

The Proposed FY 1987 Security Assistance Program

By

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The President's budget for the coming fiscal year reflects much painstaking analysis of the competing demands on limited national resources. It reflects rigorous shifting of priorities. And, it reflects many hard choices.

As the Congress begins its equally painstaking and thoughtful consideration of this budget request, I welcome the chance to meet with you today to discuss our proposals for Security Assistance in FY 1987.

Within an overall budget package that we believe is fully consistent with Gramm-Rudman-Hollings deficit reduction limitations, the Security Assistance Program levels and composition we are presenting for your consideration are responsive to the political, economic, and military challenges we face. Our proposals are targeted to defined needs and goals.

In this year's supporting documentation, we have made this linkage more explicit than in years past, and we have tried to meet some of the expressed desires of committees for expanded program and background data.

The proposed Security Assistance Program is a comprehensive, and balanced effort to utilize security assistance as an effective instrument of United States foreign and defense policies. Significant reductions in the program--whether by direct Congressional action or by the automatic cuts under the existing deficit reduction legislation--will seriously cripple our efforts to meet challenges to our vital interests around the globe.

By definition, "Security Assistance" benefits other countries. It helps other countries become stronger and safer. Security assistance is also an essential part of the United States' effort to guarantee its own national security. It is an extension of the resources we devote to our own defense forces, and derives inescapably from our role as a superpower and the leader of the free world. It serves our "bottom line" national interest in the survival, integrity, and prosperity of our own nation and society. It is part of the search for a world environment in which there is respect for the rights both of nations and of individuals.

In the forty years since World War II, our security assistance effort has evolved, has expanded and has diversified to meet changing world conditions. This process has been a cooperative effort between succeeding Administrations and Congresses. The Executive and Legislative Branches recognized that strong U.S. action was required to help rebuild and rearm the democracies of the West in the immediate aftermath of a global conflict and under the growing shadow of Communist aggression and subversion. In the face of an increased Soviet threat in the post-war era and the emergence of other challenges to world order, there has been essential

agreement within our government on the need to maintain and refine mechanisms for aid and cooperation with friendly countries. Over the last five years in particular, Congressional support for the expansion of program levels and the legislative changes to the Foreign Assistance and Arms Export Control Acts have provided a basis for dealing more effectively with current and emerging problems.

We have been able to maintain and expand cooperative and supportive relationships with allies and friends around the World; to meet our commitments to the security of Israel and to the search for peace and stability in the volatile Middle East; to strengthen the confidence and capabilities of nations facing aggression and insurgencies waged or supported by the Soviet Union and its surrogates; to help deter or contain regional conflicts; and to encourage the development of democratic institutions, economic growth, and policies responsive to human needs.

We have made progress. But the job is far from completed. A spectrum of challenges and opportunities lie before us as we look ahead to FY 1987 and into the next decade. The Administration's budget proposals represent the response we must make to protect our own vital national interests. The program elements are specifically tailored to these interests. And we again seek the cooperation and support of the Congress in assuring that the United States is able to do what must be done.

Approximately half of our total FY 1987 security assistance request is directed to encouraging the process toward peace in the Middle East. The proposed U.S. programs for countries of this strategic and unsettled area will facilitate economic development, encourage political moderation, and promote regional stability. In particular, our security assistance relationships will continue to be supportive of our diplomatic efforts to secure a just and comprehensive peace between Israel and its Arab neighbors. Our programs are tangible signs of the United States' determination to honor its commitments, and are a vital factor in efforts to curb Soviet influence in the area and to deter aggression, subversion, and state-supported terrorism.

A total of \$5.3 billion in Economic Support Funds [ESF], Foreign Military Sales [FMS] financing, and International Military Training and Education [IMET] Program grants is proposed toward this important goal. Three billion dollars in "forgiven" Foreign Military Sales credits and grant balance of payment support from the Economic Support Fund will help assure Israel's continued military preparedness and promote the country's economic stability. A \$2.1 billion total security assistance package for Egypt will support that country's continuing commitment to its 1979 peace treaty with Israel. This "forgiven" FMS and ESF grant financing is designed to help modernize the Egyptian military and support needed economic reforms.

For Jordan, we are proposing relatively modest FMS credit and ESF levels focused on sustaining current readiness levels without major force improvements and on supporting ongoing development projects. Continuing U.S. assistance is essential to Jordan's ability to implement its commitment to the peace process. The remaining proposals, directly supportive of Middle East peace, will finance small-scale activities--including humanitarian and reconstruction efforts--in war-torn Lebanon, as well as economic and social development efforts throughout the area under the umbrella of the Middle East Regional Fund.

Strengthening coalition defense capabilities and concrete cooperative security arrangements with allies and friends in strategic points around the world is a cornerstone of our foreign and defense policy. This year's budget devotes some \$2.8 billion to this essential goal. The largest programs under this rubric are those with partners in the North Atlantic Alliance: Spain, Portugal, Greece, and Turkey. These strategically important nations are formally committed to collective security under the North Atlantic Treaty; three are participants in NATO's integrated military structure. Our programs enhance their ability to contribute to the Alliance's strategy of deterrence and defense against the threat of Soviet aggression--a strategy which has successfully served the

cause of peace for forty years and in which security assistance has played a pivotal role. In more specific terms, the programs will provide financing for the procurement of major U.S. weapons systems, notably including the planned acquisition by Turkey and Greece of F-16 aircraft and Spain's ongoing purchase of F-18s.

Our programs in these four NATO nations also reflect close and specialized arrangements for bilateral cooperation. They are countries in which we maintain significant U.S. military bases and other installations. These facilities not only contribute to the United States' ability to help defend Eastern Europe but are also an essential element in our global defense posture.

In the Pacific, our proposed programs support the equally important base arrangements we have with the Republic of the Philippines. The Philippine nation is an old friend and ally. The strategic, historical, and human ties that bind us together are strong. We have just been reminded of how real these ties are, as we have witnessed and admired the courage of the Philippine people and their devotion to democratic values. The new Government of the Philippines will need our continued help and support as it sets out to deal with deep-seated economic and social problems and the serious threat to internal security and democratic institutions posed by an entrenched Communist insurgency.

In Djibouti, Kenya, Liberia, Morocco, Oman, Panama, Somalia, and Sudan, our proposed programs of security assistance are tangible evidence of the U.S. commitment to the integrity and security of these countries. For their part, these countries demonstrate that they share with us important international security goals by making available a range of facilities to enhance the mobility and strategic reach of U.S. forces. The linkage between the contributions on each side may not always be explicit, but it is real and understood.

In many areas of the world, free and friendly nations are facing active external aggression, the threat of such aggression, or externally supported insurgency or subversion. These conditions not only put in jeopardy the security of the individual countries, but also undermine the security of neighboring areas. They are a challenge to fundamental U.S. interests.

The FY 1987 program proposals we have submitted to the Congress will help deter North Korean aggression against the Republic of Korea and strengthen Thailand's ability to deter and counter the spread of Vietnamese aggressive activities across the Thai border with Cambodia. The \$591 million combined ESF, FMS, and IMET program we are proposing for Pakistan will support that strategically located country in its continuing opposition to the Soviet invasion and occupation of Afghanistan, encourage internal economic and political development, and help provide the self-confidence needed to make progress in the nuclear non-proliferation area.

Closer to home, in Central America, our programs are essential. El Salvador's efforts to deal with an externally supported guerrilla and terrorist threat and to press forward with political, economic, and social reforms to meet the underlying causes of unrest directly depend on these programs. Our programs over the past four years have allowed the Salvadorans to gain the military initiative and make an enormously impressive start toward building permanent democratic institutions. Reducing or curtailing this program now would mean the abandonment of our considerable investment in resources and some blood. Worse, it would make a mockery of the enormous sacrifices the Salvadorans have made to build a future in a free society. Our proposals will promote similar economic and institutional reforms in Honduras and sustain the ability of both Honduras and Costa Rica to meet the threat posed by the excessive and expanding military forces of the Sandinista regime in Nicaragua.

U.S. assistance plays a key role in sustaining the self defense capabilities of Tunisia, a voice for moderation in the Arab world. This friendly country faces a continuing threat from the aggressive policies of its neighbor, Libya. Similarly, our logistics support programs for Chad will

complement the direct combat support efforts of France and help strengthen the hand and the will of the Chadian Government against the threat of renewed attacks by Libyan-supported rebels. Our proposed program for the Yemen Arab Republic will improve the defensive posture of this buffer state between a Marxist and newly unstable and radicalized South Yemen and moderate nations of the Red Sea littoral. It will help balance Soviet influence in that country and region.

In a large number of recipient countries the broad goal of our security assistance can be categorized as "regional stability." The programs will help these countries to develop a credible capability for self defense and at the same time encourage the implementation of broad reforms to address the imbalances and injustices which breed internal unrest and international tensions.

Among our neighbors and friends of the Caribbean, for example, our proposed programs will support the democratic government of the Dominican Republic as it pursues the difficult austerity measures of a comprehensive economic adjustment program. They will play a similar supporting role in Jamaica's ongoing economic reform efforts and help sustain the Jamaica Defense Force as a major player in Caribbean collective security efforts. In Grenada, and the six other mini-states of the Eastern Caribbean, we propose a carefully tailored package of ESF, MAP, and IMET that will promote development and help these islands meet minimum defense requirements to deter internal and external threats.

Complementing our other programs in Central America, we are proposing both military and economic assistance to Guatemala. We recognize that the military component is controversial. However, in the light of experience in other countries, we believe that such assistance, channeled through *civilian* authorities, can do much to help consolidate respect for democratic principles and institutions and contribute overall to the stability of the region.

Our foreign military sales programs for Indonesia and Malaysia support the military modernization efforts of those strategically located countries and encourage their continuing roles as moderate and constructive participants in the non-aligned movement. Our proposed assistance to Burma and the Andean countries of South America will strengthen the respective governments in their efforts both to combat insurgencies and control narcotics production and trafficking.

Our programs in many countries of sub-Saharan Africa seek to encourage regional stability primarily through economic and social development. These country-specific efforts will be complemented by the Africa Economic Policy Reform Program which addresses structural economic problems by providing fast-disbursing ESF funds as incentives to growth-oriented changes in policy, and it promotes better coordination with other donors of aid to the continent. The Southern Africa Regional Program includes economic and developmental assistance to those countries who contribute to constructive solutions to the problems of southern Africa and assistance in education and other areas for South Africans who suffer under apartheid.

In many countries, especially those within the developing world, our security assistance relationship is essentially limited to relatively small-scale activities under the International Military Education and Training, or IMET, Program. This very cost-effective vehicle produces immediate gains in enhanced military skills and professionalism in friendly participating countries. It exposes a key segment of foreign societies to U.S. strategic thinking and to American political and humanitarian values. Most importantly, it forges lasting personal ties that can provide access to future leaders and facilitate a range of constructive bilateral relations through years to come.

At this point, I would like to discuss briefly a few of the more important security assistance mechanisms that allow us to maximize the effectiveness of our programs in a way that does not cause long-term economic suffering to our security partners.

As I noted earlier, the legislative modifications of recent years have provided us with much greater flexibility to tailor our programs to specific country situations and to the broad policy goals we are pursuing. Within the funded programs, we seek, where appropriate, a prudent and effective degree of concessionality in the mix of grants and loans. Notably among the innovations that are being used to good effect are the "forgiven" FMS credits for Israel and Egypt, and the ability to provide a certain amount of concessional rate credit to those countries which, to one degree or another, can pay their own way on major defense acquisitions but cannot undertake the credit burden represented by Treasury rates of interest. Experience has now shown that the concessional alternative meets a genuine need, but the availability of this type of credit fell short of that need in FY 1986. Our projections indicate that requirements for concessional credit will grow rather than diminish in the coming year, and I strongly urge the Subcommittee to give favorable consideration to our request for an increase in the concessional ceiling for FY 1987.

We share the concern of many in Congress that our security assistance loans not add unduly to the significant foreign debt burden already being sustained by many of our major program participants. It is, indeed, this concern that lies behind our request for expanded authority for concessional lending, and which has influenced our higher request levels for the grant Military Assistance Program. We are monitoring the country impact of security assistance loans on a continuing basis, and this impact is in the forefront of the various considerations we take into account in formulating country program proposals. In addition, we are undertaking a more comprehensive analysis of the foreign debt problem and possible solutions. Within the coming months, we expect to share with you some of the insights and conclusions that emerge from this effort.

It is clear both to us, and our foreign partners, that the Special Defense Acquisition Fund (SDAF) is becoming an effective mechanism for providing timely support of valid defense requirements. As SDAF items are now beginning to come off the production line, we are able to shorten delivery lead time and introduce a real revolving aspect into SDAF. To ensure that this trend continues we need most of all a two-year obligational authority so that we may better synchronize SDAF procurements with those of our military departments. In addition we are requesting \$350 million in obligation authority for FY 1987, a level that can be supported with the capital and receipts from SDAF sales--without appropriations.

At the outset of these remarks I cited with satisfaction the constructive interaction of the Administration and Congress on the last five years' security assistance agenda and the resulting expansion and improvements in the program. This characterization is an accurate one in terms of the overall picture and the prevailing trend line. I must, however, underscore with equal frankness that the FY 1986 legislation produced serious shortfalls in funding for many of our major programs.

Earmarking, ceilings, and restrictive provisos further complicate the problem posed by program reductions. While each of these has its persuasive rationale, and often responds to genuine concerns which the Administration shares with the Congress, the cumulative effect is a marked increase in the legal and systemic rigidities to be faced in making the difficult, but necessary tradeoffs of competing demands, in responding to unforeseen needs, and in capitalizing on short-lived opportunities.

If we are to continue to utilize security assistance as a highly effective tool of U.S. foreign and defense policy--and it is imperative that we do--we must not only have adequate resources, but a legislative mandate that is sufficiently flexible to allow efficient management of these resources to meet policy imperatives.

Our Security Assistance Program for Fiscal Year 1987 was developed in full recognition of the funding constraints that face us all. But, it is a strong and assertive U.S. response to the

serious and complex needs that must be addressed; we cannot walk away from our responsibilities. Like the defense budget, security assistance is an investment in the preservation of the freedoms and well being of our nation and people. It encourages and makes possible other countries' contributions of human and material resources to complement U.S. efforts in the pursuit of shared goals.

The problems and threats that security assistance addresses are real and cannot be ignored. We must build on past successes and be prepared to meet upcoming challenges. Failure to move ahead steadily means losing ground, and would have serious consequences. I strongly urge the support of this subcommittee, as well as that of your colleagues in the Congress, for our program proposals.