

Meeting Our Foreign Policy Goals

By

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[The following is a reprint of a prepared statement which Secretary Shultz presented in testimony before the Subcommittee on Foreign Operations of the House Appropriations Committee in Washington, DC, on March 10, 1988. Particularly significant is the Secretary's discussion of the FY 1989 budget proposal for security assistance. This statement also has been published as Current Policy No. 1054 by the Bureau of Public Affairs, U.S. Department of State.]

I am pleased to come before the subcommittee to discuss the foreign operations component of our FY 1989 budget request. The funding we are requesting complies with both the letter and the spirit of the budget summit compromise. It is the bare minimum we will need to support our fundamental foreign policy objectives and interests. We would have preferred more. We can't do the job with less.

From the outset, President Reagan has been guided by the conviction that the United States must remain a fully engaged force around the globe for peace, prosperity, democracy, and humanitarian values. We have been making impressive strides in fulfilling these goals.

At the core of our diplomacy are our efforts to ensure the strength and unity of our alliance relations, the effective management of East-West issues, the peaceful resolution of regional conflicts, and the advancement of our broader security and economic interests. With our tangible support and encouragement, democratic and free market values are gaining strength among the peoples of Latin American, in the Philippines, in Korea, and in Africa. That's good news for everybody. Countries with free people, free elections, and free markets aren't the countries that threaten our security. Democratic countries respect the rule of law both at home and abroad; they are more stable internally from both an economic and a political standpoint; and they are more capable of resisting aggression through their own efforts.

Our achievement of the historic INF [Intermediate-Range Nuclear Forces] Treaty offers convincing proof that success in advancing our peaceful objectives depends not only on cohesion and clarity of purpose but also on the political will to provide the means necessary to meet our objectives. The treaty would not have been possible had we or our allies balked at the economic or political costs of countering the Soviet SS-20 menace.

Working for peace means building up and sustaining our military strength and that of our friends while concurrently engaging in hard-nosed diplomacy. The daily effort to defend our security, to establish more stable and workable relations with our adversaries, to ensure continued economic growth, and to achieve negotiated settlements in strife-ridden areas is a costly exercise. But, instability and war are even costlier and not just in monetary terms.

It is, indeed, ironic that just when the need for effective U.S. leadership in the world is increasing and we are scoring remarkable successes, we find that we lack adequate means and enough flexibility either to advance our interests or to meet our commitments to friends and allies.

The realities of our time dictate that the United States cannot achieve our interests and objectives alone, nor can we do so with insufficient resources. Other countries around the world

cannot adequately protect their security, ensure their domestic welfare, or protect their democratic institutions absent the active support of the United States.

And, especially now, when the dangers of terrorism and the broad range of threats to many societies posed by international narcotics trafficking are becoming so stark, we must marshal the means necessary to counter these assaults on human dignity and civilized society. I have committed the State Department--and you have my personal commitment--to use every opportunity and every resource at our disposal to combat these twin scourges.

EAST-WEST RELATIONS

The United States and our allies have set in motion a number of efforts that could, with Soviet cooperation, bring major strides toward a safer, more secure, and more humane world. Will we have that Soviet cooperation? Yes, we will, if we shape the right conditions. And how do we shape these conditions? By being fully and actively engaged and by committing the necessary resources.

The critical importance of worldwide U.S. engagement came through loud and clear to the President during his recent meetings with his NATO counterparts. In Brussels, we and our NATO partners agreed that if we expect to advance our agenda with the East, we must demonstrate the same resolve and be prepared to commit similarly vital resources as we did in our pursuit of the INF Treaty.

That agenda includes greater openness and full respect for human rights in the East and on arms control: three priority tasks--50% reductions in offensive strategic arms, a global and truly verifiable ban on chemical weapons, and correction of the imbalance in conventional forces.

Realism, strength, and dialogue will remain America's watchwords as we continue the high-level exchanges begun in 1985 with the Soviet leadership. Through this ongoing process, our relationship with the Soviet Union is now developing on a more stable and constructive basis. I will be meeting regularly with Foreign Minister Shevardnadze in the period leading up to the next summit in Moscow.

We will pursue the full range of issues that concern us, including human rights, arms control, bilateral matters, and the settlement of regional conflicts. We will continue vigorously to challenge the Soviet Government to respect the human rights and fundamental freedoms of people in the U.S.S.R. as well as the sovereign rights of its neighbors. We will pursue progress toward a START [Strategic Arms Reduction Talks] treaty--the President has made clear to all of us that he wants no letup in our effort to achieve a good treaty.

REGIONAL ISSUES

Afghanistan

After 8 long years, the courage and tenacity of the Afghan resistance and people may be about to pay off in the resumed negotiations at Geneva. We are proud to stand with them and with Pakistan. The United States will continue its support for Pakistan and for the Afghan people and will continue to press Moscow to withdraw its troops expeditiously and cease military assistance to the Kabul regime. The United States remains fully and firmly committed to a rapid departure of Soviet forces, the restoration of Afghanistan to an independent and nonaligned status, genuine self-determination for the Afghan people, and return of the refugees in safety and honor.

The Middle East

In the Middle East, this is a time of decisions. The situation on the ground does not serve anyone's interests, and rapid change through negotiations must occur. My discussions with the leadership in Israel, Jordan, Syria, and Egypt focused on the need for realism in our approach to negotiations.

The approach we are pursuing is ambitious and compelling. It calls for an early start of interlocked negotiations on transitional arrangements and final status. These will be launched and supported by a properly structured international conference. This process can and should begin as early as mid-April. The mechanics of our approach meet everyone's fundamental concerns and provide for serious negotiations. But the mechanical aspects of this are secondary to what can be accomplished. Our objective is a comprehensive peace.

- Israeli security can be enhanced. Israel can enjoy the recognition and respect which flow from negotiations. Israelis can be free from the increasing human and moral burdens of occupation--free to devote their considerable talents and energies to improving their quality of life. Most important, Israel can achieve peace with its neighbors.

- Palestinians can achieve rapid control over political and economic decisions which directly affect their lives. Palestinians can participate actively in negotiations to determine their political future. Palestinians can achieve their legitimate rights and live lives of dignity and self-respect.

- The Arab world can turn a corner, resolve this festering conflict, and get on with the business of meeting human needs. The refugee problem can be solved. A stable new environment can be created in which the human and economic resources of the Middle East can flourish.

This is a moment of testing for the leaders of the Middle East. All must face up to the challenge of peace and beat back the forces of radicalism. Violence and threats achieve nothing. They stand in sharp, empty contrast to what negotiations can accomplish.

No resolution of this conflict can fulfill all dreams. Compromise is required. The plan we have put forward is compelling. It is an integral whole. We have asked for decisions soon, so that we can proceed rapidly toward a comprehensive peace.

Central America

In Central America, we must be equally realistic and determined in our efforts. The cause of peace, stability, and democracy in Central America--already severely challenged by the Sandinista regime in Nicaragua and its Cuban and Soviet allies--received another blow recently when General Noriega refused to accept his suspension as head of the Panama Defense Forces. The United States has rejected Noriega's attempted dismissal of President Delvalle--a dismissal which is, in essence, a coup d'etat without a visible military presence.

What we face in Panama is a threat to democracy; a threat to our ability to stop the international drug traffickers; a threat to the safety and stability of this hemisphere. We will not shirk our responsibility to defend ourselves against this triple threat--to stop the drug dealers, the tyrants, and the terrorists.

Our policy in Panama is straightforward and consistent: we support fully and unequivocally the government of President Delvalle. And so do many others. Just this week, President Delvalle received enormous support from a broad spectrum of the Panamanian opposition. They made a commitment to unity for democracy. We applaud that effort.

The struggle for democracy in Panama also has received widespread support from the other democracies in this hemisphere. Perhaps El Salvador's President Duarte put it best when he said: "El Salvador, as a democratic nation, will never agree to a solution based on abuse of power and imposition of Noriega's dictatorship on the Panamanian people."

We and the democratic world will do what is necessary to help democratic government survive and bloom in Panama. We will continue actively to cooperate with President Delvalle and his government in their efforts to reassert legitimate civilian authority.

The deteriorating situation in Nicaragua further illustrates my point that failure of the United States to materially reinforce democratic government and efforts to gain a peaceful settlement to conflicts in Nicaragua and El Salvador can only harm our own security interests. Unless we back up our policies with adequate resources, our friends and foes alike around the world will conclude that America's words lack substance; our commitments, credibility, and our plans [require] effective execution.

Since Congress ended U.S. assistance to the Nicaraguan resistance, the Sandinistas have once again reverted to their true totalitarian goals. Their repression and intransigence have increased. Two weeks ago, the Sandinistas rejected proposals by Cardinal Obando y Bravo, the mediator they themselves selected, to further the plan. Those proposals had been immediately accepted by the representatives of the Resistance. Then, the Sandinistas informed Cardinal Obando that his services as mediator are no longer required. Just recently, the communists balked again and postponed a meeting with the Resistance. Sandinista mob violence against Nicaraguan citizens has increased dramatically in recent weeks.

It is time for the Congress to sit up and take notice: the Sandinistas are brutalizing their own people. Those who may have believed that cutting off aid to the freedom fighters would help achieve peace and freedom have made a grave mistake. They must undo the error before it is too late. As Violetta de Chamorro, the head of Nicaragua's leading opposition newspaper, recently wrote [Costa Rica] President Aria: "The Sandinista regime, taking advantage of the suspension of military actions by which it had been besieged, has entered into a phase of total indifference" to the terms of the Guatemala agreement.

Persian Gulf

Elsewhere in the world, an engaged U.S. presence and our sustained support remain essential to international stability and well-being. In the strategic area of the Persian Gulf, our reflagging policy is protecting basic U.S. interests, and allied governments are following our lead. We will continue to stand by the security commitments we have made to our friends in the region. We are at the forefront of international efforts to bring an end to the Iran-Iraq war via United Nations Security Council Resolution 598. We are working within the Security Council to adopt an enforcement resolution imposing sanctions against Iran as long as it refuses to comply with 598. And we are continuing our own active efforts to staunch the flow of arms to Iran.

East Asia

In East Asia, the remarkable worldwide trend toward democratic government has had two notable successes in the Philippines and South Korea.

We are supportive of the major steps the Republic of Korea has taken toward full democracy over the past year. We are cooperating fully with South Korea as it strives to host the 1988 Olympics in a secure and peaceful atmosphere. And we are assisting President Aquino in leading her nation in building democracy and accelerating economic growth as the Philippines contends

with a virulent communist insurgency. The struggle against communist aggression is evident in Cambodia. We are supporting ASEAN [Association of Southeast Asian Nations] and the Cambodian noncommunist resistance in their efforts to bring about a political solution to the Cambodian conflict encompassing a complete Vietnamese troop withdrawal from Cambodia and self-determination for the Cambodian people.

Southern Africa

Apartheid is at the heart of South Africa's problems and is a principal source of instability in the southern African region. Our goal remains its rapid and peaceful demise. To that end, we are working to foster negotiations among all elements of South Africa's population that will lead to the creation of a democratic society with equal rights for all. At a time when the misguided actions of the South African Government are stifling the interplay of ideas so essential for the evolution of a free society, and isolating South Africa from the free world, we must do all we can to keep dialogue alive and new ideas coming in.

Despite the recent serious escalation of repression in South Africa, we remain firm in our belief that this can best be accomplished through a mix of diplomatic and political pressures on the one hand and a series of positive initiatives on the other. It is critically important that we maintain strong support for U.S. programs designed to assist victims of apartheid and to empower black South Africans to achieve their own peaceful liberation through higher education and growing economic leverage. We are working with our democratic allies to exchange data on assistance programs and to explore ways of assuring a free flow of information to South Africa in the face of rising censorship and repression.

Elsewhere in the region, we are continuing our efforts to achieve a negotiated settlement involving withdrawal of all foreign military forces from Angola and Namibia and the achievement of Namibian independence. We now look to the Angolans to make concrete their professions of support for a phased complete withdrawal of Cuban forces and to South Africa to honor its commitments under UN Security Council Resolution 435. To promote economic independence and stability throughout the region, we also strongly support the work of the Southern African Development Coordination Conference (SADCC). In addition to bilateral aid, we are providing SADCC with \$50 million in assistance for FY 1988.

International Economics

In the field of international economics, we are entering a new era. The world economy is changing profoundly as new technologies are developed and the capability to apply them is spreading to all regions of the globe. National boundaries are becoming increasingly irrelevant as production, finance, technology, and knowledge become increasingly globalized. In order to make the most of the changes now underway, America must first ensure that our economic and social institutions are prepared and willing to compete in this new global economy. We must promote policies that enable market forces to direct international patterns of trade and financial flows. And, along with our allies in the industrial world, we must keep our sights on sustainable, noninflationary economic growth as the principal objective of economic policy.

THE SPECIFICS OF OUR FUNDING REQUEST

This brief review of the foreign policy challenges that face us is enough to show how busy this Administration will be in the coming year. If this Administration--any administration--is to realize America's fundamental foreign policy objectives, it must have both adequate funding and sufficient flexibility to use financial resources to their best advantage.

But, today, in a time when our active engagement is more important than ever, a steady erosion of our resources and severe constraints on our ability to apply them threaten our leadership position and our vital security, economic, and humanitarian interests in the world.

For foreign affairs, or [Budget] Function 150 in toto, we seek \$18.1 billion in discretionary spending authority for FY 1989. The foreign operations component of our budget request includes most forms of foreign assistance (excluding only P.L. 480 food aid) and is the largest single component of our request as a whole. The funds we make available under this heading help our friends and allies, but, first and foremost, they serve America's own interests abroad.

We seek a total of \$14 billion for foreign operations. The discretionary element, that is to say funding for everything except the Guarantee Reserve Fund and Foreign Service retirement, totals \$13.3 billion, or 73% of our entire request for foreign affairs appropriations. This also represents an increase of about 2% over the comparable FY 1988 level.

Let me emphasize once again that this modest request in no way reflects any diminution in the scope of our foreign affairs interests or in the depth of our commitments to friends, allies, and the international system. Rather, our very tight request reflects a compromise between our foreign policy needs and our recognition that we must play our part in reducing the budget deficit.

Let me try to put this discussion in a broader perspective by describing how the foreign assistance resources we seek serve our national goals and values--and commitments to allies and friends.

NATIONAL SECURITY

As we have seen, the unwavering commitment of our allies to America's security--and ours to their own--is essential if we are to maintain the defensive framework which protects us all. Many of our friends in the developing world lack the resources to see to their national security while at the same time they are struggling to provide for the basic economic needs of their own people. Because we know that they must do both if they are to survive and grow, we give these nations economic support and help them finance the modernization of their armed forces. We also provide defense and economic support to some of our NATO allies to help them to modernize their military forces and to grow economically. The enhanced capabilities which result from our assistance contribute directly to the common defense.

For FY 1989, our total request for discretionary military assistance funding under Title III of the bill [MAP, FMS, IMET (Military Assistance Program, Foreign Military Sales, International Military Education and Training), and Peacekeeping Operations] is \$5 billion. That compares with \$4.8 billion in FY 1988 and \$5.1 billion in FY 1987. In percentage terms, the increase is under 4%; however, if the Congress refrains from the massive earmarking which characterized FY 1988 military assistance programs, we should be able to restore funding to the dozens of key friends and allies for which we were forced to terminate funding in FY 1988.

Despite the small increase relative to FY 1988, what we are seeking for military assistance is still below the level appropriated in FY 1987. The percentage reductions from the levels appropriated in FYs 1985 and 1986 are even more severe.

For the two major military assistance accounts--Foreign Military Sales and the Military Assistance Program--we are requesting respectively \$4.5 billion and \$467 million. Due to the major debt burdens which many security assistance recipients face, we plan to provide all FMS and ESF [Economic Support Fund] resources on a grant basis.

The switch from credits to grants in our FMS program represents a major improvement in the quality of the assistance we are providing. By providing the assistance in the form of forgiven FMS credits, those countries with the bureaucratic infrastructure capable of doing so will be able to apply FMS funding to commercial purchases, a process that is not possible under MAP, which is strictly government to government. This all-grant program initiative is consistent with a trend which began in the Congress a few years ago. In 1985, Congress, for the first time, permitted concessional, on-budget FMS programs. Two years later, it expanded this authority by authorizing the Administration to make all FMS programs concessional, except, of course, those programs for Israel and Egypt where repayment was forgiven. And in the current fiscal year, Congress again liberalized FMS by permitting forgiven FMS programs for Pakistan and Turkey.

Our present efforts to reinvigorate the Arab-Israeli peace process underscore the critical importance of the Middle East to the United States. Israel and Egypt, two key partners in the Middle East process, will receive the largest component of our security assistance (i.e., military assistance and Economic Support Funds) in FY 1989 (\$5.1 billion or 62% of the total), just as they have for the past several years. Our security and economic assistance programs to Israel and Egypt have played a key role in keeping peace in these areas.

In the West Bank and Gaza, our foreign assistance funding is direct evidence of our determination to help produce a better life for the people of the occupied territories. Of the \$12.5 million in ESF we seek for Middle East regional programs, \$7.5 million would be channeled through private voluntary organizations in the West Bank and Gaza. And, of our \$18 million ESF request for Jordan, \$6 million is for activities in the West Bank.

In addition to the funds for Israel, Egypt, and the occupied territories, we are also requesting an additional \$196 million in this bill in assistance for our close friends Tunisia, Jordan, Oman, and Morocco, thereby furthering the prospects for stability and growth in the region as a whole. Security assistance is also used to strengthen the defenses of friends and allies which provide us with access to military facilities in the interests of their own security and ours. During the past few years, and particularly in FY 1988, cuts in our budget requests and extensive earmarking have combined to make it impossible for us to meet our "best efforts" commitments to some countries or to provide the level of support necessary for countries to perform effectively in the defense area. For Portugal, our assistance is well below the "best efforts" commitment we undertook when we signed the current base agreement; this situation recently has led the Portuguese Prime Minister to request consultations on the agreement. Assistance to Turkey is already hundreds of millions of dollars below the level necessary if our Turkish allies are to meet their NATO commitments. Our assistance to Greece has fallen one-third below the level provided following the signing of our 1983 base agreement.

Our FY 1989 budget request will not accommodate enough to make up for past shortfalls. We must begin to reverse the downward trend. Therefore, for these three countries we are requesting \$1.1 billion in FY 1989.

In the Philippines, our assistance program has been directed toward helping a struggling ally revitalize democracy, beat back a communist insurgency, and promote economic growth. Because of the extraordinary challenges faced by President Aquino in recent years, we have been able to provide significant assistance levels that are crucial to the success of her programs. Despite budget stringencies, we cannot lose sight of the important mutual security interests at stake in the Philippines and the need for substantial support.

I would note that we will shortly undertake with the Philippine Government the 5-year bilateral review of our bases agreement. We look forward to its successful completion, which would set the stage for an extension or renegotiation of the bases agreement, the fixed term of which ends in 1991.

Central America is of vital importance to the United States because of its geographic proximity and strategic position. We have long recognized that the best way to protect our interests in the region is to pursue a multifaceted policy aimed at promoting regional security, democratization, and social and economic development. We are requesting approximately \$900 million in FY 1989 to serve these ends.

With respect to Nicaragua, in particular, the Administration continues to seek funding from Congress for the *contras*. At the same time, we will continue our varied forms of assistance to our friends in the region. In the event the current efforts to secure peace and substantially ease the repression in Nicaragua fail, our provision of security assistance to the other countries in the region will serve as a bulwark against spreading instability.

PROMOTING PROSPERITY AND DEVELOPMENT

Ensuring our domestic prosperity in today's increasingly integrated world economy requires us to do more than keep our own economic house in order. It means assisting other countries to develop their own economies. In this way, we develop in the global economy a growing demand for U.S. goods and services. American growth and prosperity are, more than ever, influenced by conditions abroad. I am not just speaking of conditions in Western Europe and Japan, important though they may be, but of those in the developing countries as well. These countries take over a third of our exports. The production of 1 out of every 20 workers in our manufacturing plants and 1 out of every 5 acres of our farmland is sold in Third World markets.

By promoting economic development abroad we make a direct contribution to our own economic well-being. Current economic stagnation in a large number of developing countries, especially those with heavy debt burdens, illustrates the point vividly and painfully. For example, between 1981 and 1986, the countries of Latin America and the Caribbean experienced sharp declines in their real incomes. Our exports to that region dropped by over \$11 billion. For the same reason, in Africa, our exports dropped by \$2.8 billion. In contrast, our significant role in the development of Pakistan has paid us dividends. In 1960, Pakistan's per capita income was barely \$100. By 1985, Pakistan had more than doubled its income and had become a major purchaser of U.S. products. Since 1979, U.S. exports to Pakistan have risen by more than half.

We are requesting appropriations of \$7.6 billion for bilateral and multilateral economic assistance programs (including ESF). That constitutes almost 60% of our total discretionary foreign operations request. It includes development assistance, voluntary contributions to international organizations, assistance provided through multilateral development institutions, the Peace Corps, and other bilateral assistance programs, as well as \$3.3 billion for ESF. ESF serves economic stability and development as well as security objectives.

Again, we seek only a modest increase of \$80 million, or 2.5%, in ESF, but we enjoin Congress to refrain from the massive earmarking which required us in FY 1988 to eliminate funding for numerous countries, particularly in South America and the Caribbean. Our allocation of the ESF request would allow resumption of important programs in Jamaica, the Dominican Republic, Ecuador, and throughout the region.

In addition to ESF, economic assistance takes many forms:

- Development assistance (\$1.6 billion, including the new Development Fund for Africa) to fund projects administered by the Agency for International Development (AID) in such areas as agriculture, education and human resources development, health, nutrition, and private sector development;

- Funding for the multilateral development banks (MDB)--\$1.3 billion: \$70 million will go to the World Bank as the first installment of our contribution to the new General Capital Increase which, together with the contributions of others, will support \$75 billion in new Bank project lending and support of growth-oriented structural adjustment and policy reform. The largest component, \$958 million, will be used for a U.S. contribution to the eighth replenishment of the International Development Association (IDA). IDA is the "soft" loan window of the World Bank which finances development activities in low-income developing countries and, sometimes in conjunction with the International Monetary Fund (IMF), supports essential economic policy reform in these countries. Because of the budget summit ceiling, none of these funds will be used to pay U.S. arrears (currently about \$400 million) to any of the multilateral development banks. MDB arrears raise serious questions about our credibility, and we will have to address the arrears problem in FY 1990;

- Funding for Peace Corps programs--\$150 million; and

- Voluntary contributions to such international organizations as the UN Development Program (\$110 million) and UNICEF [UN Children's Fund]--\$31 million.

Our domestic prosperity is also furthered by helping U.S. exporters compete with financing arrangements offered by foreign governments. For this purpose, we are requesting \$705 million for the Export-Import Bank's (Eximbank) direct credit programs. These programs provide U.S. exporters the financial support they need to match foreign officially supported export credits. Eximbank financing is also critical in markets in which commercial financing is limited or unavailable because the risk is too great for commercial banks.

PROMOTING DEMOCRATIC AND HUMANITARIAN VALUES

The American people fully support our efforts to strengthen democracy around the globe. The United States has a vital stake in promoting democratic values around the world and supporting new and growing democracies. Democratic institution-building is a slow and difficult process. Fragile new democracies face daunting political, economic, and military challenges that we must help them meet with more than mere words of encouragement.

In Central America and the Caribbean, our support for democratic forces has shown good results. Democratic institutions are taking root in countries where just a few years ago many despaired of that ever happening. These new democracies desperately need our help. The President's Caribbean Basin and Central America Initiatives, based on the recommendations of the National Bipartisan Commission on Central America, provide comprehensive strategies for such support. For FY 1989, we are requesting \$643 million in economic assistance (not including PL 480 food aid) for the countries of Central America and \$148 million for those of the Caribbean.

The United States is never more true to its most cherished values than when we defend human rights and humanitarian values abroad. In our turbulent and often cruel world, the defense of human rights means more than just speaking up, although speaking up in itself is important. We must also provide funds to help the refugees fleeing oppression and the populations devastated by want and disaster.

Over the past few years, the assistance we have provided has meant the difference between life and death for literally millions of Africans who faced the worst drought and famine the continent has experienced in this century. During the crisis, the United States provided 2.2 million metric tons of food aid at a cost of over \$1 billion; another \$150 million was spent to provide medicines, shelter, wells, and the other immediate needs for those worst affected by the drought. This was all in addition to the regular economic assistance we provided during the same period.

Similarly, we assisted Colombia at the time of its volcanic disaster, we contributed to major earthquake relief efforts in San Salvador and Mexico City, and we helped to combat locust infestations in 17 African countries. Our support for the World Health Organization and UNICEF has helped rid the world of some of the most deadly and contagious diseases and has dramatically reduced infant mortality.

We can be proud of America's record of assistance to the world refugee population. Since the passage of the Refugee Act of 1980, the American people have offered new homes to more than half a million refugees--a greater number than has been provided by all other resettlement countries combined.

For FY 1989, we are requesting \$340 million for migration and refugee assistance, less than \$2 million more than the FY 1988 appropriation. Of that total, we plan to allocate \$217 million for relief assistance for refugees in first asylum camps around the world administered by such agencies as the UN High Commissioner for Refugees, the International Committee of the Red Cross, and the UN Relief and Works Agency. An additional \$115 million will be available for refugee admissions to the United States for a minimum of 68,500 refugees--the same number as in FY 1988. Since we will have fewer dollars than we do this year to admit at least the same number of people, we will have to reduce the services we provide to these refugees. If we did not do so, we would have to cut down on admissions at a time when the pressure of admissions is growing, given the likely increases in refugees from Vietnam, the Soviet Union and Cuba, and perhaps other countries as well.

COMBATING INTERNATIONAL NARCOTICS TRAFFICKING AND TERRORISM

Since 1981, stemming the flow of narcotics into the United States has been a foreign policy issue of the highest priority for the Reagan Administration. As we have seen graphically in Colombia, and most recently in Panama, international narcotics trafficking poses a threat not only to the health and welfare of our citizens but to the national security of democratic governments throughout the world. And the threat continues to grow.

For FY 1989, we are requesting \$101 million for international narcotics control, an increase of only \$2.25 million from the amount appropriated in the continuing resolution for FY 1988. This budget includes \$31 million in direct assistance to Colombia, Bolivia, Peru, Ecuador, and Venezuela. Our narcotics control strategy gives top priority to helping key Latin American and Caribbean countries stop cocaine trafficking. Airlift capacity--meaning helicopters and planes to support aerial and manual eradication of coca and for transporting police and paramilitary troops on raids against cocaine labs--is crucial in the Andes. We plan to use another \$18 million to provide aircraft and maintenance support.

These programs constitute only a part of our total effort to control international drug trafficking. Our direct assistance to many foreign governments and private self-help organizations lets them carry out public awareness programs and projects to find alternative crops for farmers who now depend on growing drug crops for their livelihood. We are also strengthening the capability of military forces to eradicate fields and destroy drug labs.

International terrorism, like international narcotics trafficking, offends the most cherished humanitarian values of democratic societies and poses a serious threat to international stability. Through long and often bitter experience, we have developed an effective policy to deal with this modern-day barbarity. We have developed a better understanding of terrorist methods. We are working closely with other countries, in part by pooling intelligence resources. We are also working to persuade countries reluctant to cooperate in combating international terrorism of the error of their ways. We are providing training and training-related equipment to those with the will

but not the means to cooperate. We have strengthened security measures to protect our citizens at home and abroad. And we have gone on the offensive to bring terrorists to justice, disrupt their operations, and destroy their networks. But we must remain prepared and vigilant.

In 1987, we counted 832 international terrorist incidents. Among the casualties, over 600 were killed and 2,200 wounded. These figures tend to understate the actual level of terrorist activity, since incidents confined to one country, with the nationals of only one country involved, are not included.

U.S. programs to enhance the counterterrorism skills of other nations consist of training and the provision of equipment and logistical support. These efforts are coordinated by the State Department and are carried out by the Departments of State, Defense, and Justice; the intelligence community; and other concerned agencies. For FY 1989, we are requesting \$9.8 million to continue the Department of State's Antiterrorism Assistance Program. With the requested funds, we will be able to train some 1,500 security officers from around the world in a variety of antiterrorism skills. These officers are selected for training because they have major responsibilities for the security of embassies, Americans living abroad, and travelers. They will join a group of nearly 6,000 other officials from 46 countries who have received antiterrorism training during the first 4 years of this program and who are now cooperating with us in our counterterrorism efforts.

THE NEED FOR RESOURCE FLEXIBILITY

To meet all of these major foreign policy objectives, we will need more than your support for our total funding request, which is already at the bare-bones level. We will also need legislation that gives the executive branch the latitude we need to manage effectively these very limited resources.

The Continuing Resolution for FY 1988 does not give us that flexibility. In the security assistance area, almost 95% of the total appropriation is earmarked for particular countries or programs. Of course, in many instances Congressional earmarks are consistent with the levels we recommended and represent a congruence of views between the Administration and the Congress regarding the priority of particular programs.

But the overall effect of massive earmarking in the context of sharp cuts across the board is to place the burden of those cuts disproportionately on programs which must be funded from the 5% of the budget which is not earmarked. We have been forced to cut drastically ESF, MAP, and/or FMS programs to such staunch friends as Turkey, Portugal, El Salvador, Honduras, Jordan, Kenya, Somalia, and Zaire. Moreover, we have been forced to eliminate entirely programs in a whole host of other countries, particularly in South America, the Caribbean, and Africa.

If we are given the needed flexibility, the levels of funds in the budget request for FY 1989 will enable us to reconstitute on a modest scale many programs we had to curtail or cut off this year. And, what is the alternative? Can the United States withdraw its support for long from so many areas of the world and still protect the security, ensure the prosperity, and promote the democratic values of the free world? My answer is an unequivocal no. We could debate the point here in the comfort of a committee room, but out there in the world, I can assure you that we will not have the luxury of making the wrong choice.

CONCLUSION

In closing, I would like to draw your attention to the American eagle on the seal of the United States. I am fond of pointing out that our internationally recognized symbol is clutching an olive branch in one set of talons and a bunch of arrows in the other. The eagle's head is turned in the

direction of the olive branch. Our far-flying eagle is grasping both olive branch and arrows because America must commit military strength to the service of peace if we are to remain true to our values and advance our interests abroad.

Today I have described the particulars of an austere foreign operations budget for FY 1989. During the next fiscal year, two successive administrations will shoulder the burden of America's global responsibilities. Both will face the challenge of fulfilling our national objectives in a complex and changing world. To meet this challenge, both administrations will need not only the full amount of requested funds but also the latitude to apply them effectively.

The message I want to leave with the committee today is this: we must not allow the American eagle to become so undernourished or so encumbered in her flight that she loses her grip on either the arrows or the olive branch. Neither this Administration nor the next one can afford to let that happen. Far too much is riding on her wings.