

When We Need to Keep Foreign Aid Flowing

By

George P. Shultz
Secretary of State

[The following article is from the *Long Island Newsday*, 2 March 1987, p. 53, and was reprinted in *Current News*, Early Bird Edition, 3 March 1987, pp. 12-13.]

The foreign policy crises we confront are usually thrust upon us by others. Now we are in danger of creating a major one for ourselves--by slashing the foreign affairs budget. This looming crisis is the most urgent and least recognized of all those facing this nation today.

As we face the third consecutive year of congressional cuts in the foreign affairs budget, we must understand the real world impact. These cuts threaten our vital interests, not just in one or two regions, but around the globe. They threaten the stability of our allies. They threaten our war on drug traffickers and on terrorists. They threaten our efforts to promote democratic values and reforms. They threaten our ability to understand and to influence developments in a dynamic international environment.

In short, by attempting to save a few dollars in the short run, these budget cuts are likely to cost us much more--in money, in jobs, even in lives--over the long run. Let me give some examples of the real damage this nation could inflict on itself by devoting inadequate resources to its foreign policy.

Maintaining friends and allies helps to preserve our national security. About one-fifth of our assistance goes to allies who provide sizable forces in behalf of our common defense, or who make available bases from which we benefit. Yet, last year, we failed to fund adequately our alliance partners--especially Portugal, Turkey, Greece, and Spain. For example, in fiscal year 1987, which ends September 30, 1987, we have had to slash aid to Spain by 73 percent. Countries of the North Atlantic Treaty Organization that provide access to U.S. forces were cut in the aggregate by 43 percent. These reductions raise fundamental doubts about our dependability and risk the loss of vital facilities. If ever a policy deserved to be called penny wise and pound foolish, this is it.

Our domestic economic prosperity is linked to the rest of the world as never before. U.S. exports translate into jobs for American workers; each billion dollars worth of exports supports an estimated 26,000 American jobs. When the countries of Latin America and the Caribbean, for example, experienced a sharp decline in their real incomes between 1981 and 1985, our exports to that region dropped by over \$11 billion--the equivalent of almost 300,000 American jobs.

About 40 percent of our exports go to developing countries--a larger total than the volume purchased by Western Europe, Eastern Europe, the Soviet Union, and China combined. If we can't help the economies of the developing nations to expand, they won't be able to purchase our products.

During the 1980-85 period, the United States increased its economic assistance to sub-Saharan Africa by 55 percent. We began to play an increasingly important role in promoting

growth-oriented economic development on that continent, while advancing important U.S. strategic, political, and humanitarian interests. A growing number of African countries realized the advantages of a turn to the West. Now, recent budget reductions have limited our economic involvement in Africa and our capacity to encourage this trend.

Our program to improve the physical security of U.S. personnel abroad, especially in high terrorist-threat areas, is at risk. More than 60 of our embassies and more than 300 other buildings abroad need to be replaced or substantially upgraded if we are to provide adequate protection for U.S. employees. Although Congress authorized a \$4.4-billion, multi-year program, the money made available has been insufficient to fulfill essential requirements.

As many as 700 full-time State Department positions may have to be eliminated and seven more posts closed in addition to the seven shut down in 1986. Our overseas staff will have to be sharply reduced. This will mean a steady decline in services available to American travelers, students, and businesses abroad.

The list goes on and on. Budget reductions are affecting not only the more publicized aspects of our activities, such as specific economic and security assistance programs, but are requiring us to cut back across the board.

The president's budget request for fiscal year 1987 represented a sound and prudent investment in our national interests. It totalled \$22.6 billion for *all* foreign affair activities--barely 2 percent of the entire federal budget. Congress slashed this by more than a fifth, the largest cut to any major government department. Furthermore, after excluding items which must be funded, the effective cut for the bulk for our foreign assistance activities was more on the order of 50 percent. This took place within the context of a declining dollar abroad and rising foreign inflation rates in a number of countries, which, in real dollar terms, has cut the budget even more than one-fifth.

Thus, the State Department's small operating budget was cut substantially, while development and economic assistance in fiscal 1987 was reduced by more than a quarter and security assistance to unearmarked countries by half.

These cuts prompted the president to present to Congress a supplemental request, still under consideration, for the fiscal 1987 budget that would restore some of the cuts made last fall. For fiscal 1988, the president has presented a new foreign affairs budget totaling \$19.9 billion, covering what we in the administration consider our basic needs for that year. The prognosis for Capitol Hill on how these requests will fare is anything but positive, even though the new request is substantially below last year's.

Conducting an effective foreign policy requires adequate resources. Without adequate resources, our ability to act as a leader in the world will gradually erode and with it the accomplishments we have worked so hard to achieve.

Let us not forget one of the most crucial lessons we have learned from the past: it takes resources--modest, but sustained and applied credibly over time--to advance our national interests. The expenditure of such resources is not a giveaway. It is an essential investment in a better future for ourselves and our children.

An adequate foreign affairs budget is fundamentally an investment in America's long-term security, prosperity, and democracy. As an insurance policy for the future, the President's fiscal 1988 foreign affairs budget is a small premium to pay--and we should pay it.