

FY 1989 Assistance Proposals for the Middle East and North Africa

By

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I appreciate the opportunity to testify in support of the Administration's proposals for security and economic assistance to the Middle East and North Africa in fiscal year (FY) 1989. The United States has, for many years, devoted considerable resources to this important region. I believe this has been a major reason for the success of our policies in the Middle East and gives us a strong foundation to build on as we address new challenges.

AN IMPORTANT, DYNAMIC REGION

This vast region--stretching from the Strait of Gibraltar through the Mediterranean and the Persian Gulf to Southwest Asia--is of vital importance to the United States. It is the hub of strategic sea, land, and air routes bordering Europe, Asia, and Africa. It is the site of most of the world's oil reserves. And it is a region of tremendous change. Most countries in the region became independent states only after World War II, some as recently as the 1960s. All are engaged in rapid economic and social transformations.

It is also a region of conflict. The Soviet Union's invasion of Afghanistan and its attempts to expand its influence through proxies and support for radical forces have increased tensions and made the Middle East an area of superpower confrontation. The Iran-Iraq war has raged for over seven years, and Iran continues threats against other states in the region. The Arab-Israeli conflict, which erupted into war four times since 1948 remains a fundamental source of tension.

A RECORD OF SUCCESS

The Middle East is a region in which the United States is and must be fully engaged. And it has called forth some of our most important political, economic, and humanitarian efforts. I believe America can take pride in the record of its achievements in the region. In all of them, U.S. security and economic assistance has played an essential role.

- In Afghanistan, we have renewed hope that the year will see the complete withdrawal of Soviet troops so that the Afghan people will once more be free to determine their destiny
- It is now almost 10 years since the Camp David accords, and Israel and Egypt remain strongly committed to peace.
- We have launched a major new peace initiative in the Middle East designed to bring about a comprehensive settlement of the Arab-Israeli conflict through direct negotiations.

- We are also at the forefront of international efforts to bring an end to the Iran-Iraq war via UN Security Council Resolution 598 and a follow-up resolution calling for enforcement measures.

- In the Persian Gulf, the presence of U.S. and allied naval forces has deterred Iranian military threats to gulf states, assured the flow of oil through the Strait of Hormuz, and limited Soviet attempts to expand its influence.

- We are helping our friends in the region to meet threats to their security and independence and to provide a better economic future for their people.

We are actively engaged across a broad front in achieving goals which we and our friends in the region believe are vital. We could not do it without strong bipartisan support for these policies. And we could not do it without the strong security and economic assistance programs which the American people have supported to help us reach these goals.

AFGHANISTAN AND PAKISTAN

Before I take a closer look at our programs in the Middle East and North Africa, I wish to say a few words about Afghanistan and Pakistan because they are clear examples of how effective, and how vital, our assistance programs are.

For 8 years the world has demanded an end to the Soviet occupation of Afghanistan. The courage and determination of the Afghan people may bring that about soon. We have strongly opposed the Soviet occupation, and, in conjunction with our diplomatic efforts, we have provided humanitarian assistance to improve the ability of Afghans to sustain themselves in Afghanistan and resist Soviet attempts to drive them from the countryside. For FY 1989, we are proposing \$45 million for this program. We believe this program can also play a role in any interim period following a negotiated settlement or become part of a broader international effort to assist in the repatriation of Afghan refugees and the reconstruction of Afghanistan.

Let me also say a few words about Pakistan. Despite Afghan military attacks on Pakistan's border, Soviet-supported Afghan terrorist campaigns within Pakistan, and the enormous cost of supporting over 3 million Afghan refugees, Pakistan has stood by the Afghan resistance. It has been a key partner of the United States in preventing the expansion of Soviet influence in the region. And it has borne these heavy burdens despite the fact that it is a poor country with a per capita income of only \$380.

Our FY 1989 request of \$240.9 million in military assistance--Foreign Military Sales (FMS) and International Military Education and Training (IMET)--and \$300 million in economic assistance--\$250 million in Economic Support Funds (ESF) and \$50 million in development assistance--for Pakistan is especially critical as we enter the crucial period during which we hope to see the Soviets begin to withdraw from Afghanistan. The threats to Pakistan's security and the economic challenges it faces, are great. Full funding of the FY 1989 request for Pakistan must be among the highest priorities of our entire worldwide assistance effort.

U.S. MIDDLE EAST PEACE INITIATIVES

Turning to the Middle East, let me begin by giving you an update on our new initiatives since Secretary Shultz briefed you on March 10th. We remain convinced that we are at a time of critical decisions and are continuing our efforts to achieve major progress towards a settlement in the Middle East.

As you know, the United States has been engaged in intensive efforts with the parties to the conflict. The Secretary of State and I met with the leaders of Israel, Jordan, Egypt, and Syria. President Reagan and the Secretary met last week with Prime Minister Shamir. We have consulted closely with our European allies. I also met with the Soviet Foreign Minister, and the Middle East has been the topic of his discussions here this week.

What has emerged from these discussions?

- First, encouragement from the parties involved to continue and expand our efforts;
- Second, a new sense of realism and a willingness to consider new ideas by leaders in the region;
- Third, strong support from the American public and the Congress for U.S. leadership on this issue;
- All of which led us to the fourth major development--an ambitious but realistic U.S. proposal for moving toward direct negotiations.

Our objective is direct negotiations leading to a comprehensive peace that provides for the security of all states in the region and achievement of the legitimate rights of the Palestinian people. It would be accomplished through bilateral negotiations between Israel and each of its neighbors, based upon all provisions and principles of U.S. Security Council Resolutions 242 and 338. In addition to negotiations between Israel and a Jordanian-Palestinian delegation, our initiative envisages that there would also be negotiations with Syria and Lebanon. Each negotiation would be based on UN Security Council Resolutions 242 and 338 in all their parts.

With regard to the West Bank and Gaza, our approach proposed negotiations for 6 months on interim arrangements, firmly linked to an early date certain for the start of negotiations on a final settlement. The negotiations would be initiated by a properly structured international conference, which would be open to permanent members of the UN Security Council and to parties to the conflict who accept Resolutions 242 and 338 and who renounce terrorism and violence. The conference, in a manner to be agreed, could receive reports of the negotiations but not impose solutions or veto agreements reached between the parties.

The Secretary has made clear that the United States will not permit the conference to become authoritative or plenipotentiary or to exceed its jurisdiction as agreed to by the parties. The United States opposes and will not participate in an international conference designed to replace bilateral negotiations.

The proposal we left with the parties is an integrated whole, carefully balanced to take the concerns of all into account. It will not work if the parties accept some portions and reject others. As President Reagan said, "The United States will not slice this initiative apart and will not abandon it."

We hope bilateral negotiations can begin on May 1. We have asked the leaders to whom we gave our proposal to give us their responses soon. Each has agreed to study our ideas carefully.

We recognize that for the process to move forward the parties must make difficult and painful discussions. But this is a crucial opportunity that is unlikely to arise again soon. We also believe all parties recognize that continuation of the status quo can only lead to a downward spiral of increased tensions and potential confrontation.

ASSISTANCE PROGRAMS TO THE MIDDLE EAST

I would like now to turn to our specific assistance proposals for FY 1989 in the Middle East and North Africa. Let me say that, overall, U.S. assistance to the region is more important than ever. Our friends need our support to reach goals we both share. And we should not forget the substantial effort they are making on our behalf. Our assistance is also a signal to our friends and our adversaries that we will remain engaged.

Israel and Egypt took great risks for peace in 1979, and our support for these important friends remains the cornerstone of our assistance program in the region. Israel's continued security and well-being are fundamental tenets of U.S. foreign policy. Our military aid, \$1.8 billion in Foreign Military Sales credits, allows Israel to maintain the capability to defend itself against any potential combination of aggressors. Progress toward a peace settlement can only be made if the security and legitimacy of Israel are not in doubt.

Economic stability and growth are as important to Israel as a strong defense. As a result of far-reaching stabilization programs and special U.S. economic assistance in 1985 and 1986, Israel was able to reduce inflation from 445 percent in 1985 to 16 percent in 1987. Defense expenditures are a major burden on the economy, accounting for 18 percent of GNP [gross national product], and U.S. economic assistance helps Israel implement economic reforms while avoiding high unemployment. Our economic assistance of \$1.2 billion provides balance of payments support which is important to Israel's economic stability and growth.

Egypt stands firmly behind the peace treaty with Israel and is a full and valued partner in U.S. Middle East peace efforts. President Mubarak strongly supports the current U.S. initiative. We also share similar strategic views with Egypt on a variety of issues, such as Libyan adventurism, the Soviet occupation of Afghanistan, and terrorist and extremist threats to the region. Most Arab states that severed ties with Egypt in 1979 recently restored full diplomatic relations, and Egypt is in a position to resume a more active role in the Arab world. Our \$1.3 billion FMS program will be used to support modernization of Egypt's military forces and replace Soviet systems with U.S. equipment.

Egypt's economy is diversified, but it remains a poor country with an average annual per capita income of only \$600. Limited natural resources, scarcity of arable land, and a large and fast growing population are all obstacles to economic development. The Egyptian economy is sensitive to external shocks, such as the decline in oil prices since 1985 which cut worker remittances and tourism and placed pressure on the balance of payments. In May 1987, Egypt undertook a number of important reform measures and entered into a standby arrangement with the International Monetary Fund, which paved the way for debt rescheduling. Our \$185 million in Economic Support Funds is important in alleviating some of the more serious political and social costs of economic reforms and promoting long-term growth.

Jordan, a key moderate, plays a pivotal role in the search for a negotiated settlement in the Middle East. King Hussein and other Jordanian leaders have repeatedly expressed their commitment to the goal of a comprehensive settlement, which they recognize can be reached via direct peace negotiations. Our military assistance of \$48 million in FMS and \$1.8 million in IMET in FY 1989 supports Jordan's important security ties with the United States, helps it resist potential Syrian pressure, and enhances its ability to combat terrorism.

Enhanced assistance levels are needed to bring Jordan's U.S.-origin materiel back to full readiness. Also, on the economic front, subsidies from gulf states and remittances of Jordanians working abroad have been cut because of lower oil prices. Nevertheless, Jordan is maintaining its efforts to improve the quality of life for Palestinians in the West Bank and Gaza through economic

development; \$7 million of our \$18 million ESF proposal for Jordan in FY 1989 would be used in this effort.

The recent unrest in the **West Bank and Gaza** is a vivid reminder that we must pursue the peace process with utmost effort. Our efforts to foster an Israeli-Palestinian political accommodation must be accompanied by efforts to improve the social and economic conditions of the 1.4 million Palestinians who reside there. We have requested \$7.5 million in ESF to fund private voluntary organization activities in rural development, irrigation, and health care.

We are also deeply concerned about the fate of **Lebanon**. Torn by years of civil war and the virtual collapse of central government authority, economic conditions are desperate. Production is half its 1974 level and inflation is above 700 percent. The United States remains committed to a unified, independent Lebanon, free from external forces. We have been engaged in promoting the process of constitutional reform and national reconciliation and hope to see progress soon. The immediate goal of our \$300,000 ESF program is to meet operational costs of relief and rehabilitation activities implemented by private voluntary organizations. We have also provided significant food assistance through our P.L. 480, Title II program, feeding 135,000 needy Lebanese families.

ARABIAN PENINSULA

Let me also describe our two programs on the eastern side of the Arabian Peninsula--Oman and North Yemen.

In the Persian Gulf, the Iran-Iraq war threatens the stability of the region. We have led the effort to obtain an early cease-fire and a negotiated end to the conflict under UN auspices. We are making a strong effort in the UN Security Council to get an enforcement resolution adopted.

We have also taken the initiative in proposing immediate steps to prevent the war from expanding. This has been successful. Deterrence has worked.

Our reflagging of Kuwaiti oil tankers and U.S. Navy escort operations are the most visible elements of this effort. We have also acted to prevent arms sales to Iran, which is the party opposing an end to the war, through Operation Staunch.

I believe now even those who were initially skeptical about our protection regime will recognize that it has been a success. Our friends in the region have been assured of American support and they are making important contributions to regional defense and efforts to end the Iran-Iraq war.

Oman has cooperated close with us in the effort. Our current operations in the gulf would be difficult, if not impossible, without Oman's assistance. Our military cooperation is based on our 1980 access agreement, the only one of its kind in the region, which provides U.S. forces contingency access to important bases and facilities and permits the prepositioning of supplies. In the context of that agreement, we have tried to maintain a significant level of ESF to diversify Oman's economy and broaden our bilateral economic relations. Our proposal for FY 1989 is \$15 million. The access agreement is due for review in 1990.

Moving to the south, **North Yemen** is located at the eastern end of the Red Sea and across from the Horn of Africa. It borders Marxist South Yemen, which provides the Soviets access to naval and air facilities. South Yemen invaded North Yemen in 1979 and has supported other insurgencies. In 1986, a coup brought to power doctrinaire communists in South Yemen who have advocated insurgency in the past. North Yemen is also one of the world's poorer countries with a per capita income of only \$550. Our proposed FY 1989 program of \$3 million in military

assistance and \$21.5 million in development assistance to North Yemen contributes to regional stability by providing an alternative to Soviet influence and promoting economic development.

NORTH AFRICA

Libyan-supported subversion, regional disputes, and current economic problems highlight our concerns in North Africa. Morocco's extensive cooperation with the United States includes ship visits and transit rights which facilitate U.S. military operations in the Atlantic and Mediterranean and participation in numerous joint exercises. Morocco has also agreed to host Voice of America facilities and to serve as an alternate landing site for the space shuttle. Morocco's respect for pluralism and religious tolerance, advocacy of moderate views within Islamic and African forums, and support for U.S. policies on many important regional and international issues are also key factors in our excellent bilateral relationship. King Hassan has played a positive role in the search for peace in the Middle East. In 1986, for example, in an attempt to bring about greater understanding between the parties, he met with Israeli Prime Minister Peres. Most recently, he publicly urged the PLO [Palestine Liberation Organization] to accept UN Resolution 242.

We are proposing a program of military assistance for Morocco in FY 1989 of \$41.4 million (FMS and IMET) and \$27.5 million in economic assistance (development assistance and ESF). A developing country with a per capita GNP of \$590, Morocco has a large foreign debt and other economic problems. Prolonged drought conditions and other conditions forced Morocco into debt rescheduling in 1987. Morocco is in the midst of a major economic stabilization and structural reform effort supported by the IMF and the World Bank.

Tunisia has long had close ties with the United States and, as an influential moderate, it has supported U.S. policies in the region. It is a small country situated between two neighbors with much greater military strength. While relations with Algeria have improved in recent years, Libya has a record of supporting subversion and exerting other forms of pressure against Tunisia, Tunisia, therefore, needs to maintain an effective military deterrent. Our \$30 million FMS program helps Tunisia do so.

In 1987, President Ben Ali replaced Habib Bourguiba, Tunisia's leader since independence. The new government has launched a program of significant political reform. It faces an equally important challenge on the economic front. It has successfully pursued a major structural adjustment program since a slump in 1986, but some of the short-term effects, such as rising unemployment and stagnant living standards, may exact social and political costs. A severe drought in 1987 has also cut grain output to half that of normal levels. Our \$12.5 million in ESF helps encourage Tunisia to stay the course on economic reform and supports development projects.

THE CHALLENGES AHEAD

To summarize, our current efforts span the entire region and involve such vital issues as Afghanistan, the Middle East peace process, efforts to end the Iran-Iraq war, and protection in the Persian Gulf. I can think of no time during my tenure as Assistant Secretary that we have been so intensely engaged in such a wide range of initiatives in the region. Our security and economic assistance programs have played a vital part in what has been achieved so far. We are proud of the progress we have made and confident as we face the future. The enormous potential for change in the Middle East and the consistent, strong support shown by the American people for our efforts there are sources for great optimism.