

# SECURITY ASSISTANCE LEGISLATION AND POLICY

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## Congressional Presentation for Security Assistance Programs, Fiscal Year 1988

[The following has been extracted from pages 1-6, 11-18, and 46-60 of the *Congressional Presentation Document (CPD)* for FY 1988. The *CPD* is jointly prepared annually by the Department of State and the Department of Defense for presentation to the Congress. It provides a description and justification of the various security assistance programs and activities which require congressional authorizations and appropriations.]

### FY 1988 SECURITY ASSISTANCE PROGRAMS

This *Congressional Presentation Document (CPD)* is submitted to the Congress in explanation and support of the seventh security assistance budget request by the Reagan Administration.

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*The United States Government cannot delude itself that reductions in foreign assistance spending will be without eventual cost to this nation. Significant results must be achieved through agreement between Congress and the Administration on the overall foreign policy and security goals which security assistance is designed to serve--goals that have remained remarkably constant over the last 40 years.*

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Prudent, carefully planned levels of both the economic and the military components of security assistance increase the strength and confidence of our friends and allies around the world, and complement the rebuilding of our own forces and capabilities. They facilitate the Middle East peace process by continuing strong economic and military support to promote development and help meet the legitimate defense needs of moderate states in the region. They help to strengthen our coalition defense posture within NATO and to constrain Soviet and Cuban-supported insurgency and subversion in Central America and the Caribbean.

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The Administration believes strongly and urges the Congress to recognize that, despite the reductions of the past two years, the tasks that remain to be accomplished through security assistance are vital to this nation's defense. Adequate resources must be provided if we are to continue to safeguard our worldwide interests and carry out our free world leadership responsibilities. The future challenges for security assistance will be to regain and sustain the momentum of success made during the FY 81-85 period. We must continue to work with our friends around the world to deter and contain Soviet and other aggression, and to build a better, more stable international environment.

The Administration recognizes that the FY 87 supplemental and the FY 88 budget requests are being submitted at a time of severe competition among national priorities. It is important to emphasize, however, that dollars spent judiciously for security assistance often produce substantial returns and complement U.S. efforts to improve our own national defense. The priority for an adequate level of security assistance is a real and serious one.

The program outlined in this CPD is a balanced mixture of economic and military assistance at levels tied clearly to national goals and objectives. It will provide real and tangible security benefits to the United States while avoiding the much larger cost of direct involvement.

**FY 1988 SECURITY ASSISTANCE PROGRAMS  
BUDGET AUTHORITY (PROPOSED)  
(Dollars in Thousands)**

	ECONOMIC SUPPORT	FMS FINANCING TREAS.	CONCESS.	MAP (GRANTS)	IMETP (GRANTS)	PKO	TOTAL
<b><u>PROMOTE MIDDLE EAST PEACE:</u></b>							
EGYPT	815,000	0	1,300,000 a/	0	1,750	0	2,116,750
ISRAEL	1,200,000	0	1,800,000 a/	0	0	0	3,000,000
JORDAN	18,000	0	12,000	40,000	1,800	0	71,800
LEBANON	300	0	0	0	475	0	775
MIDDLE EAST REGIONAL	20,000	0	0	0	0	0	20,000
<b>TOTAL</b>	<b>2,053,300</b>	<b>0</b>	<b>3,112,000</b>	<b>40,000</b>	<b>4,025</b>	<b>0</b>	<b>5,209,325</b>
<b><u>ENHANCE COOPERATIVE DEFENSE &amp; SECURITY:</u></b>							
DJIBOUTI	3,000	0	0	2,000	135	0	5,135
GREECE	0	0	435,000	0	1,250	0	436,250
KENYA	17,000	0	0	19,000	1,600	0	37,600
LIBERIA	17,000	0	0	3,000	900	0	20,900
MOROCCO	20,000	0	0	50,000	1,450	0	71,450
OMAN	20,000	0	5,150	0	150	0	25,300
PANAMA	10,000	0	0	3,000	600	0	13,600
PHILIPPINES	124,000	0	0	110,000	2,600	0	236,600
PORTUGAL	80,000	0	40,000	85,000	2,550	0	207,550
SOMALIA	23,000	0	0	22,000	1,250	0	46,250
SPAIN	12,000	0	265,000	0	3,000	0	280,000
SUDAN	18,000	0	0	10,000	1,000	0	29,000
TURKEY	125,000	0	235,000	550,000	3,500	0	913,500
<b>TOTAL</b>	<b>469,000</b>	<b>0</b>	<b>980,150</b>	<b>854,000</b>	<b>19,985</b>	<b>0</b>	<b>2,323,135</b>
<b><u>DETER AND COMBAT AGGRESSION:</u></b>							
CAMBODIAN RESISTANCE	5,000	0	0	0	0	0	5,000
CHAD	5,000	0	0	9,000	200	0	14,200
COSTA RICA	90,000	0	0	2,000	450	0	92,450
EL SALVADOR	200,000	0	0	118,000	1,875	0	319,875
HONDURAS	100,000	0	0	80,000	1,530	0	181,530
KOREA	0	0	0	0	2,000	0	2,000
PAKISTAN	250,000	0	290,000	0	915	0	540,915
THAILAND	5,000	0	10,000	50,000	2,200	0	67,200
TUNISIA	20,000	0	0	40,000	1,450	0	61,450
YEMEN	0	0	0	3,000	1,100	0	4,100
<b>TOTAL</b>	<b>675,000</b>	<b>0</b>	<b>300,000</b>	<b>302,000</b>	<b>11,720</b>	<b>0</b>	<b>1,288,720</b>

**FY 1988 SECURITY ASSISTANCE PROGRAMS (Continued)**  
**BUDGET AUTHORITY (PROPOSED)**  
(Dollars in Thousands)

	ECONOMIC SUPPORT	FMS FINANCING TREAS.	CONCESS.	MAP (GRANTS)	IMETP (GRANTS)	PKO	TOTAL
<u>PROMOTE REGIONAL STABILITY:</u>							
AFGHAN HUMANITARIAN	15,000	0	0	0	0	0	15,000
AFRICA CIVIC ACTION/HEALTH	0	0	0	6,000	0	0	6,000
ANTIGUA-BARBUDA*	0	0	0	1,850	50	0	1,900
BARBADOS*	0	0	0	850	70	0	920
BELIZE	2,000	0	0	1,000	70	0	3,070
BOLIVIA	30,000	0	0	8,000	400	0	38,400
BOTSWANA	0	0	0	5,000	335	0	5,335
BURMA	0	0	0	0	260	0	260
CAMEROON	0	0	2,500	0	250	0	2,750
CENTRAL AFRICAN REPUBLIC	0	0	0	1,000	125	0	1,125
CENTRAL AMERICA REGIONAL	20,000	0	0	0	0	0	20,000
COLOMBIA	0	0	0	7,500	1,400	0	8,900
CYPRUS	10,000	0	0	0	0	0	10,000
DOMINICA*	0	0	0	850	50	0	900
DOMINICAN REPUBLIC	35,000	0	0	2,000	1,000	0	38,000
EASTERN CARIBBEAN	25,000	0	0	0	0	0	25,000
ECUADOR	17,000	0	0	7,500	950	0	25,450
EQUATORIAL GUINEA	0	0	0	1,000	75	0	1,075
FIJI	1,500	0	0	300	100	0	1,900
GABON	0	0	2,500	0	150	0	2,650
GRENADA*	0	0	0	850	80	0	930
GUATEMALA	80,000	0	0	7,000	600	0	87,600
GUINEA	0	0	0	3,000	150	0	3,150
HAITI	30,000	0	0	4,000	550	0	34,550
INDONESIA	0	0	20,000	0	2,000	0	22,000
JAMAICA	45,000	0	0	6,000	300	0	51,300
LATIN AMERICA & CARIBBEAN REGIONAL	6,000	0	0	0	0	0	6,000
MADAGASCAR	0	0	0	1,000	75	0	1,075
MALAWI	0	0	0	1,000	200	0	1,200
MALAYSIA	0	0	4,000	0	1,000	0	5,000
NIGER	0	0	0	3,000	250	0	3,250
PERU	10,000	0	0	3,000	700	0	13,700
S. PACIFIC REGL. FISHERIES DEV.	1,500	0	0	0	0	0	1,500
S. PACIFIC TUNA TREATY	10,000	0	0	0	0	0	10,000
S. PACIFIC OCEAN. RESEARCH	200	0	0	0	0	0	200
SENEGAL	14,000	0	0	2,000	475	0	16,475
SEYCHELLES	3,000	0	0	0	35	0	3,035
ST. CHRISTOPHER-NEVIS*	0	0	0	850	50	0	900
ST. LUCIA*	0	0	0	850	50	0	900
ST. VINCENT & GRENADINES*	0	0	0	900	50	0	950
URUGUAY	0	0	0	1,500	125	0	1,625
ZAIRE	0	0	0	10,000	1,300	0	11,300
ZIMBABWE	0	0	0	0	175	0	175
<b>TOTAL</b>	<b>355,200</b>	<b>0</b>	<b>29,000</b>	<b>87,800</b>	<b>13,450</b>	<b>0</b>	<b>485,450</b>
<u>PROMOTE KEY INTERESTS THROUGH FOREIGN MILITARY CASH SALES/ COMMERCIAL EXPORTS:</u>							
ALGERIA	0	0	0	0	100	0	100
ARGENTINA	0	0	0	0	50	0	50
AUSTRIA	0	0	0	0	60	0	60
BRAZIL	0	0	0	0	50	0	50
FINLAND	0	0	0	0	60	0	60
INDIA	0	0	0	0	500	0	500
IRELAND	35,000	0	0	0	30	0	35,030
LUXEMBOURG	0	0	0	0	30	0	30
MEXICO	0	0	0	0	275	0	275
PARAGUAY	0	0	0	0	150	0	150
SINGAPORE	0	0	0	0	50	0	50
VENEZUELA	0	0	0	0	200	0	200
YUGOSLAVIA	0	0	0	0	100	0	100
<b>TOTAL</b>	<b>35,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,655</b>	<b>0</b>	<b>36,655</b>

**FY 1988 SECURITY ASSISTANCE PROGRAMS (Continued)**  
**BUDGET AUTHORITY (PROPOSED)**  
(Dollars in Thousands)

	ECONOMIC SUPPORT	FMS FINANCING TREAS.	CONCESS.	MAP (GRANTS)	IMETP (GRANTS)	PKO	TOTAL
<u>PROMOTE PROFESSIONAL MILITARY RELATIONSHIPS THROUGH GRANT TRAINING:</u>							
BAHAMAS	0	0	0	0	100	0	100
BANGLADESH	0	0	0	0	300	0	300
BENIN	0	0	0	0	75	0	75
BURKINA FASO	0	0	0	0	50	0	50
BURUNDI	0	0	0	0	140	0	140
CAPE VERDE	0	0	0	0	50	0	50
CHILE	0	0	0	0	50	0	50
COMOROS	0	0	0	0	40	0	40
CONGO	0	0	0	0	40	0	40
GAMBIA	0	0	0	0	60	0	60
GHANA	0	0	0	0	225	0	225
GUINEA-BISSAU	0	0	0	0	30	0	30
GUYANA	0	0	0	0	50	0	50
ICELAND	0	0	0	0	40	0	40
IVORY COAST	0	0	0	0	150	0	150
LESOTHO	0	0	0	0	50	0	50
MALDIVES	0	0	0	0	30	0	30
MALI	0	0	0	0	150	0	150
MAURITANIA	0	0	0	0	75	0	75
NEPAL	0	0	0	0	100	0	100
NIGERIA	0	0	0	0	100	0	100
PACAMS	0	0	0	0	2,100	0	2,100
PAPUA NEW GUINEA	0	0	0	0	50	0	50
RWANDA	0	0	0	0	75	0	75
SAO TOME	0	0	0	0	50	0	50
SIERRA LEONE	0	0	0	0	70	0	70
SOLOMON ISLANDS	0	0	0	0	30	0	30
SRI LANKA	0	0	0	0	160	0	160
SURINAME	0	0	0	0	50	0	50
SWAZILAND	0	0	0	0	50	0	50
TANZANIA	0	0	0	0	35	0	35
TOGO	0	0	0	0	60	0	60
TONGA	0	0	0	0	50	0	50
TRINIDAD & TOBAGO	0	0	0	0	50	0	50
UGANDA	0	0	0	0	100	0	100
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,835</b>	<b>0</b>	<b>4,835</b>
<u>OTHER:</u>							
DEOB/REOB AUTHORITY	12,500	0	0	0	0	0	12,500
GENERAL COSTS	0	0	0	46,000	330	0	46,330
MULTINATL. FORCE & OBSERV. (MFO)	0	0	0	0	0	35,623	35,623
UN FORCES IN CYPRUS	0	0	0	0	0	10,688	10,688
<b>TOTAL</b>	<b>12,500</b>	<b>0</b>	<b>0</b>	<b>46,000</b>	<b>330</b>	<b>46,311</b>	<b>105,141</b>
<b>TOTAL BUDGET AUTHORITY</b>	<b>3,600,000</b>	<b>0</b>	<b>4,421,150</b>	<b>1,329,800</b>	<b>56,000</b>	<b>46,311</b>	<b>9,453,261</b>

\*These countries comprise the Eastern Caribbean. See Eastern Caribbean narrative in Section IV for a discussion of specific country programs.  
a/ Repayment forgiven.

## U.S. NATIONAL STRATEGIC INTERESTS AND OBJECTIVES

For more than 40 years, security assistance has been an essential element in U.S. efforts to help build a more secure and peaceful world. Successive administrations, backed by bipartisan support in Congress, have recognized the indispensable role security assistance plays in the successful conduct of global foreign and defense policies.

The U.S. commitment to an effective security assistance effort reflects two fundamental tenets of our post World War II approach to national security and the protection of U.S. interests: a foreign policy based on global engagement and collective security, and a military strategy of deterrence and forward defense. Security assistance is an essential instrument in the implementation and integration of these twin pillars of our national policy. Recent massive cuts in our program levels now jeopardize this basic policy framework. If this trend continues, the United States will confront an unprecedented and dangerous gap between strategy and resources--a gap that is an open invitation to its adversaries to make trouble.

Security assistance responds to the same imperatives that dictate our efforts to ensure the strength and readiness of United States Forces. Drastic cuts in the program will significantly erode our ability to protect fundamental and enduring national interests:

- The preservation of U.S. independence, free institutions, and territorial integrity;
- U.S. economic prosperity and progress;
- An international environment in which basic human freedoms can survive and expand, in which states can coexist without the use of force and intimidation, and in which all nations and peoples can pursue a better life.

The United States faces an array of serious challenges to these interests:

- Regional tensions--including those arising from ethnic, religious, and border disputes--and the outside exploitation of these problems;
- The aggressive behavior of radical states bent on dominating, subverting, and intimidating their neighbors;
- Other political violence, such as terrorism and insurgency; and
- Fundamental political, social, and economic injustices that are the root causes of internal instability.

For the foreseeable future, however, the Soviet Union will continue to pose the primary threat to our interests and our national security. Since World War II, the United States has countered this threat by cooperating with other concerned nations, beginning with U.S. assistance to Greece and Turkey in the immediate postwar period. Today, the United States confronts the challenge of the Soviet Union's expansion of its political influence based on the massive buildup of its military power.

The Soviet Union launched a major effort in the early 1960s to expand its ties to the developing world after it failed to achieve its ideological and geopolitical ambitions in the traditional centers of political, economic, and military power. In the course of improving its own global power projection capabilities, the Soviets provided huge quantities of increasingly sophisticated arms to a host of radical countries--Cuba, North Korea, Vietnam, South Yemen, Libya, Syria, Nicaragua, Ethiopia--who oppose U.S. interests or those of our friends and allies. The Soviet Union has used

these military supply relationships to secure footholds for the projection of its own political influence and military power. The Soviet investment in military assistance has paid handsome dividends in an enhanced political role and forward operating bases in areas where they would not otherwise enjoy such advantages.

Strong U.S. nuclear and conventional capabilities are essential in the face of the continuing Soviet military threat and the other, often interrelated, challenges noted above. But the United States cannot rely solely on its own forces to deter and defend against Soviet aggression, or to contain the spread of Soviet influence in the developing world. Nor are U.S. strategic and conventional capabilities sufficient to deter or defeat regional threats to U.S. interests and the interests of our friends and Allies--particularly the threat of so-called low intensity conflicts. What these challenges require is a sustained cooperative effort of free nations around the world.

To promote such an effort, the U.S. response has been a comprehensive strategy that addresses and integrates political, economic, and geopolitical factors:

- **Political:** Support of governments responsive to the rights and needs of their peoples and committed to an orderly world, the peaceful settlement of disputes, and constructive interaction among nations. The United States has brought influence to bear by example and, since World War II, by the reconstruction of our former adversaries as political democracies and by the active encouragement of democratic institutions around the world.
- **Economic:** Creation of an orderly and equitable international economic system for money, trade, and aid--embodied in institutions and arrangements such as the International Monetary Fund, the General Agreement on Tariffs and Trade, and the World Bank--to promote growth in the world economy and prevent destabilizing economic conditions that foster radical forms of governments and international tensions.
- **Geopolitical:** The prevention of the domination of other economic and political centers by a hostile power, and the creation of effective mechanisms of collective security. These include formal alliances such as NATO and less structured arrangements such as those allowing U.S. access to military facilities in crisis situations.

Security assistance plays a key role in supporting this broad strategy. By helping friends and allies to acquire the means to defend themselves, the United States complements the rebuilding of its own military strength and increases the human and material resources available for the defense of free world interests. In the process, the United States reduces the likelihood of direct involvement in potential conflicts. Security assistance thus enhances deterrence; strengthens alliances and other cooperative relationships; promotes regional stability; helps to ensure access to vital overseas military facilities; and improves U.S. power projection, crisis response, and forward defense capabilities. At the same time, this assistance increases the efficiency of U.S. defense production capabilities, and lessens U.S. military requirements.

Security assistance is a productive and cost-effective investment in our security that has yielded enormous returns at a relatively small price compared to total expenditures for national security. If the United States had to replace the capabilities afforded by security assistance--for example, access to foreign facilities--the cost to compensate with the U.S. defense budget would be enormous. Thus, reductions in security assistance that jeopardize these capabilities are false economies that may well create security and defense problems in the future which will be more difficult and expensive to redress.

In the framework of U.S. global strategy, the President's FY 88 Security Assistance Budget Request was developed on the basis of six broad policy goals:

- Promote peace in the Middle East;
- Enhance cooperative defense and security;
- Deter and combat aggression;
- Promote regional stability;
- Promote key interests through FMS cash sales and commercial military exports; and
- Promote professional military relationships through grant training.

### *Promote Peace in the Middle East*

With its vast energy resources--70 percent of the non-communist world's proven oil reserves--and its location astride the sea lanes between Europe and the Orient, the Middle East is of vital strategic and economic interest to the United States. Yet, the region is beset by conflicts; the threat of conflict, violence, and intimidation are the common coin of political intercourse. These endemic hostilities and tensions have the potential for broad economic disruptions as well as for direct U.S.-Soviet confrontation.

A just and comprehensive peace between Israel and its Arab neighbors remains the principal goal of American policy in the area. This central and complex goal embraces a number of essential elements:

- The legitimacy of Israel must be recognized and Israel's security maintained.
- Self-government for West Bank Palestinians in association with Jordan must be provided for.
- Any settlement must be arrived at through direct negotiations between the concerned parties.

The Soviet Union's obstructionist behavior, including its continued, large scale supply of arms to countries such as Syria, Libya, and the People's Democratic Republic of Yemen, remains a major impediment to peace and stability in the Middle East. Security assistance is a vital tool in impeding Soviet designs in the area and in inhibiting aggression, subversion, and state support of terrorism on the part of Soviet clients. Our programs:

- Signal friends and adversaries that the United States will honor its commitments.
- Enhance self-defense capabilities, facilitating political support of the peace process.
- Lay groundwork for broader political and security cooperation with Israel, Egypt, Jordan, and other responsible states in the area.

By strengthening friendly governments and by promoting the political moderation and economic development necessary for regional stability, U.S. security assistance makes a direct contribution to the pursuit of vital Western interests and to world peace.

### *Enhance Cooperative Defense and Security*

Security assistance is an integral part of U.S. political and defense cooperation with friends and allies. The United States relies on the cooperation of many countries to protect free world and American security in a timely and effective manner. Our programs strengthen these countries economically and militarily, so that they will have significant capabilities to contribute to coalition defense.

Within the North Atlantic Treaty Organization [NATO], funded assistance programs help our allies on NATO's strategic southern flank--Spain, Portugal, Greece and Turkey--to meet NATO force modernization goals. These programs, like Foreign Military Sales on a cash basis and commercial arms transfers to other members of the Alliance, also promote rationalization, standardization, and interoperability among NATO forces. U.S. security assistance thus makes an essential contribution to the Alliance's strategy of deterrence and defense which has proven effective for almost two generations.

In NATO and elsewhere in the world, countries with whom this country has significant security assistance relationships provide the United States with basing, transit, overflight, port call, and exercise facilities--most often near strategic air and sea lines of communications. Some make available sites for invaluable military navigation and communications operations. Without these facilities, the United States could not reach or cover some areas of the globe with our strategic airlift, tactical fighter wings, and seaborne units. In their absence, the United States would have to develop a much larger lift and underway replenishment capacity than it has today.

For example, the bases at Subic Bay in the Philippines and Rota, Spain give the United States the capability to offload aircraft directly from a carrier onto an air station for major repair or training. U.S. ability to project power in defense of the strategic sea and air lines of communication in the Pacific and Indian Oceans directly depends, in fact, on access to the base facilities in the Philippines. Similarly, U.S. cooperation with Oman supports the shared goal of maintaining security, stability and freedom of navigation in the Persian Gulf, especially in the vital Straits of Hormuz. In Panama, our security arrangements are embodied in the Canal treaties and are designed to protect that strategic waterway.

The host countries generally see their cooperation in making such facilities available to U.S. forces and the security assistance provided by the United States as reciprocal manifestations of a security partnership; there is, sometimes, an explicit linkage. Security assistance, therefore, makes a major contribution to U.S. power projection capabilities and forward deployment strategy.

U.S. security assistance relationships also enable U.S. regional commanders to take into account the military plans of other nations as they plan for the collective defense of each theater of responsibility--and to do so in peacetime rather than when confronted with an act of aggression. In many cases these relationships have made possible periodic joint exercises which both facilitate planning for cooperation in future contingencies and enhance the prospects for effective implementation should the need arise. The Joint Chiefs of Staff continue to view this combined planning function as one of the most important ways in which security assistance contributes to our global defense posture.

In sum, our security assistance programs build confidence that the United States and its friends and allies can rely on each other in a crisis. They increase the resources and capabilities available for cooperative efforts in defense of free world interests.

### *Deter and Combat Aggression*

Externally supported aggression and subversion represent a fundamental challenge to United States interests. The Soviet Union and its proxies--Cuba, Nicaragua, North Korea, Vietnam, and Libya--supply money, arms, and training in an ongoing effort to overthrow other governments. U.S. security assistance programs respond to the needs of friends and allies to confront this externally supported violence with adequate military capabilities. With a view to eliminating inequities that can be exploited by external forces, these programs also promote the political and economic reforms necessary for the safeguarding of internationally recognized human rights, for the development of viable democratic institutions, and for economic and social progress.

Nowhere is this multifaceted positive impact more evident than in the case of U.S. programs in Central America--a scant 800 miles from U.S. shores. Security assistance continues to be a vital element in the increasingly successful efforts of El Salvador, Honduras, and Guatemala to counter aggression and subversion supported by Cuba, Nicaragua--and, ultimately--the Soviet Union. It is equally important in the efforts of the freely elected governments of these countries to remedy the injustices and tensions of the past through democratic reforms.

Security assistance also fulfills the special needs of countries whose ties to the West and vulnerable geographic positions expose them to special risk. Regional and international stability depend, for example, on the modernization of Thailand's armed forces to deter Vietnamese aggression across the Thailand-Cambodia border; on bolstering Chad's capability to thwart Libyan aggression; on the capability of the Gulf Arab States to deter a spillover of the Iran-Iraq war; and on Pakistan's ability to counter the pressure and intimidation which are the result of the Soviet invasion of Afghanistan.

Thus, in varying quarters of the globe, U.S. programs support friendly nations threatened by aggression and subversion; deprive the Soviet Union of the opportunity to spread its control or influence by direct or indirect violence and intimidation; and assist in the resolution of longstanding economic and political problems that can be exploited to foment internal and regional tensions.

### *Promote Regional Stability*

Even where countries do not confront externally supported violence, endemic poverty and lack of political and economic opportunities in much of the Third World are the root causes of national and regional instability. This instability is a potential threat to the orderly conduct of international political and economic relations and thus to U.S. interests. Within the security assistance framework, programs financed under the Economic Support Fund seek to avert this threat by helping countries to alleviate systemic causes of poverty to promote economic development. Directed toward demonstrating that statist economic policies are not only ineffective but harmful, these programs encourage structural economic reform, diversification, individual enterprise, improved productivity, and the sustained growth of recipient economies. U.S. efforts are bearing tangible fruit in countries such as Senegal, Zaire, Somalia, Tunisia, Morocco, Jamaica, and the small island states of the Eastern Caribbean.

A major objective of security assistance programs is to encourage a political and economic environment that permits the exercise of individual choice and the development of human talent. As noted above, efforts to alleviate political and economic rigidities and grievances serve U.S. foreign policy and security interests. In addition, the economic growth of developing countries directly contributes to U.S. prosperity, opening new markets for U.S. exports and new opportunities for U.S. investments, with obvious benefits for American capital and labor. Such economic growth also makes it possible for developing countries to meet existing international financial obligations, including timely repayment of governmental and commercial loans.

In addition to our bilateral programs, certain specially designed efforts--such as the Regional Programs for Central America and for the Eastern Caribbean and the South Pacific Fisheries Development Program--seek to address on a broader basis structural economic deficiencies besetting the countries of a given area. There is also a special ESF program to provide assistance to the refugees in Pakistan who are victims of Soviet aggression in Afghanistan.

In some countries, such as Botswana--which faces continuing economic and military pressures from neighboring South Africa, Cameroon--one of Africa's leading moderate states with genuine concerns over Libyan aggression in the region, and the Dominican Republic--the largest non-communist Caribbean island nation, the United States also maintains relatively modest military assistance programs. The United States has long recognized that economic viability and political

stability are closely interrelated. Free societies and open economies reinforce each other. Our military programs are designed to help recipient countries meet legitimate defense needs and guarantee citizens the security that is a prerequisite for political and economic progress. They are also designed with a view to promoting military professionalism and respect for democratic institutions, the rule of law, and fundamental human rights.

In countries such as Bolivia, Colombia, and Burma, U.S. military programs also contribute to the ability of security forces to interdict and control international traffic in narcotics and to confront the increasingly menacing linkage between narcotics and terrorism.

Finally, the economic and military components of security assistance have enhanced the capabilities of countries such as Senegal, Uruguay, and Fiji to take part in international peacekeeping operations. In this respect, these programs make a particularly useful contribution to regional--and global--stability.

### ***Promote Key Interests through FMS Cash Sales and Commercial Military Exports***

Many nations with whom the United States has a significant security relationship rely entirely on their own resources for the purchase of defense articles and services from the United States. While these countries are not the beneficiaries of security assistance grants or credits, they purchase defense articles and services through the Foreign Military Sales (FMS) system or as direct commercial transactions with U.S. companies. As with funded U.S. security assistance programs, these arms transfers are subject to U.S. policy decisions. They reflect carefully considered efforts to strengthen relationships and pursue specific objectives consistent with our broad security and foreign policy goals.

These "cash" sales, along with associated coproduction, licensing, and offset agreements, make possible significant improvements in the defense capabilities of our NATO and ANZUS partners and Japan. They contribute to the military and economic strength and political cohesiveness of the free world. Such sales of defense articles, services, and related cooperative arrangements with other friendly countries--such as Sweden and Singapore--also help deter potential aggressive acts and promote regional stability. The substantial U.S. supply relationships with Saudi Arabia and other states bordering the Persian Gulf support regional stability in general and are an important element in U.S. efforts to promote peace in the Middle East.

### ***Promote Professional Military Relationships through Grant Training***

The United States provides grant training to military and civilian personnel of some 100 friendly countries around the world through the International Military Education and Training (IMET) program. This training and education takes place in the United States and abroad at military educational and training facilities (other than service academies) and at schools and research institutions. Observation and orientation visits to military installations and related activities are also carried out under this program.

The IMET program encourages mutually beneficial relations between U.S. military services and those of friends and allies. It increases the self reliance of participating countries and improves their ability to utilize effectively their resources, including defense equipment and services obtained from the United States. Equally important, the IMET program promotes broad mutual understanding and the awareness of foreign nationals of the basic issues which drive American policy, especially the concern with internationally recognized human rights.

A country casts a vote of confidence in the United States when it sends its military personnel to be trained here. Testimony to the effectiveness of the program is the number of former IMET students who occupy positions of high responsibility in their own countries.

The IMET program is invaluable to the United States. The enduring people-to-people relationships the program fosters represent an enormous network which facilitates communication and cooperation with countries around the globe. The importance of such personal ties becomes most evident when they are absent. Over the years the IMET program has served U.S. interests and those of the participating countries well. With the very modest investment it entails, it is perhaps the most cost effective security assistance program the United States has.

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## FY 1987 SUPPLEMENTAL BUDGET REQUEST

To address the most serious shortfalls in the security assistance funding available under the FY 87 Continuing Resolution, the Administration has forwarded a *request for \$758 million in supplemental security assistance* for this fiscal year.

As is the case with the programs proposed in the FY 88 budget request, *the supplemental funding being sought for FY 87 will be directly supportive of major U.S. foreign policy goals.* These funds are urgently needed this fiscal year:

- To strengthen cooperative defense arrangements;
- To provide badly needed assistance to Central American democracies;
- To promote stability and progress in Southern Africa; and
- To support narcotics control efforts in the Andean region.

The Administration's request is a prudent effort, within current budgetary constraints, to close the dangerous gap between policy and resources.

### *Defense Arrangements*

*\$458 million* of the supplemental security assistance requested for FY 87 will *strengthen cooperative defense and security arrangements* with key friends and allies. It is intended for countries with which the United States enjoys strategically important base and access arrangements and will help to ensure that we maintain this framework of security cooperation.

**Spain:** A proposed *\$200 million in FMS credits* would raise the total FY 87 FMS program for Spain from the \$105 million now allocated to \$305 million. Of all the base rights countries, Spain took the severest cut from the U.S. base rights commitment level. The FY 87 FMS allocation represented a reduction of almost 75 percent from our "best efforts" pledge of \$400 million. This large shortfall will also set back Spain's efforts to modernize major components of its armed forces and thus decrease Spain's ability to contribute effectively to NATO's strategy of deterrence and defense. While the supplemental request will not restore the FMS total to full commitment level, it will come significantly closer to doing so. It will also enhance Spain's prospects for obtaining private financing to bring available resources to the \$400 million level for FY 87 on which modernization plans have been based.

*\$7 million in additional ESF* for Spain will bring the economic program level up to the base rights commitment total of \$12 million. It will also allow the Joint Commissions for Educational and Cultural Exchange and for Scientific and Technological Cooperation, whose programs are supported by the base-related ESF program, to proceed with the initiatives planned for this year.

**Portugal:** While the magnitude of the reductions in the programs for Portugal does not approach that of the reductions for Spain, Portugal must confront the shortfall in resources from a weaker economic position. Our assistance to Portugal is also directly linked to facilities for U.S.

use, and the base arrangements in the Azores are critical to U.S. defense strategy. The Administration is requesting *\$30 million in* supplemental MAP funding which, with \$80 million now allocated, will more closely comply with our "best efforts" base rights commitment of \$125 million.

The supplemental request also proposes *\$15 million in* added ESF funding for Portugal to bring the total of that program to \$79.8 million. It is understood that the Portuguese Government plans to use the \$15 million to spur economic development by increasing the endowment of the Luso-American Foundation; the Foundation's mandate includes promoting economic cooperation between Portugal and the United States.

**Turkey:** The Administration is requesting *\$125 million in* supplemental MAP financing for Turkey. In connection with the strategically important U.S. military facilities in Turkey, the United States has made a "best efforts" pledge to provide increased levels of military assistance for the basic upgrade of the Turkish armed forces. This assistance also serves the important goal of enhancing Turkey's capabilities to contribute to NATO defense. In joint planning over the past several years, the Administration has agreed that Turkey needs at least \$1 billion in military assistance annually to modernize its forces and meet its NATO responsibilities adequately, but it has never been possible to reach this level of funding.

FY 87 military assistance for Turkey was earmarked at \$490 million. This amount will allow Turkey to meet its payments on purchases already made, but will not permit new acquisitions. The additional \$125 million proposed in the FY 87 supplemental request will allow Turkey to continue limited forward movement on its modernization plans.

**The Philippines:** The Administration's initial allocation of \$50 million in MAP for the Philippines is \$50 million short of our annual base rights commitments. Despite the high priority accorded to these commitments and to supporting Philippine democracy, it was not possible to meet the full base rights level from the severely limited MAP funding available under the Continuing Resolution. It is important, however, that the United States not be perceived as retreating from its base rights commitment or from its commitment to Philippine security.

The *\$50 million in* supplemental MAP funding will be needed by the latter part of this fiscal year to remedy serious deficiencies in the equipment of the Philippine New Armed Forces and to improve the forces' ability to deal with the continuing Marxist insurgency that threatens the stability of the Aquino Government.

**Morocco:** The supplemental request for *\$10 million in MAP and \$10 million in ESF* for Morocco will bring the FY 87 totals for that strategically located country to \$42 million and \$20 million, respectively. The facilities and access provided by Morocco to U.S. forces are vital to U.S. strategy in the Middle East and South West Asia. In addition, with the farsighted and courageous moves of King Hassan to repudiate the 1984 treaty strengthening selected economic and political ties with Libya and to meet with then Israeli Prime Minister Peres, Morocco has become a more important player in the Middle East Peace process. The modest MAP and ESF increases that would be provided through the proposed supplemental appropriations will help assure continued access arrangements and will demonstrate U.S. support for Morocco's constructive policies.

In programmatic terms, the added FMS credits will assist Morocco in making high priority military purchases necessary to deal with the insurgency in the Western Sahara. The \$10 million in additional ESF will support Morocco's economic reform program in completing the funding of the Private Sector Export Project, deferred because of the FY 86 funding shortfall, and by helping to fund a new project to increase incentives for cereal producers.

**Kenya and Somalia:** These strategic East African nations play an important role in U.S. global outreach by providing access and transit rights that help maintain U.S. operational capabilities in the Horn of Africa. The *\$3 million in supplemental MAP proposed for each* of the two countries (bringing the yearly totals to \$10.5 each) will be important in the continuation of this bilateral cooperation. In Kenya this added funding will provide follow-on support for the F-5 and helicopter programs. In Somalia, the funds will be devoted primarily to acquisition of needed communications equipment.

**Oman:** An additional *\$5 million in ESF* for Oman will meet the Administration's commitment to Oman for an annual ESF program of \$20 million. Continued access to facilities in Oman are critical to much of our Middle East and Persian Gulf defense strategy. The added funding will constitute a second tranche U.S. contribution to the five-year, jointly financed, Water Resources Development Project.

### **Central America**

The *deterrence of aggression and the support of democracy and stability in Central America* is a primary focus of U.S. foreign policy and of the U.S. security assistance program as an instrument of that policy. The Administration's supplemental request seeks a total of \$240 million in ESF and MAP funding to support the democracies of the Central American region.

**El Salvador:** An additional *\$55 million in ESF* for El Salvador will ease budgetary and balance of payments pressures that have been exacerbated by the October 1986 earthquake and provide support for two important projects. \$40 million will be devoted to balance of payments support, while \$15 million in project assistance will help restore public services disrupted by guerrilla attacks on vital infrastructure, and will provide support for private voluntary organizations serving low-income families. The supplemental request will bring the FY 87 ESF total for El Salvador to \$236.747 million.

The earthquake has also magnified El Salvador's military assistance needs; damage to military infrastructure has been placed at \$112 million. \$17.5 million in supplemental MAP funds are required to avoid a situation where restoration of essential installations and effective operations to counter the insurgency draw funds away from the much needed civic action program, medical facilities, and public security. This additional funding would bring total FY 87 MAP for El Salvador to \$132.5 million.

**Honduras:** *\$65 million in ESF* will support a 1987 economic stabilization program to stimulate Honduras' economic growth. \$40 million in balance of payments support should make possible about 2-3% real GDP growth in the near term. Over the longer term, it will support implementation of needed economic policy reforms. The remaining \$25 million will be used to support projects, including increasing primary education efficiency, irrigation development and agricultural research centering on nontraditional exports. The supplemental request would bring total FY 87 ESF for Honduras to \$136.4 million.

Honduras faces a serious and growing security threat from the continuing buildup of Sandinista forces in Nicaragua and from Nicaraguan incursions across the common border. The requested *\$17.5 million in MAP* funding will support continued modernization of the Honduras Armed Forces, particularly acquisition of the logistical support capability necessary to meet this threat. The current allocation level of \$60 million is inadequate to address these priority needs.

**Guatemala:** An additional *\$40 million in ESF* funding (current allocation \$58.787 million) is required to fill Guatemala's balance of payments gap in the face of falling coffee prices and decreasing trade within the Central American Common Market. It will also support continued progress in the new democratic government's program of economic reform and stabilization,

including unification of the exchange rate and removal of tax disincentives and other structural constraints on investment and export growth.

\$5 million in MAP is being requested for Guatemala, to augment the \$2 million allocated from the restricted MAP levels available under the Continuing Resolution. The resulting \$7 million total will constitute a modest but important level of support for priority force modernization needs and a politically significant response to President Cerezo's request for U.S. military assistance.

**Costa Rica:** \$40 million in supplemental ESF is also being requested for Costa Rica, adding to an initial allocation of \$87.716 million. These additional funds will facilitate imports for the economy's productive sectors and continue support for the development of nontraditional exports. It will thus provide significant assistance in the Costa Rican Government's efforts to deal with the country's large external debt and trade deficit. It is expected that the \$127.7 million total ESF for FY 87 will be supplemented by assistance from the IMF [International Monetary Fund], the Inter-American Development Bank, and the World Bank, substantially closing the financing gap and permitting Costa Rica's economic recovery to move forward.

### *Special Initiatives*

The Administration's supplemental request also includes three special initiatives: two designed to promote *regional stability and political, economic, and social progress in South Africa and neighboring states*; and one to encourage sustained efforts in the Andean countries of South America to control illicit narcotics activities that undermine democratic institutions and the rule of law.

**South Africa (Disadvantaged South Africans):** The Administration's request for \$14 million in supplemental ESF will permit the continuation at an adequate level of the two-year program initiated under the President's September 1985 Executive Order, which called for increased assistance to legally disadvantaged South Africans. Because of the severe reductions in non-earmarked ESF provided under the FY 87 Continuing Resolution, only \$11 million could be made available for this program. The funding will be used for black business development, assistance to black trade unions, scholarship and teacher training programs, and support of community-based South African private voluntary organizations.

**Initiative for Economic Progress in Southern Africa:** \$36 million in supplemental ESF funding will permit the United States to initiate a broad, multi-year program to provide critical support for economic development in the black-ruled states of Southern Africa. The program was developed in response to a July 1986 directive by the President to determine what could be done to expand the trade, private investment, and transport prospects of Southern Africa's land-locked nations. It also responds to the intent of Congress in the Comprehensive Anti-Apartheid Act of 1986, which incorporates the language of the President's directive. This financing will support significant policy reform in national economies, stimulate expanded trade and investment, strengthen the role of the private sector, and improve transportation linkages within the region and access to the sea. The program will build stronger economic ties among states in the region and reduce their dependency on South Africa.

**Andean Narcotics Control:** The Administration is requesting \$10 million in ESF for a regional project supporting narcotics control in the Andean area. It is anticipated that all these funds will be used to help the Bolivian Government to continue its efforts to suppress the production and export of cocaine. The program will assist farmers who voluntarily eradicate coca crops to make the transition into lawful economic activities. It may also be used to expand public awareness and to build citizen support for stronger action against narcotics producers and traffickers.

The programs cited above represent the most urgent security assistance priorities for supplemental funding. While the need for increased FY 87 resources is significantly greater, the Administration has framed its proposal with full awareness of current budgetary constraints. Congressional support for this limited increase in FY 87 funding, as for the similarly restrained FY 88 budget request, is essential if the United States is to maintain the capability to pursue effectively its vital interests around the world.

## THE PROPOSED FY 1988 SECURITY ASSISTANCE PROGRAM

### *Foreign Military Sales Financing Program*

The Foreign Military Sales (FMS) Credit Program enables important allies and friends of the United States to strengthen their self-defense capabilities by acquiring U.S.-origin military articles, services, and training. For fiscally-constrained countries where security interests coincide with those of the United States, the enormous costs of modern defense equipment make it difficult to obtain defense equipment and related services on a cash basis. A strong national defense capability contributes to regional stability and reduces the likelihood that regional conflict will threaten U.S. interests. Thus, it behooves the United States to assist friends and allies in maintaining the ability to defend themselves. For nations that are financially capable of assuming debt obligations for military purchases, the FMS credit program offers an important means of supporting self-defense efforts.

Given the magnitude and complexity of our global responsibilities, the United States alone cannot safeguard the free world's security interests. The FMS financing program enables friendly nations to share the burdens of collective security. These FMS loans, therefore, reduce the likelihood of direct U.S. military involvement during situations of instability and conflict and help reduce demands on U.S. military resources.

The FMS financing program was initiated in the Mutual Defense Security Act of 1954 and was continued in the Foreign Assistance Act (FAA) of 1961. In 1971, FMS financing exceeded grant assistance for the first time. In 1976, the Arms Export Control Act (AECA) consolidated existing government and commercial sales legislation. Sections 23 (direct loans) and 24 (guaranteed loans) of the Act provided authorization for the program. Because of increased emphasis on cash sales in the late 1970s, the number of grant recipients and the size of the grant program decreased steadily through FY 1981.

Almost all FMS financing in the 1974-1984 period was in the form of guaranteed loans provided through the Federal Financing Bank at market interest rates. In the global recession of recent years, repayment of previous FMS loans with higher interest rates has exacerbated many developing countries' difficulties in servicing their foreign debt.

By the early 1980s, Congress and the Executive Branch, spurred by the Bipartisan Commission on Economic and Security Assistance, voiced concern that the nonconcessional FMS rate was contributing to country debt problems. This concern prompted the FY 85 legislative mandate for totally "forgiven" FMS financing (i.e., no repayment of interest or principal) for Israel and Egypt, and the appropriation of U.S. funds in order to extend concessional interest rate loans. Forgiven loans represent about 70 percent of the proposed FY 88 program.

In FY 87, all FMS financing is in the form of concessional interest rate loans. The FY 87 supplemental financing request is for \$200 million--all concessional rate--in order to provide a better quality loan program for Spain. The Administration believes that an all-concessional program is fully justified in FY 88. By increasing the grant element of loans in conjunction with economic assistance programs, many countries are better able to devote more of their scarce resources to economically productive activities.

It has been the sense of the Congress that a more straightforward foreign assistance program is in the best interests of the United States and other countries. The availability of grant MAP and concessional FMS financing offers a mix of financing that is responsive to the particular security and economic circumstances of individual recipient countries.

Key countries with whom the United States shares important security interests are burdened heavily with repayments of high-interest rate, prior-year FMS loans. In response to the repeated requests by these countries for assistance on this problem and at the urging of members of Congress, the Administration has developed two alternatives:

- **Prepayment at Par.** Borrowers with the resources or access to international capital markets may liquidate high interest loans without pre-payment penalty. The U.S. Government will not guarantee the funds which may be borrowed to prepay these loans.
- **Partial Capitalization of Interest.** The U.S. Government will reduce the original interest rates on the high interest loans to a current market rate and capitalize the difference in payments between the new and the old rates. The capitalized amounts would be repaid with interest at the end of the loans' original maturity. This option will enable some countries to benefit from a temporary reduction in FMS debt servicing.

On December 10, 1986, the President determined that it is in the U.S. national interest to restructure prior year high interest rate FFB-funded loan programs in the above manner. This action is consistent with ongoing Congressional and Administration efforts to protect and enhance U.S. security relations with allies and friends at a time when many are experiencing economic difficulties. Earlier congressional action on concessional FMS loans and increased MAP grants has sought to address the same debt burden program.

In carrying out the President's decision, the Administration will assess each country's situation on a case-by-case basis.

### ***Military Assistance Program***

The Military Assistance Program (MAP) provides grant funds to allies and friends to fund procurement of defense articles and services to help strengthen their defense capabilities. Without grant aid, many countries would have to divert domestic resources from economic development efforts in order to purchase military training and equipment.

Established under the Mutual Defense Assistance Act of 1949, the MAP program was directed primarily toward Europe to contain the Soviet challenge and involved the direct transfer of U.S. military equipment at no cost. Subsequently, the U.S. has provided MAP funding grants mainly to areas of the developing world wherever clear threats to U.S. global security interests arose. Since FY 82, MAP funds have been merged with countries' funds and/or with FMS financing monies in the FMS Trust Fund, to finance a country's FMS cases.

From the mid-1960s until the mid-1970s, the East Asia and Pacific regions accounted for the greatest percentage of MAP assistance because of the war in Vietnam, with Near East and South Asian countries also important MAP recipients. As a result of the generally strengthened global economic situation in the late 1960s and 1970s, the apparent need for MAP declined, and requests for MAP reached a low of \$104.4 million in FY 81.

Beginning in FY 82, and in response to the steady economic deterioration of several defense partners, the Administration increased its grant funding request. Congress provided gradual increases in MAP appropriations, even during FY 86 and FY 87 when FMS credit appropriations

were reduced. Sustained congressional support of MAP funding has partially compensated for the reductions in overall security assistance appropriations.

In FY 87, the MAP request was \$996.45 million. Since the FY 87 Continuing Resolution appropriation was 10 percent below the request, adjustments had to be made in the final country allocations. The major recipients of the FY 87 MAP program were Turkey, Portugal, El Salvador, and Honduras.

The FY 87 supplemental budget request is for \$261 million for nine country programs, primarily base rights countries, but also to further Administration objectives in Central America and fund minimum level programs in key African access states.

For FY 88, the Administration is proposing \$1,329.9 million in new MAP budget authority. This request will provide MAP grants to 40 country and regional programs--an increase of two countries over the number of countries receiving MAP in FY 87. The need for more MAP grant aid funding intensifies as countries face tighter domestic economic conditions as well as reduced U.S. FMS credit financing.

### *International Military Education and Training Program*

The International Military Education and Training (IMET) program is a grant aid, low-cost foreign policy instrument that provides a valuable channel of communication and influence with foreign militaries worldwide. Training has long been considered to be a more cost effective force multiplier than any other form of security assistance.

Since 1950, IMET and its predecessor program have trained in excess of 500,000 officers and enlisted personnel--representing most countries of the free world. More than 2,000 have been trained in different specialties--from basic technical skills to professional military education. The training advances the efficiency, professional performance, and readiness of each nation's armed forces to support specific professional military requirements. In addition, English language training, which is essential to CONUS training, contributes directly to increased rapport with the United States and, in the long term, to a greater understanding of U.S. society, institutions, and ideals, and commitment to internationally recognized human rights.

In addition to teaching military skills and U.S. military doctrine, IMET provides significant opportunities for future access to the civilian and military leadership of other countries. The program not only supplements several countries' indigenous training efforts, but frequently is the only major alternative to Soviet-oriented programs. As in the past, a significant segment of present and future military leaders are likely to hold future positions of prominence in their countries. From FY 79-84, for example, over 1,540 IMET-trained personnel held such positions--including chiefs of military services, cabinet ministers, ambassadors, senior staff officers, field commanders, and commandants of senior professional military schools. This number included approximately 1,475 officers of general and flag rank.

As a long-term investment, IMET demands continuous management and consistent application of sound policies. As a result of extensive managerial improvements, we have achieved more balanced country programs. These improvements include the reemphasis of IMET policies to insure effective program implementation; the issuance of precise annual training guidelines; written multi-year country training plans; and the minimization of high cost undergraduate pilot training in favor of less costly professional military education. At the same time, favoring less costly professional military education and training will result in an increased number of trainees exposed to the United States.

The \$56 million requested for the IMET program for FY 88 will provide military education and training for approximately 7,707 personnel from 106 countries. These funds will enable the program to proceed as a major element of our security assistance and demonstrate sustained U.S. support for friends and allies as well as for policies which foster internationally recognized human rights.

### *Economic Support Fund*

The Economic Support Fund (ESF) advances U.S. economic, political, and security interests by offering grant or loan economic assistance to allies and developing countries of strategic concern to the United States. It is designed to provide resources to achieve the U.S. foreign policy objective of alleviating economic and political disruption that threaten the security and independence of key countries, by fostering economic development and reform in those countries. The Agency for International Development (AID) implements the ESF program under the direction of the Administrator of AID and the overall foreign policy guidance of the Secretary of State.

ESF is utilized primarily to fund quick disbursing balance of payments support to provide time for economic and financial policy adjustments to take effect. ESF cash transfers and commodity import programs provide foreign exchange for import of critical raw materials and capital goods in order to maintain production and employment. In these cases, the fast disbursing balance of payments or budgetary support provided through ESF creates leverage for the policy reforms required to facilitate sustainable economic growth by encouraging the adoption of more rational economic and fiscal policies. Where longer-term political and economic stability is the primary concern, ESF finances capital and economic development projects aimed at improving the quality of life, particularly that of the poorer segments of society.

In addition, local currency often provided by ESF recipient governments as a condition under balance of payments programs may be used to finance domestic private investment or projects for child survival, nutrition improvement, vocational education, and in other areas.

As has been the case throughout the 1980s, economic dislocation and political strife continue to place great strains on many countries. Many of these same countries have recognized that economic reform is key to enhancing the chances for economic and political stability and have begun to implement urgently required reforms. In order to continue to encourage economic reform and development that promotes our mutual security interests, the Administration has proposed an FY 87 budget supplemental request for an additional \$297 million intended for the Central American democracies, base rights countries, Morocco, and Southern Africa programs. This, plus the FY 88 ESF program of \$3.5875 billion, recognize that while the needs are much greater, U.S. budgetary concerns allow us to meet only some of the most urgent requirements.

In the Near East, \$2,053.3 billion in ESF will be used to support efforts to further peace and stability through economic assistance, especially to Israel and Egypt. Israel will receive \$1.2 billion to ameliorate its balance of payments problems; Egypt will receive \$815 million to assist with short-term balance of payments and long-term development needs. ESF will also finance development activities in agriculture, child survival, training, and appropriate technology in Jordan, relief assistance in Lebanon, the Middle East Regional development projects in the West Bank and Gaza, and regional cooperation activities between Israel and its neighbors.

In North Africa, \$40.4 million will be used in Morocco and Tunisia for agricultural credit, energy projects to lessen the dependency on imported oil, private sector enhancement, other development activities, and commodity imports. In the Persian Gulf area of the Middle East, our ESF program of \$20.0 million will continue to support activities of the U.S.-Omani Joint Commission and scholarships, water resources, and fisheries projects. In South Asia, \$250 million will support agricultural, energy, other development projects, and a commodity import program in

Pakistan. In addition, \$15.0 million is requested to support cross-border humanitarian assistance for Afghanistan.

Of the \$147.2 million request for East Asia, \$124.0 million will be provided to the Philippines to assist the Aquino Government to consolidate its fledgling democracy by strengthening its economy, and to continue support for development projects that benefit rural areas. ESF will provide aid to villagers living in the disrupted areas along the Thai-Cambodian-Laotian borders, will help support economic development projects in Fiji, and will fund continuation of the fisheries, oceanographic research, and tuna treaty programs in the South Pacific. ESF will also provide training and other assistance related to the needs of the non-Communist Cambodian resistance forces.

For Latin America and the Caribbean a total of \$700.0 million in ESF support is proposed, or approximately 36 percent of the total FY 1987 ESF request. Central America will receive \$502 million to continue reversing economic deterioration and to promote economic growth and consolidation of democracy. Of this amount, \$20 million will be used to fund regional programs that support various development initiatives. These include an emergency resources project, administration of justice and democratization activities, and part of the Central America Peace Scholarships program. El Salvador will be provided \$200 million for balance of payments support, public services restoration, industrial stabilization and recovery, and peace scholarships. Guatemala, Belize, Costa Rica, Panama, and Honduras will receive ESF to help alleviate their balance of payments problems. In addition, the FY 87 supplemental request includes \$200 million in ESF funds for the four Central American democracies.

Of the total request for Latin America and the Caribbean, other countries in the Caribbean Basin area are to receive \$135 million. In addition to providing funding for the Eastern Caribbean program, ESF funds to the Dominican Republic and Jamaica will provide balance of payments support while those governments continue to undertake difficult economic adjustments. In Haiti, ESF will assist the transition to democracy through balance of payments assistance and continued assistance to private sector and PVO [Private Voluntary Organization] programs. The Latin America and Caribbean regional program will help finance PVOs and human rights institutions which promote democratic principles through educational and social development programs.

In South America, Ecuador, Peru, and Bolivia will receive a total of \$57 million in ESF primarily for balance of payments support and to encourage private sector initiatives, improvements in the administration of justice, and drug education activities. and U.S. scholarships.

A total of \$100 million in ESF will be provided to a variety of African countries to help foster political stability and economic development, and to complement assistance being provided under the Development Fund for Africa initiative. Major balance of payments or budgetary support will be provided to Kenya, Liberia, Senegal, Somalia, and the Sudan, and lesser amounts for similar purposes to Chad, Djibouti, and the Seychelles. The African Economic Policy Reform Program, which received ESF resources in the past, is included in the Development Fund for Africa in FY 1988.

Approximately \$262 million is proposed for Europe. Turkey will receive \$125 million in support of economic reform and stabilization efforts. \$80 million will be provided to Portugal to support the Azores development budget and to fund the Luso-American Development Foundation. \$35 million will further the objectives of the International Fund for Ireland and Northern Ireland, and ESF will be provided to Cyprus and Spain for educational, cultural, and scientific activities.

## *Peacekeeping Operations*

The Foreign Assistance Act of 1961, Part II, Chapter 6, as amended, authorizes assistance to friendly countries and international organizations for peacekeeping operations which further U.S. national security interests. The United Nations Force in Cyprus (UNFICYP) and the Multinational Force and Observers (MFO) in the Sinai are two such International Organizations. We are requesting \$46.311 million in FY 88 in support of both UNFICYP and the MFO.

**United Nations Force in Cyprus.** Our request for UNFICYP is \$10.688 million, an increase of \$1.688 million, required to offset an equivalent reduction in our FY 87 contribution. This reduction resulted from a congressional cut last year in the PKO appropriation. The United States has a clear and vital interest in preserving UNFICYP. Its demise would increase the risk of violence on Cyprus, tragic for the people of Cyprus, and causing grave tensions in the region which could seriously weaken NATO's ability to defend its vital southern flank.

UNFICYP has 2,328 military and civilian personnel stationed in Cyprus. Six Western European countries and Canada provide troops; Australia and Sweden provide civilian police. The UN-estimated cost of maintaining UNFICYP for the second half of 1986 was \$50.73 million, of which \$36.3 million was absorbed by the troop-contributing countries. The Force's deficit from previous years, however, was estimated at \$145 million. The United States continues to try to reduce this figure in various ways, including actively seeking contributions from noncontributing UN members and seeking means to reduce operating costs. Failure of the United States to maintain its full contribution to UNFICYP would not merely add to the deficit, but would make much more difficult our efforts to increase contributions from other states.

**Multinational Force and Observers.** The mission of the MFO, an independent, international organization, is to implement the security arrangements envisioned for the UN in the 1979 Egyptian-Israeli Peace Treaty. Congress authorized U.S. participation in PL 97-132. We have a firm political commitment to the governments of Israel and Egypt to finance one-third of the annual costs of the organization. However, the U.S. fell short of this commitment by \$5.623 million in FY 87 and must make up for it in FY 88 in order to continue to honor our pledge. The MFO's budget for FY 88 is \$90.0 million, the same as it has been since FY 86. Therefore, its assessment on the USG for FY 88 is \$30.0 million. Our budget request to the Congress for FY 88 is \$35.623 million, which includes the \$5.623 million shortfall in our FY 87 contribution to the organization.

Any failure to follow through on our commitment would be perceived as a slackening of resolve to support the Peace Treaty and would have an adverse impact on the treaty regime now in place in the Sinai. As a "stand alone" international organization, the MFO must rely completely on timely contributions from its three funds contributors. It has no other financial resources upon which to draw. Israel and Egypt will thus have to make up any shortfall in the United States' contribution, even though they both face serious financial problems themselves. Moreover, the resolution of the Taba dispute envisions the MFO expanding its operations into that area of the Sinai. The USG should maintain its support for the organization which will help implement the accord that it worked so hard to achieve.

The Congress has been concerned about the Administration's practice of carrying over excess PKO funds. Such concerns are no longer warranted. Congress has mandated that any excess funds be returned to the Treasury, and the MFO has reduced its budget from an FY 85 level of \$105 million to \$90 million in FY 86, 87 and 88, real annual decreases after inflation. As a result, funds from FY 86 which could have been applied to the USG's FY 87 contribution to the MFO have been returned to the Treasury and the MFO is faced with a \$5.623 million U.S. shortfall in FY 87. It now requires \$30 million in new U.S. revenues in order to meet its FY 88 operating expenses, as well as \$5.623 million to cover the shortfall which came about because we could not meet our FY 87 assessment in full.