

# The Fiscal Threat to U.S. Foreign Policy

By

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I welcome this opportunity to talk to a distinguished group of leaders in the field of international affairs. Because you have the knowledge and interest, you are in a position to make yourselves heard and influence the course of American policies.

My message today is a simple and a blunt one: if we continue in the direction we are going, we will put at risk all that we have accomplished in recent years in the area of foreign policy. The tragedy will be that it is not a consequence of a deliberate national decision or the result of a national debate but of what history may see as a series of sins of omission.

I have worked in the diplomatic vineyard for over 35 years, and I believe the United States has consistently underinvested in the resources it devotes to its diplomacy and to its relations with the rest of the world. A continental power, secure behind two oceans for most of its history, preoccupied with the taming of a continent, putting its energies into molding waves of immigrants into Americans, protected for years by the military power of friendly countries, America has not had a strong national tradition of foreign affairs. World Wars I and II shook us into a realization that we were not an island unto ourselves. After World War II, we began to reach for a world role commensurate with our power and our interests. We made mistakes along the way, which raised questions about the wisdom of the way we played this role. But the public interest did not turn inward or retreat into isolation. Our self-confidence was shaken, public trust in government authority stumbled but did not falter. But funds for defense, foreign assistance, diplomacy, and intelligence--the four great national security "accounts"--were, for the most part, supported by American public opinion. And public support is the oxygen of government policy. What could be interpreted as a historic course correction had taken place.

The American diplomatic score card since World War II is one in which we can take satisfaction:

- We were in the forefront in rebuilding a world devastated by war.
- We have stood clearly as a beacon for political freedom and individual liberty around the world. People from all over the world still try to come to this country.
- We have built alliances with like-minded nations, necessary components of a stable peace.
- We have managed a potentially dangerous relationship with our principal adversary--the Soviet Union--without war and without relinquishing principle.

- We have applied our skills successfully to keep regional crises and conflicts from escalating to global confrontation. It is sobering to contemplate that warfare is going on between or within 43 countries.
- We have contributed significantly to the economic development of poorer nations and to the self-defense capabilities of our friends and allies.
- We have focused world attention on the importance of human rights and have spotlighted abuses.
- We have made increasingly effective common cause with others in combating the scourges of narcotics and terrorism, which transcend the ability of single nations to vanquish.
- Our example has brought ever more people and nations to the realization that free market economics offers more efficient, more productive answers to human needs--and are more compatible with political freedom.

These achievements do not come cheaply--except in comparison to the cost of their alternatives.

## **U.S. FOREIGN POLICY AND THE FOREIGN AFFAIRS BUDGET**

Today, all this is under threat because of lack of understanding and attention to the resources that are required to run a successful diplomatic course.

Americans take pride in our nation's role as leader and defender of freedom. We take pride in our democratic institutions. Even the most cynical believe that our political and economic system hold the greatest potential for improving the human condition. It has a proven record. It is worthy of emulation.

But our nation's economic prosperity, its democratic freedoms, its military strength conspire to lull Americans into a false sense of self-sufficiency. We suffer from a national schizophrenia: on the one hand, we want to influence, and even control international events. We seem somehow disappointed or angry when we can't or don't, especially during a crisis. On the other hand, the American public views foreign relations as a sometimes interesting diversion not requiring serious or sustained effort. The resource levels we provide for the conduct of foreign relations reflects this relatively low level of interest.

We are the world's greatest power, but we spend only 2 percent of the Federal budget to finance all of our nation's foreign affairs functions. Twenty years ago, we spent twice that percentage. During the height of the Marshall Plan, foreign affairs accounted for 11 cents from every budget dollar.

This year, President Reagan requested \$22.6 billion to carry out his foreign policy. This figure took into account the need to cut costs, to keep budgets lean, and to increase efficiency. Although only 2 percent of his budget, this amount would pay the operating costs of the State Department and the United States Information Agency, including the cost of maintaining our 260 embassies and consulates around the world. It would pay for our nation's economic development and military security programs as well as humanitarian assistance. It would pay our contributions to multilateral development banks and international organizations. It would finance our efforts to combat the spread of narcotics and terrorism. Part of this amount would even pay for the Peace Corps and help us improve the safety and security of American personnel abroad. The taxpayer gets a lot from this small fraction of the federal budget.

However, when Congress wants to cut the Federal budget, it too often casts a covetous eye toward the foreign affairs budget. The current Continuing Resolution cuts the Administration's already lean foreign affairs budget request by about 25 percent. In one fell swoop, over a quarter of our nation's foreign affairs budget disappears.

Cutting the foreign affairs budget carries a price. We run the risk of dismantling the most important instrument of our foreign policy: our ability to represent and support our interests and objectives abroad.

Many Congressmen feel little pressure to spare the foreign affairs budget because most of their constituents are far more interested in domestic issues. Also, many Americans have the mistaken impression that our foreign affairs budget swallows up a large portion of the tax dollar. If we in the Department of State have a natural constituency, it is groups such as yours. We hope you continue your active interest.

The Department of State, which is the oldest and surely one of the most important departments of the government, is also one of the smallest. The funds for the State Department's operations at home and abroad cost only four-tenths of one percent of the Federal budget. I content that's the bargain of the century.

The cost of a single Trident submarine (about \$1.5 billion) could pay the salaries and expenses for all State Department operations for an entire year, leaving some over to help us enhance our much-needed security programs overseas.

There are only about 21,000 State Department employees spread over 260 locations around the globe, including Washington. Overseas and at home, the 4,000 professional diplomats in our Foreign Service are our nation's eyes and ears. They gather intelligence and report and analyze events. They look out for our nation's interests and help Americans in distress. They search our business opportunities and markets for American products. They are the front line of our war against narcotics and terrorism. They are among the first on the scene, looking out for our interests, during crises overseas.

To put the Department's manpower in perspective, consider the fact that there are 25 U.S. military personnel overseas for every single State Department employee. There are more Department of Defense school teachers in Europe alone than there are State Department personnel worldwide. Health and Human Services employees outnumber us seven to one. The Agriculture Department has five times as many employees. Even the Forestry Service has twice as many people as we do. IBM personnel outnumber us 19 to 1; Bank of America, 4-1.

Our resources are principally people and money. As a result, when Congress cuts our funding, we have to cut people. Because of the financial crisis inflicted on us earlier by Gramm-Rudman-Hollings and compounded just recently by the additional 25 percent or so cut in Congress' Continuing Resolution, our foreign affairs apparatus will shrink even further.

## **EFFECTS OF CONGRESSIONAL BUDGET CUTS**

***Post and Personnel Reductions*** . Even before the latest fiscal blows, we were making plans to reduce our overseas personnel by about 4 percent. We are hiring fewer people this year. Many vacancies simply will not be filled. We are also facing as much as a 7 percent cut in personnel domestically.

As of September 30 of this year, we hauled down the flag at seven of our consulates overseas. This year, in response to budget cuts, we may permanently close the doors of another 11

posts overseas. These consulates are the capillaries of our system, and they enhance our ability to gather information, to expand our contacts and influence, and to provide service to Americans abroad.

Keep in mind that we are taking these steps in response to cuts of \$20 million--one-tenth of the price tag of a single B-1 bomber.

Of course not all of this belt-tightening is bad. We wholeheartedly endorsed the reduction of the U.S. Government's overseas presence. This exercise gave us an opportunity to focus the attention of all our agencies on the level of their staffing at our missions overseas. It is frankly hard to justify the expense or the security risks of keeping some of these people and organizations overseas. It often comes as a surprise to observers that only 28 percent of the personnel in our diplomatic missions overseas are in the State Department Foreign Service.

Closing some of our less important consulates helped us to spread our scarce resources more efficiently. But there are obvious costs. Closing posts hurts. It hurts our relations with the countries in which the posts are located. It hurts our ability to pursue U.S. Government interests. It hurts our ability to gather and transmit information.

There is a limit as to how deeply we can and should cut. Indeed, many Americans would now agree that in the years following Vietnam, we went a bit too far in our withdrawal from world affairs. Certainly we discovered in the late 1970s and early 1980s how expensive it was to rebuild our national presence and prestige. Frankly, our adversaries, including the terrorist, would be happy to have us, for budgetary reasons, do what they have not been able to accomplish on their own: force Americans to retreat.

**Security Assistance.** But it has not been the State Department's budget alone that has been affected by these deep budgetary cuts. Our foreign economic and military assistance programs have been gutted by the Congress. By reducing this portion of the Federal budget by over \$3 billion and earmarking security assistance programs for several key countries, Congress has forced us to cut some important foreign aid programs by 50%-60%.

Egypt and Israel are the largest recipients of U.S. foreign security assistance, followed by eight countries which we aid in return for basing rights for U.S. Armed Forces. These 10 countries account for about 80 percent of all of our foreign security assistance. This aid is of critical importance to us and to the recipient countries. It helps us secure bases, helps pave the way for access agreements, and permits the prepositioning of supplies. It helps us maintain peace around the world.

Would Congress or the American public suggest that we cut funds to countries such as the Philippines or Haiti or Bolivia or Uruguay which are struggling to build democratic institutions? Should we turn our backs on our neighbors in the Caribbean or Central America? Should we cast Senegal or Ecuador adrift just when they are pursuing economic reform programs? If Congress has its way, we would have to stop security assistance and economic development programs in all but a handful of countries.

**International Organizations.** The Congress has also reduced our contributions to international organizations. Here's a case where we are cutting off our nose to spite our face. We have been pressing for needed fiscal and administrative reform at the United Nations. The Kassebaum amendment withholds \$42 million of our U.N. contributions as leverage to encourage reform. Congress just recently, in the Continuing Resolution, upped the ante and cut our U.N. contributions by yet another \$25 million and deferred an additional \$130 million in U.S. contributions to international organizations until the next fiscal year. By withdrawing our financial support to the United Nations, we are abdicating our role in the United Nations and, in effect,

reducing the leverage we have to influence its efforts toward reform. An additional result is that the shortfall in U.S. payments may now become the issue, rather than U.N. reform. Our critics will blame us when and if U.N. fiscal reform fails.

Besides the United Nations, our contributions to international peacekeeping efforts have been cut in half this year. The Administration considers the U.N. Interim Force in Lebanon (UNIFIL) vital to stability and peace in the Middle East. Cuts of this magnitude bring into question our commitment to peace in Lebanon and even the continued viability of UNIFIL.

**International Communications.** The inadequate funding for international communications and exchange programs will mean reducing broadcasts by the *Voice of America*, *Radio Free Europe*, and *Radio Liberty*. It could mean closing American libraries and American cultural centers overseas. This is wrong at a time when our adversaries are sparing no expense to feed their propaganda mills.

**Diplomatic Security Programs.** Two years ago the Secretary of State appointed a special panel--headed by retired Admiral Bobby Inman--to conduct an objective review of the state of security of our embassies and personnel overseas. The panel reported last year and recommended a massive infusion of resources. Over 60 of our embassies and more than 300 of our buildings needed total replacement if we were to meet minimum security standards. Some months ago, the Congress authorized a \$4.4-billion, five-year program to bring our security abroad and at home up to the level recommended by Inman. However, Congress has balked at actually appropriating the funds it has authorized at a level necessary to meet the Inman recommendations.

It makes little sense to cut funds for our overseas security programs just when events over the past few years have shown that our diplomats and our diplomatic facilities are especially vulnerable to terrorist attacks. The public's memory of the bombings of our embassies in Beirut and Kuwait has faded. Many have forgotten the over-running of our embassy in Teheran and the destruction of our embassies in Tripoli and Islamabad. Many of our embassies still front onto busy city streets. Many of our offices overseas are housed in high rise buildings where we cannot control who are our neighbors.

The discovery of sophisticated listening devices in our typewriters in Moscow once again emphasized that we are vulnerable around the world to increasingly sophisticated technical security threats. We cannot simply wish these vulnerabilities away.

## CONCLUSION

Unfortunately, all of this costs money. And money is what we have in increasingly short supply.

If we want a safe and peaceful world, there is no alternative to a vigorous American presence. We may be able to turn off the budgetary tap on some Federal programs for a year or two, then reopen the tap without doing damage to American interests. That is simply not true in foreign affairs.

Clearly, the American public wants more services from the government than the present levels of revenue can provide. Gramm-Rudman-Hollings confronts Congress and the public with difficult choices of priorities if the mandated reductions in deficits--to zero by 1991--are to be met. Someone's ox has to be gored. But these choices should be made not inadvertently but in full awareness of the consequences. American diplomacy mans the forward edge of our international battlefield day and night. Its cost are small in relative terms, and the costs of "doing it on the cheap" are great. Every American with an interest in foreign affairs must share the burden of making our fellow citizens aware of this truth.