our responsibility here at home. We in the United States are today more affected by the health of the global economic system than we have ever been before.

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And as the world's largest economy, we cannot escape the reality that any protectionist action here can do enormous harm to the global economic system. So in our own long-term self-interest, we must remain loyal to our long-standing tradition -- our proud commitment to free and open trade.

A Program for Sustained Global Growth

Let me conclude with a message and a program that emerge from my analysis. The message is twofold: First, the main objective, and the key to success, is to accelerate growth in the world economy. That's what this is all about. And second, growth in the world economy is the result of interaction among sound national policies. That is the most important common ingredient in the policy steps that nations must take to correct the imbalances I have discussed.

Together, these steps are a program of international action to protect the current recovery and move us decisively onto the path of sustained, non-inflationary growth.

First, for our own part, and even for purely domestic reasons, the United States must -- and will -- substantially reduce its federal spending and deficit.

Second, the West Europeans should adopt policies that reduce the obstacles to change and innovation, that attract capital, and that stimulate domestic investment.

Third, in addition to opening its markets to foreign products, Japan should reduce the impact of its high rate of domestic saving on its trade surplus. This could be done by a combination of steps, including liberalized capital markets that internationalize the yen, and measures to stimulate investment in Japan by Japanese and foreigners alike.

Fourth, the developing nations, especially those heavily indebted, should continue to make the structural adjustments needed to stabilize their economies, reduce the economic burden of government, expand their trade, and stimulate growth. They should encourage domestic savings and foreign equity investment.

Fifth, all nations should support freer international trade and prepare for early commencement of a new international trade round. We must reject a surtax on imports; other countries must contain political pressures that threaten trade.

Finally, our approach to the strength of the dollar should concentrate on the fundamental market forces at work.

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Intervention in exchange markets addresses only the symptoms of the dollar's strength -- and not at all successfully. An easy monetary policy, undertaken in an illusory effort to reduce interest rates, would only re-ignite fears of inflation, raise interest rates, and weaken economic prospects. Instead, we should maintain consistent, non-inflationary growth in monetary aggregates to accommodate economic growth while continuing the trend to lower inflation.

This program of action calls for many hard decisions. But they are the right decisions. We stand at the threshold of what can be, if all governments meet their responsibilities, a long period of global economic expansion and a new era of unprecedented prosperity.

The benefits that economic growth can bring to all the world's people transcend the purely material -- though for the world's poor and hungry, this alone would be a monumental blessing. A strong and growing global economy will help advance all of America's most fundamental goals: a world of cooperation, peace, stability, and progress, a world where human rights are respected and freedom flourishes. We have great opportunities to help build such a world, but we will succeed only if we have the will and the wisdom to recognize the dangers and confront them.

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We know what must be done. But we must act on that knowledge if our hopes for a better world are to become a reality.

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PRESS

DEPARTMENT OF STATE



No. 70A
April 12, 1985

Q&A SESSION
THE HONORABLE GEORGE P. SHULTZ
SECRETARY OF STATE
BEFORE THE
WOODROW WILSON SCHOOL OF
PUBLIC AND INTERNATIONAL AFFAIRS
PRINCETON UNIVERSITY
PRINCETON, NEW JERSEY
THURSDAY, APRIL 11, 1985

PRESIDENT WILLIAM BOWEN: Mr. Secretary, that applause, I think, speaks for itself. We are very much in your debt for giving us the privilege -- an appropriate word perhaps in another context -- giving us the privilege of hearing such a wide-ranging, comprehensive account of so many aspects of international economic policy that clearly do hang together, and I compliment you.

Your days as a Professor have not led you to speak for 50 minutes. You did appreciably better than that.

The Secretary has agreed to respond to questions. It's difficult here with these lights for me to see who would like to ask questions, but I will be glad to try. I think I do see a hand right there. Please?

QUESTION: Secretary Shultz, if President Reagan were really sincere in his attempts to reduce the deficit, it seems to me that his first priority would be to negotiate with the Soviets, to have some kind of arms accord which would decrease the pressure on him to spend more money on military parts.

Do you think he will make that a priority, and would that be his strategy?

SECRETARY SHULTZ: It is a priority and has been throughout President Reagan's term.

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We are now involved in the most complicated and far-reaching arms control negotiations anyone has ever undertaken. We have very strong positions. We have a lot of flexibility in those positions, and we're prepared to negotiate in Geneva. It takes two to make a bargain. But you can be sure that the United States will not be the obstruction.

An agreement on arms control, of course -- dealing with nuclear offensive weapons and, for that matter, defensive and space weapons -- deals with the strategic bundle of defense matters; and if you look at the defense budget, that is a relatively small portion of the total. Nevertheless, undoubtedly, if it were possible to construct a more stable world with the Soviet Union, tension would be reduced and it would be a strong contribution. Of course, that stability rests probably more on tensions arising from regional problems than it does from arms control as such.

For example: We continue to believe that the Soviet invasion of Afghanistan is unacceptable, and we support freedom fighters in Afghanistan. They're still there, five years later, committing to what amounts to genocide in many cases, and so on. I could go around the world.

The only point I'm making is that arms control is part of the problem; we're working at it very hard, but the problem is a more comprehensive one.

Cutting spending must be done, and it is perfectly possible to do. The President has presented in his budget a comprehensive program that would reduce the deficit in relation to our gross national product over a three-year period to about two percent from its present high level, and it would continue on down. So it can be done.

QUESTION: Mr. Secretary, I was wondering why the Administration appears to be backing away from the concept of a summit, and now calling it a "get-acquainted session," and whether your meeting with Mr. Gromyko in Vienna will impact on this in any way?

SECRETARY SHULTZ: Well, we're not backing away from anything. The point was made yesterday by Mr. McFarlane that there is a difference between a meeting that might be held on the fringes of another meeting, such as a U.N. meeting, or something of that kind, and a summit which is a more ambitious matter and which would be prepared and would be done on the basis of an expectation of some results, not necessarily associated with some major arms control agreement, but with other things.

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The fact of the matter is that over the past year, we have been working with the Soviets in quite a range of areas, not necessarily headline type areas -- but nevertheless important -- and we have made headway. I will name a few examples: Both countries are very concerned about the problem of proliferation of nuclear weapons around the world. In a meeting I had with Mr. Gromyko in 1982, we agreed that perhaps that was an area where mutual interests might lead us to constructive discussion. So we established that, and they have been helpful.

Last year we negotiated a very considerable upgrading of the Hotline that takes advantage of current new technical matters. There are quite a variety of other things of that general nature that could be concentrated upon. So there are a lot of things that could go into providing substance for a summit.

QUESTION: Secretary of State Shultz, if the United States Government wishes to increase peace worldwide, and also to decrease the budget deficit, how can it rationalize the increase in military spending, specifically in reference to Central America?

SECRETARY SHULTZ: The increase in our strength, which was a badly needed redressing of the neglect that had befallen us in the period following Vietnam, was something we needed, if we are going to be successful in promoting and maintaining the peace. Peace does not come out of weakness. Nobody has had war declared on them because they're strong. So strength is the road to peace; not the other way around.

Now, insofar as Central America is concerned, there, I think, we should be proud of the role the United States is playing. We have consistently been in favor of democracy, of the rule of law, of economic development widely shared. And we have seen that if those things are to be attained in Central America, countries being threatened have to be able to put up a security shield against the subversion of democratically-elected regimes coming from the Soviet bloc. From the Soviets; their satellites -- Cuba and Nicaragua. So we have pursued those policies and those policies have been succeeding.

The problem in Central America remains Nicaragua, with its oversized military establishment, with its effort to establish a totalitarian form of government, with the Marxist-Leninist philosophy of subverting its neighbors which it has been doing. That's the problem. And if we are to get peace and stability in Central America, which we want, then we're going to have to find a regional solution that's consistent with the principles.

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Get the level of armaments down, get the influences from outside this hemisphere out of here, countries to stop subverting their neighbors, and adopt forms of government that are pluralistic and allow for democratic participation of people. That's the road to peace in Central America.

QUESTION: Secretary Shultz, the Sandinistas in Nicaragua have in the past when they agreed to the Contadora principles, said that they're willing to kick the Soviets and the Cuban advisors out of Nicaragua and "keep hands off."

If that were possible -- if that could be confirmed -- is the United States prepared to withdraw its advisors from Honduras and El Salvador in return for regional treaty?

SECRETARY SHULTZ: First of all, we have hardly any advisors. We have 55 in (Laughter) El Salvador. That's all.

QUESTION: In Honduras?

SECRETARY SHULTZ: In Honduras, we undertake maneuvers from time to time which is a different matter. (Laughter)

In Nicaragua, there are probably on the order --nobody knows exactly -- of 7,000 or so of Cubans, many of whom are trained in military matters. So there's a great imbalance here.

But the point is, certainly, if we had an agreement that included the four things that I mentioned, that would be positive if the agreement is to be carried out.

Now we have, right before Nicaragua at this moment, a proposition, a peace plan, that the President has put forward. The Nicaraguans, in their statements to the OAS back in 1979, pledged democracy. The Nicaraguans, when they signed the Contadora 21 objectives about a year ago, and in the acta that they said they would sign, but which is certainly not a satisfactory acta by the standards of their neighbors, but nevertheless even in that acta what's called for is a move to democracy, a pluralistic form of government, national reconciliation.

The opposition in Nicaragua has called, on March 1, for discussion, national reconciliation and their entry into a process of democratic decision on who should govern that country.

The President, a week ago, endorsed that call, asked them to agree along with the government of Nicaragua to a ceasefire and to enter an effort of national reconciliation. Now, if that's what Nicaragua agreed to before the OAS, in the 21

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principles and in the acta, why do they reject it? And if you say, if they agreed to something, well, of course, an agreement by somebody who has no intention of living up to the agreement, doesn't mean much.

So here is a test of whether they are willing to live up to the things they agreed to. And, of course, if they do, then I think it's fair to say that an open and democratic form of government in a country is the best kind of verification you can get that other undertakings, such as the size of the military or the flow-in from other countries or the effort to subvert, and so forth, pledges along those lines, are actually carried out.

Way up in the back. President Bowen says I can't see you. Whoever you are, up in the back.

QUESTION: Secretary Shultz, could you comment, please, on the Administration's position on international assistance for family planning, and, in particular, whether the Administration will resist attempts to oust the present AID Administrator for his unambiguous support of such aid?

SECRETARY SHULTZ: This is not exactly my topic. (Laughter) The Administration and the law of our land opposes the use of Federal funds for abortion. We support the use of Federal funds for family planning.

The present AID Administrator has tried to find the line between those in the making of grants. I believe that in that respect, and in other respects, that he has done an outstanding job. Sometimes he's criticized, for example, for "hanging tough" on providing funds to a country until they undertake the kind of economic reforms that they promised to undertake if they're going to get the money -- and he gets criticized for that. Personally, I think he is courageous in doing that. So Peter McPherson is an outstanding public servant doing a great job, in my opinion.

PRESIDENT BOWEN: We have one last question. I've just been reminded that you and I are equally culpable in getting off our schedule.

Yes, please?

QUESTION: Secretary Shultz, here in New Jersey a number of textile workers are being -- their jobs are being threatened by foreign imports. You come out very strongly in your speech against protectionist measures.

What do you say to someone who says they're losing their jobs to foreign imports, that you're pursuing the right policy?

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SECRETARY SHULTZ: The field of textiles and steel are two industries that are subject to what amounts to a world-wide cartel arrangement. There is a multi-fiber agreement, and there are multitudes of steel agreements and these industries don't follow any model of open trade. I wish they did. I think we would be healthier but they don't, and the reality is a ring of protection around those industries not only in our country but all over the world. So there is "quota form" of protection.

Even in the field of textiles, and the parallel, of course, there's technical change; there are all sorts of shifts going on, and changes take place and some people gain jobs and some people lose jobs.

I think in the case of people displaced, when trade and imports from another country, whether in textiles or some other industry, comes in and sells better than the products they produce, the answer is to help those people make an adjustment and get into other jobs.

Also, the answer is, for American firms to do everything they can to be competitive. And when we see industries where wage rates have gotten far above 50 or more percent above the average of manufacturing -- and that is part of the reason for high cost in the industry -- I think you have to ask, "Shouldn't those costs be addressed?" So it's a complex of forces, and I think we have to say, whenever you have an open economy, or for that matter eliminate international trade entirely and just look within the great U.S. market, there's constant change going on; firms are closing and opening, and so forth, and we benefit from that kind of dynamism, and people need to be helped in making the adjustment.

Thank you.

(Applause)

(Q&A Session concluded at 3:15 p.m.)

PRESS

DEPARTMENT OF STATE

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April 12, 1985
No. 71

PROGRAM FOR THE STATE VISIT TO THE UNITED STATES OF AMERICA OF HIS EXCELLENCY CHADLI BENDJEDID, PRESIDENT OF THE DEMOCRATIC AND POPULAR REPUBLIC OF ALGERIA, AND MRS. BENDJEDID.

April 16-22, 1985

Tuesday, April 16

3:00 p.m.

His Excellency Chadli Bendjedid, President of the Democratic and Popular Republic of Algeria, Mrs. Bendjedid, and their party arrive Andrews Air Force Base, Maryland via Algerian Presidential Aircraft.

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

3:20 p.m.

Arrival Washington Monument Grounds (Reflecting Pool Side).

3:30 p.m.

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

Private dinner and evening.

Wednesday, April 17

10:00 a.m.

Arrival at the White House where His Excellency Chadli Bendjedid, President of the Democratic and Popular Republic of Algeria, and Mrs. Bendjedid will be greeted by the President of the United States and Mrs. Reagan, The Honorable George Bush, Vice President of the United States, and Mrs. Bush, The Honorable George P. Shultz, Secretary of State, and Mrs. Shultz and others.

10:30 a.m.

President Bendjedid will meet with President Reagan at the White House.

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

For further information contact:

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Wednesday, April 17 (continued)

- 12:30 p.m. The Honorable George P. Shultz, Secretary of State, and Mrs. Shultz will host a luncheon in honor of His Excellency Chadli Bendjedid, President of the Democratic and Popular Republic of Algeria, and Mrs. Bendjedid, Department of State, Benjamin Franklin Room.
- 3:00 p.m. President Bendjedid will meet with The Honorable Caspar Weinberger, Secretary of Defense, Presidential Suite, Madison Hotel.
- Photo coverage: Photographers to be on 15th floor of hotel no later than 15 minutes before scheduled meeting.
- 4:00 p.m. President Bendjedid will meet with The Honorable Malcolm Baldrige, Secretary of Commerce, Presidential Suite, Madison Hotel.
- Photo coverage: Photographers to be on 15th floor of hotel no later than 15 minutes before scheduled meeting.
- 7:30 p.m. The President of the United States and Mrs. Reagan will host a dinner in honor of His Excellency Chadli Bendjedid, President of the Democratic and Popular Republic of Algeria, and Mrs. Bendjedid at the White House.
- Dress: Black tie.

Thursday, April 18

- 9:30 a.m. President Bendjedid will lay a wreath at the Tomb of the Unknown Soldier, Arlington Cemetery, Arlington, Virginia.
- 10:30 a.m. President Bendjedid will have Coffee with Members of the Senate Foreign Relations Committee, U.S. Capitol, Room S-116.
- 12:00 Noon Members of the House Foreign Affairs Committee will host a luncheon in honor of President Bendjedid, Rayburn House Office Building, Room 2200.

Thursday, April 18 (continued)

PRESIDENT BENDJEDID WILL MEET WITH THE FOLLOWING AT MADISON HOTEL, PRESIDENTIAL SUITE:

2:50 p.m. The Honorable John S. Herrington,
Secretary of Energy.

3:30 p.m. The Honorable George P. Shultz,
Secretary of State.

4:30 p.m. The Honorable John R. Block,
Secretary of Agriculture.

6:15 p.m. The Honorable A. W. Clausen,
President of the World Bank.

Photo Coverage of above meetings. Photographers to be on 15th floor 15 minutes before scheduled meetings.

7:30 p.m. His Excellency Chadli Bendjedid, President of the Democratic and Popular Republic of Algeria, and Mrs. Bendjedid will host a Reception in honor of The Honorable George Bush, Vice President of the United States, and Mrs. Bush, Washington Hilton Hotel, 1919 Connecticut Avenue, Northwest, Ballroom.

Dress: Business Suit/ Long Dress.

PRESS CONTACT: Mr. Mohamed Antar Daoud,
328-5300

Friday, April 19

Private morning.

12:30 p.m. The Honorable George Bush, Vice President of the United States, and Mrs. Bush will host a luncheon in honor of His Excellency Chadli Bendjedid, President of the Democratic and Popular Republic of Algeria, and Mrs. Bendjedid, Vice President's Residence, Observatory Circle.

2:15 p.m. President Bendjedid, Mrs. Bendjedid and their party arrive Washington Monument Grounds (Reflecting Pool Side).

Departure Ceremony.

2:30 p.m. Arrival Andrews Air Force Base via U.S. Presidential Helicopters.

2:40 p.m. Depart Andrews Air Force Base via Algerian Presidential Aircraft for Los Angeles International Airport

Friday, April 19 (continued)

- 5:00 p.m. Arrival Los Angeles International Airport, Los Angeles, California.
- 5:45 p.m. Arrival Century Plaza Hotel, 2020 Avenue of the Stars.
- 7:30 p.m. The Honorable Tom Bradley, Mayor of the City of Los Angeles, and Mrs. Bradley will host a reception in honor of His Excellency Chadli Bendjedid, President of the Democratic and Popular Republic of Algeria, and Mrs. Bendjedid, Getty House, 605 South Irving Boulevard.

Dress: Business suit.

PRESS CONTACT: Ms. Ali Webb,
485-5182

Saturday, April 20

- 9:50 a.m. President Bendjedid and his party arrive Los Angeles International Airport.
- 10:00 a.m. Departure from Los Angeles International Airport via U.S. Presidential Aircraft for Fresno Airport, Fresno, California.
- 10:50 a.m. Arrival Fresno Airport and departure via motorcade for Maddox Dairy Farm, 7285 West Davis Avenue, Riverdale, California.
- 11:35 a.m. Arrival Maddox Dairy Farm for a tour.
- 12:15 p.m. Departure from Maddox Dairy Farm via motorcade enroute the Sun-Maid Growers of California Corporate Headquarters, Kingsburg, California.
- 1:00 p.m. Mr. Frank R. Light, President, Sun-Diamond Growers of California, will host a luncheon in honor of President Bendjedid at Headquarters, Sun-Maid Growers of California.
- At the conclusion of the luncheon, Dr. Claude Phene, Irrigation and Soil Scientist, will give a briefing on California irrigation.
- Visit to Sun-Maid Growers Packaging Facility.
- 2:30 p.m. President Bendjedid and his party depart the Sun-Maid Growers of California Corporate Headquarters enroute the De Brum Farm to inspect the drip and sprinkle irrigation sites.
- 2:50 p.m. Departure from the De Brum Farm via motorcade for a tour of the Fresno Irrigation District.

Saturday, April 20 (continued)

PRESS CONTACT FOR:

Maddox Dairy Farm,
Sun Maid Growers Corporate Headquarters,
De Brum Farm, and
Fresno Irrigation District Tour.

Mr. William Winkler,
209 466-4851

- 4:25 p.m. President Bendjedid and his party arrive Fresno Airport, Fresno, California.
- 4:30 p.m. Departure from Fresno Airport via U.S. Presidential Aircraft for San Francisco International Airport.
- 5:15 p.m. Arrival San Francisco International Airport.
- 5:55 p.m. Arrival Fairmont Hotel, 950 Mason Street.
Private dinner and evening.

Sunday, April 21

Private day.

Monday, April 22

Private morning.

- 11:15 a.m. President Bendjedid, Mrs. Bendjedid and their party depart Fairmont Hotel via motorcade enroute San Francisco International Airport.
- 11:45 a.m. Arrival San Francisco International Airport.
- 12:00 Noon His Excellency Chadli Bendjedid, President of the Democratic and Popular Republic of Algeria, Mrs. Bendjedid and their party depart San Francisco International Airport via Algerian Presidential Aircraft enroute Algiers.

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Recognized Credentials for Coverage of Events:

WHITE HOUSE - STATE DEPARTMENT - U.S. CAPITOL - U.S.I.A. - V.O.A.
AND
ALGERIAN VISITING PRESS PASS.

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