

SECURITY ASSISTANCE LEGISLATION AND POLICY

REPORT TO CONGRESS ON FISCAL YEAR 1988 SECURITY ASSISTANCE ALLOCATIONS

By

George Shultz
Secretary of State

[The following is the text of the Secretary's letter to Congress of January 29, 1988, which transmitted the listing of country funding allocations for the various security assistance programs for FY 1988 as required by Section 653(A) of the Foreign Assistance Act of 1961. The letter was sent to the President of the Senate, the Speaker of the House, and the Chairmen of the Foreign Affairs and Appropriations Committees of both houses, and was cabled to the security assistance community in Department of State message 12356 (301607Z January 1988), Subject: "FY 1988 Security Assistance Allocations." Also included below are additional "talking points" on the FY 1988 security assistance budget, as provided in the referenced message.]

I need your advice, assistance, and support so that together we may minimize the risks to our foreign policy and national security posed by the cuts and earmarks in our FY 1988 security assistance appropriations. These reductions and constraints, taken together, have so emasculated our economic and military programs of security assistance that our national interests will suffer severe damage if we do not find some relief soon. As things now stand, we have very few options outside of eliminating a host of country programs, which will undermine U.S. objectives around the world.

The aggregate funding levels made available in this year's appropriation represent a shared recognition by the Administration and the Congress that spending limitations are necessary to meet deficit reduction targets vital to the nation's strength and economic well-being. The distribution of funds as between security assistance and other programs, and within the security assistance accounts, portends severe problems for the United States.

With few exceptions, the Administration also shares with the Congress the priorities reflected in the statute's security assistance earmarks. Indeed, most of these earmarks are below the amounts proposed in our original budget request. Unfortunately, the \$ 1.5 billion reduction in the security assistance account, coupled with earmarks which range from 52 to 99 percent of what is left, means that we will be unable to sustain even a minimum presence in many countries. . . . some examples will help illustrate the seriousness of the problem.

- Security assistance programs will have to be eliminated in some 30 countries.

As regards ESF alone, we have only some \$100 million (out of almost \$3.2 billion) in discretionary authority, which had to be parceled out in small amounts to a few countries.

The levels for Portugal and Turkey are well below what is needed merely to sustain ongoing programs, much less help these important NATO allies to undertake new initiatives to improve their capabilities for alliance defense. Our ESF allocation for Turkey is a 68 percent reduction from

last year, and is down almost 73 percent from FY 86. In both countries, the base arrangements that play an irreplaceable role in free world security efforts are coming under increasing political pressures.

In Central America, substantial military assistance reductions will only serve to encourage anti-democratic forces, increasing the risk that the Central America peace agreement might fail. We cannot provide any ESF and MAP for Jamaica or the Dominican Republic. Both of whom have also experienced another sharp reduction in the U.S. sugar quota; elimination of ESF in these countries will undermine economic stabilization. Now can we fund modest efforts in the Eastern Caribbean, where a scant five years ago the United States invested both money and lives to meet a Soviet and Cuban threat to the region's security. We must also cut back significantly--or eliminate economic and military assistance programs in Bolivia, Ecuador, and Colombia, whose cooperation is essential if we are to stem the flow of narcotics to the United States.

•• With only \$25 million in MAP available for all of Sub-Saharan Africa, we will significantly underfund requirements in Chad--which faces a continuing threat from Libya--and in Kenya, Somalia, and Djibouti, all of which provide facilities and other cooperation essential to our efforts in the Persian Gulf. Many small, but high value, programs in Sub-Saharan Africa will have to be zeroed out.

•• A retreat to token levels of military aid to Indonesia will erode the influence and understanding we have won in the past two decades. Our military programs for Thailand, a critical front-line ally, encourage cooperation on refugees and narcotics while they further our interest in the security and stability of the Southeast Asia region; these programs have been cut successively and would now stand at only half the FY 85 level.

•• In the Middle East, our military and economic assistance to Jordan, a country of fundamental interest to the peace process and regional security, and Tunisia, an important friend, have been cut substantially from prior years, and our ESF program in Lebanon terminated. Our ESF allocation for Oman, which is linked with our military access agreement, has been cut drastically at a time when Oman has provided crucial support for our operations in the Persian Gulf.

Around the world, the United States' reliability as a security partner and its political will to support friends who are committed to common security goals, to promote regional stability, and to encourage democratic development and economic reform have already come into question. As earmarking takes a greater and greater share of ESF, for example, our ability to program assistance levels in light of economic performance diminishes and we lose important leverage for economic reform. The damage caused by the FY 88 program will be serious; it will take a long time to repair.

Given our budget constraints, we cannot do all that needs to be done. However, as we examine the authorities and options available to the President, I believe we must explore with the Congress the most effective means to limit damage to our vital interests and meet in a minimally adequate way our varied commitments and responsibilities as a global power.

I have asked Deputy Secretary Whitehead to direct an Administration effort to review this problem with you and other concerned members of the Congress. We look forward to your frank counsel and to a constructive and cooperative effort over the next few weeks to find the best solutions to the current U.S. foreign policy crisis.

Sincerely yours,

George P. Shultz

[The following are provided as "talking points" on the FY 1988 security assistance budget and country allocations:]

We have now informed the U.S. Congress of the specific country programs to which we shall allocate security assistance funds appropriated for fiscal year 1988.

- These allocations are the result of Congressional cutting of the Administration's security assistance request by 15 percent and at the same time placing mandatory earmarks on 99 percent of FMS funds, 60 percent of MAP funds, and 96 percent of ESF funds.

- The aggregate levels were the result of the budget compromise between the Administration and the Congress reached last December.

The extensive earmarking, however, has almost eliminated our flexibility in allocating these resources.

The Administration is seriously concerned that these funding constraints have meant such drastic cuts and even elimination of many programs this year.

If some other country is unable to fully use its security assistance funds, we shall of course reallocate them to another country based on global U.S. priorities. However, because of the greatly lower aggregates and reductions for almost every country, we do not anticipate that much, if any, unused money will become available.

The United States remains strongly committed to helping friends meet their economic and defense needs. The Department, AID, and DOD are seeking ways to lessen the adverse impact of the FY 88 reductions and are consulting with the Congress on the problem. We do not wish, however, to raise false expectations that any increases or shifts in resources will make up the allocation shortfalls for FY 88.

According to the budget plans agreed upon by the Administration and the Congress, total foreign affairs budget aggregates should grow by two percent in FY 89. This small growth is expected to provide some small measure of relief in FY 89.

Nevertheless, it is highly unlikely that we will approach previous levels of assistance for several years, if ever.

Shultz