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TELEVISION-WORLDNET

VIDEO DIALOGUE WITH

MICHAEL H. ARMACOST,

UNDER SECRETARY OF STATE FOR POLITICAL AFFAIRS

MODERATOR:

HARRY ELLIS, CORRESPONDENT,

CHRISTIAN SCIENCE MONITOR

10:15 P.M.

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P R O C E E D I N G S

MR. ELLIS: Welcome to our third Worldnet program for Asia. I'm your host in Washington, Harry Ellis. Our program today features participants in Bangkok, Djakarta, Kuala Lumpur, Manila, and Singapore. Joining us in our Washington studio is Ambassador Michael H. Armacost, Under Secretary of State for Political Affairs. A career member of the Senior Foreign Service, Ambassador Armacost assumed his present position in May, 1984, after serving as U.S. Ambassador to the Philippines. Mr. Armacost also has lectured and published extensively on national security and foreign affairs.

Mr. Secretary, welcome to Worldnet.

AMBASSADOR ARMACOST: Thank you very much.

MR. ELLIS: I'd like to start by asking you a question revolving on U.S.-China relations. A good deal is made of this developing relationship, which is considered a distinct achievement in U.S. foreign policy, stretching back to several presidents.

Now, to many people in ASEAN nations, China from their point of view may represent a potential threat.

Is the administration sensitive to these concerns and what assurances can you give that the developing relationship between the United States and China would not make the ASEAN nations feel more vulnerable?

AMBASSADOR ARMACOST: Well, Mr. Ellis, we have always believed that a China that was prosperous and secure, a China that was engaged in the modernization of its own economy, a China that was involved in the world around it in constructive ways, would be a China more likely to be at peace with its neighbors, and that includes, of course, the ASEAN countries. It has been that conviction that has prompted, as you said, a number of administrations, going back to the late 1960s, in particular, to seek a more constructive relationship with China. We believe we've created such a relationship.

I think history also demonstrates that the period that we've been working actively on that relationship has also seen improvements in China's relations with its neighbors in the ASEAN area. And I think that's no coincidence.

We do recognize some of the anxieties which you've noted, and we regard it as important for our own policies to be in very close touch with the ASEAN countries, to make sure they understand the motivations which drive

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our policies toward China, to assure that they understand the policy measure we're undertaking.

I suppose the area of greatest sensitivity and one which has been in the news recently is the area of military or defense cooperation between us. In that regard, we have made it a point to proceed in a very cautious and a very prudent fashion. Deng Aiping, the Minister of National Defense in China, was recently here in Washington, spent nearly a week here, and traveled widely throughout the country. And I suppose some of the stories portrayed that as a dramatic development. It really was not. This is the fourth visit by a Minister of Defense or Secretary of Defense, to the other country.

I happened to attend the first such visit in which Harold Brown visited Beijing in 1980. We have pursued in a very gradual fashion the elimination of some prohibitions which in the past have prevented any cooperation in this field. It is our conviction that, as I say, a China that is capable of defending itself is a reasonable objective, because China plays a major role in the global balance of forces. The China that can secure its northern border is important to us.

But in approaching the question of military

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cooperation and defense cooperation, we have kept in very close touch with our ASEAN friends, in order to assure that the kind of cooperation we contemplate is a pattern of cooperation with which they would be comfortable. And the hallmark of that, I think, is essentially to focus that cooperation on purely defensive kinds of activities which would represent no danger to them by creating a power projection capability that they might regard as menacing or threatening.

MR. ELLIS: Mr. Secretary, we'll go now directly to the questioners overseas, with the first question coming from Manila.

QUESTION: Mr. Under Secretary, greetings from Manila. I am Rasisa Muraya (?), former Ambassador, and former Secretary General of ASEAN. I shall ask my easiest question first. The ASEAN government will have occasion to review the security situation in Southeast Asia, make necessary adjustments, and work out a new, collective, security system, if the Philippines decides to exercise its option to terminate its military bases agreement with the United States on September 16, 1991, barely 6-1/2 years from now.

During a recent visit to Manila, Ambassador Jeane Kirkpatrick, America's Permanent Representative to

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the United Nations, and a member of President Reagan's Cabinet, declared that the United States will respect and abide by a Philippine decision to terminate the military bases agreement.

My question is, would you confirm Ambassador Kirkpatrick's statement as the official American policy, on this question, which has important security implications for ASEAN?

AMBASSADOR ARMACOST: Of course, Ambassador Reyes (?), we would respect the wishes and the will of the Philippine people. That has always been our disposition. I must add that in my two years in the Philippines I did not sense a groundswell of opinion in opposition to our presence, and our hope, of course, would be that through the efforts we have made in recent years to assure that our presence is fully consistent with Philippine sovereignty and reflects a pattern of cooperation in which both receive benefits, that a decision which you mention is a possibility that won't take place.

QUESTION: I am David Seda (?), PTA (?) Management Consultants, Incorporated, Philippines.

Good evening, Mr. Secretary. Michael, the question that I would like to raise with you is one that we have discussed in the past. The takeoff point is the

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Caribbean Basin Initiative of the United States. Would the United States welcome a discussion at the forthcoming ministerial meeting in Djakarta concerning the possibility of your taking some sort of ASEAN initiative framed in the same set of objectives and perspectives as the CBI? Namely, the objective would be, the main objective, would be to enable ASEAN to industrialize more rapidly in the context of your perception that you also are the largest consumer market in the world.

As you know, one major modification suggested, of course, is that the free entry into the U.S. consumer products, manufactured products from ASEAN, should be limited to those products where ASEAN absorbs at least 50 percent of its production. Would you welcome such a discussion?

AMBASSADOR ARMACOST: Well, David, I think it is true that the CBI represents a departure from a generation of American trade policies. We adhered to generalized rules that applied to everyone. And what prompted that adjustment in policy was the awareness of the acute threat to our security immediately in our neighborhood.

With respect to ASEAN, you mentioned the importance of our market to ASEAN. That certainly is a fundamental reality. It is also true that the ASEAN

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countries, with a population of over 250 million, and with burgeoning growth that's been accomplished even during periods since the global economy has suffered some recession, is increasingly attractive to us.

Our Special Trade Representative, Ambassador Bill Brock, visited the ASEAN region this spring. He talked with economic and trade ministers. He is actively looking for ways in which the trading relationship between the United States and the ASEAN countries can be further deepened. And he has indicated a willingness to contemplate some special arrangement, though those would have to reflect some reciprocal arrangements for increasing and improving access of each of our economies to the markets of the other.

But, certainly we have been willing in the past, and would be willing in the future, to consider what possibilities there are for strengthening this increasingly important trading and investment relationship between ourselves and the ASEAN economy.

(Continued on next page.)

QUESTION: We do feel in ASEAN, of course, that the political, social and economic implications of such an initiative would be to you at least as important as the Caribbean Basin initiative. So we do hope you have a fruitful discussion. Thank you.

QUESTION: Good evening, Mr. Secretary. This is Goldieng (?) from Singapore Shaming (?) Daily News. My question is going to be very short. How does the frontier conflict between Thailand and Laos --

MR. ELLIS: I think we'll have to have that question repeated, please. Would you kindly do that?

QUESTION: Yes, how do you see the latest conflict between Thailand and Laos?

AMBASSADOR ARMACOST: Well, I believe you refer to some exchanges along the border on several towns along the Thai-Laos border. I, frankly, would need a lot more information, given the area in which this conflict apparently has broken out. But clearly, it's in our interest in seeing that resolved in a peaceful fashion.

QUESTION: But how do you propose to deal with this? I suppose this is considered as one of the Soviet military buildups in this region.

AMBASSADOR ARMACOST: Well, I would really need a lot more facts at my disposal to offer any proposal

or blueprint, American blueprint, of what people have in mind. I do understand it involves some shelling and military action along the border that affects several towns.

QUESTION: My name is Mohung (?) and I am coming from the Singapore Monitor. My question is, that any of the arms limitation talks or even talks with the Soviets can somehow preserve peace seems to have become an article of faith in the United States. Are not such talks really a total waste of time? Why does the United States seek to sustain the myth about the value of such talks?

MR. ELLIS: The last part of that question, would you kindly repeat that?

QUESTION: Are not arms talks really a total waste of time? Why does the United States seek to sustain the myth about the value of such talks?

AMBASSADOR ARMACOST: Well, what I would say is that the main objective of American policy is to preserve the balance of forces in the world and it's for that reason that in recent years we have devoted a good deal of attention and time and resources to the improvement of our position in the global strategic balance.

We also feel that historically arms control has played a collateral role in that endeavor and it's

obviously not in our interest nor other's interest to expend money for purposes that exceed our security requirements. And if we can close off certain avenues of the arms race, if we can avoid avoidable expenditures and still preserve our position in the world, which is important to us and important to those who depend upon us for their security, then it is certainly a worthy endeavor for us to engage in those discussions.

It's for that reason that we have laid out proposals almost across the board. We have looked at these proposals, however, in a hard-headed fashion. They reflect our security concerns. We have tried to frame them in ways that respect the concerns of others. We have paid particular attention to the requirements for verification. But this reflects a hard-headed way of viewing arms control as an adjunct to our national security not as an alternative to it.

QUESTION: Mr. Armacost, Lin Tin Wat (?), Singapore Broadcasting Corporation. Now Washington is even prepared to hold such talks in private as not to embarrass the Soviet Union. Why is the United States so keen to restart the talks at this time?

AMBASSADOR ARMACOST: Well, we have always been willing to start when the Soviets are ready. Our position with respect to the Soviet Union on

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these matters is simply that we are ready. They walked out of the START and INF talks. We have tabled proposals on a variety of other measures. We put down a draft treaty on chemical weapons. We have talked about MBFR talks and put new proposals for verification and data base down. So we have attempted to address all of the various concerns in this area with reasonable proposals and then have said, "We're willing to talk whenever the Soviets are ready." We are not going to pursue and try and force them into the negotiating room, but we want everyone to understand that we have addressed the full range of issues. We have put down proposals we regard as serious and we are prepared to negotiate about them and when the Soviets are ready, we'll be there.

QUESTION: Greetings, Mr. Armacost. I am Tully (?) from Radio-Television Malaysia in Kuala Lumpur. I followed your answer on the U.S.-China relationship. Still the leaders in ASEAN are expressing concern over the censuring of relations with China. What is of more concern is that the concern by the U.S.S.R. because the U.S.S.R., as you realize, has a client state in Vietnam. And following that, this will certainly affect the efforts to resolve the Kampuchean issue. What is your comment on that, one? Number two, has the U.S. -- is the U.S. thinking of any

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initiative to resolve this question in Kampuchea?

AMBASSADOR ARMACOST: Well, let me take your second question first. With regard to the Kampuchean problem, we regard that as the principle political-military problem in the Southeast Asian region. We have attempted in recent years to coordinate our diplomacy very closely with the diplomacy of ASEAN. Indeed, we have taken our lead on those issues from ASEAN seeking to provide support for ASEAN initiatives. We have provided a good deal of support in the form of security assistance, particularly to the frontline state of Thailand, a good deal of assistance on the refugee front to ameliorate the burdens of countries of first asylum. We have provided, as you know, some humanitarian and political support for non-communist resistance actions within Kampuchea itself.

But rather than try and seek to take the lead, we have taken our cues from our friends in ASEAN. We feel the strategy which has been pursued is a reasonable one and is one that can be sustained over the longer term. We hope it will produce results, but for such results there will have to be a change of disposition on the part of Hanoi.

With regard to your first question about the Soviet-Chinese relationship, we can't manipulate Soviet -

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Chinese relationships nor would that be our attempt. What we can do is seek to strengthen our ties with China in a way which doesn't threaten our friends and that is precisely our objective. We have been prepared to improve our relations with the Soviet Union as well, provided their conduct permits that and provided they are willing to deal with us in a straightforward way on issues of mutual concern.

But we can't manipulate the rivalry between them. The sources of difficulty between the Russians and Chinese are very deep. Those will likely continue, I suspect, for some considerable length of time. We need to work on our own interests rather than seek to manipulate the relations between those two countries.

QUESTION: Mr. Secretary, this is Rasmun (?) lead writer with the Newsday Times English Daily, Malaysia. My question arises from your earlier answer on U.S. relations with China. I would like to be a bit more specific here and talk about the fact that Southeast Asian government concern over Chinese policy stems from the fact that it has refused even today to renounce support officially of subversive movements in Southeast Asia. Now, arms deals between U.S. and China could let these subversions or movements to continue the operations. So alongside that

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deal with China, you have the reluctance by the U.S. to supply more sophisticated weapons to Southeast Asia such as in the case of the prior request for advanced aircraft. What is your comment on this difference in approach in U.S.-China and U.S.-ASEAN relations in terms of defense supplies?

AMBASSADOR ARMACOST: Well, let me make several observations. First, in dealing with China on defense matters, we have not really sold advanced equipment. We have not sold much equipment at all to date. We have loosened somewhat the regulations that affect technology transfer, but for the most part, that has been related to dual-use technology rather than technology directed usable primarily for defense purposes.

We have talked more recently about certain areas of defensive technology on which we might begin to cooperate. We have not transferred equipment to any country, as you well know, without safeguards against transfer to third countries and certainly that would not be contemplated with the Chinese.

As far as our relationships with China are concerned and their relationship in turn with our Southeast Asian friends, it has been our conviction that insofar as we have a cooperative relationship, a friendship,

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with the Chinese, that provides an additional incentive for them to avoid the kinds of support for subversive movements that generate problems for our friends. I guess they have maintained a position of principle. They won't renounce their at least moral and rhetorical support for such movements. But I don't believe -- I have heard in recent years of that moral and rhetorical support being reinforced with material support and that's a change from, let's say, 10 years ago or so and a positive change for our Southeast Asian friends.

With regard to your final question about our sales of equipment to ASEAN countries, I think one would have to proceed on a case-by-case basis to discuss the question. I think your specific query was about advanced aircraft to Thailand. As far as I am aware -- and I have just been back a relatively short time -- but it's my understanding that the Thai government has requested F-16As, that comparable requests have been registered by one or two other ASEAN governments and it's under -- the issue is under review or consideration by several others.

We have sent briefing teams throughout the region with the intent of assuring that our friends are fully aware of the costs and benefits and trade-offs between the various alternative systems that are available here and

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then we await final requests and we'll review those when the final requests come in.

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QUESTION: In the U.S. long-term view, which would pose the greatest threat to peace in this region, China or the USSR?

AMBASSADOR ARMACOST: Well, I think at the present time the USSR represents the greatest threat insofar as it has been extending its own military power throughout Asia. Now, for a decade and a half it's extending the reach of its naval forces, it has continued to build up its forces on China's northern border, it has displayed a disposition to attempt to shape events in that area, as in other areas, primarily through military instruments, probably, I assume, because their economic influence is not great and their moral or ideological influence appears to be negligible.

Therefore, it is the vast growth of Soviet military power which represents, I think, the problem for the moment.

QUESTION: Good morning from Bangkok, Mr. Armacost. This is Monru Rafulfi (?), TV Channel Three and the Foreign Editors Club of Thailand. Here is the question: Does the U.S. genuinely feel that the sale of F-16s would promote an arms race in the region?

AMBASSADOR ARMACOST: Well, I don't know that I would characterize it in that fashion. This would

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represent the first sale in this region. We want to take a careful look at it. But I have no doubt that the final decision will be a reflection of the close ties we have with Thailand, and an awareness of the interest we have in Thailand meeting the requirements of its own defense.

QUESTION: You just said the U.S. is giving political support to the Kampuchean coalition. There have been complaints that the U.S. is giving only lip service. ASEAN would certainly want the U.S. to give material assistance to the coalition. What are your comments?

AMBASSADOR ARMACOST: Well, we have given some material assistance in the form of financial support for humanitarian and political purposes, to the non-communist elements of the coalition. We have refused as a matter of principle to provide any support to Pol Pot, and the Khmer Rouge, on the basis of the atrocious record, the brutal record, which they amassed during their period as rulers in Kampuchea. But we have provided material support to these other factions, Son Than (?) and Sihanouk.

QUESTION: From Djakarta this is --
(inaudible) -- of the Television of the Republic of Malaysia.

Good morning, Secretary Armacost.

AMBASSADOR ARMACOST: Good morning.

QUESTION: I am glad to -- (inaudible) -- on a

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critical issue. My question is on trade. (Inaudible) -- on the conference on ASEAN -- (inaudible) -- held in Singapore about a year ago said that one of the problems of the 1980s is trade -- (inaudible). This now accounts for one-fourth of the world trade and this at more than twice the growth rate of -- (inaudible) -- according to William Brock, ASEAN is in an excellent position to participate in this, a country with the fifth biggest population in the world, this is very interesting to us and this can also solve one of the North-South dialogue problems. Do you have any comment on that, as far as our bilateral relations are concerned?

AMBASSADOR ARMACOST: Well, I certainly agree with Ambassador Brock and I agree with the thrust of your question. It's certainly important to us because we are perhaps the first service economy in the world, and therefore to maintain that position in world trade we'll have to look more carefully at barriers to trade in the services and high technology areas to supplement the traditional concern we've had about tariff barriers in manufactured goods.

I think it's notable, for example, that as we talked with the Japanese about trade problems in recent years, increasing attention has been focused precisely on the services sector. It is noteworthy, we believe, that on

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May 29th the Japanese government announced a number of new measures to liberalize access to its financial markets, to internationalize the yen. That's an important step. And I think, likewise, in our dealings with ASEAN, this sector will get increasing attention.

I was struck while I was in Manila, for example, about the tremendous opportunities which the Philippine government has sought to capitalize on in exporting its own labor, very skilled labor, technicians, service people, nurses, doctors, in a variety of fields to the Middle East, to the United States, and is now actively looking at other areas for the export of these kinds of services. And certainly other ASEAN governments have precisely those capabilities. It will be a central feature of our trade in the future. And we need to look very carefully at how we can avoid creating barriers and how we can dismantle those which now exist.

QUESTION: Mr. Armacost, my name is Darba Yubof (?) from the National News Agency in -- (inaudible) -- and I would like to ask you an economic question. President Reagan, in his speech before the American electorate, stated that the United States will maintain an open market, that the recent trend to increase the policy of protectionism in the United States -- do you share

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the opinion that the United States protectionist policy against the developing countries, especially from ASEAN, would hurt -- (inaudible) -- especially on the economic sector -- (inaudible) -- political issue? Can you comment?

AMBASSADOR ARMACOST: Yes, I'll be happy to.

I have no doubt that the protectionist pressures in our economy have increased in recent years, most notably during the darkest days of the recession. But I think by comparison with any other advanced economy, the United States has amassed a quite remarkable record in resisting those pressures. They continue. If you go into our Congress you can find notable examples of legislation designed to enforce domestic content or import quotas, various protectionist devices. But I think you would also find that the Reagan administration has been very stalwart in resisting those pressures, precisely because it believes in the free market and it believes in rolling back the excessive regulations rather than increasing them. It believes in competition and believes in the market as the means of enforcing competition.

So, we have, I think, compiled a quite remarkable record in that area. Moreover, because our economy has come out of the recession rapidly, we have provided an engine of growth not only for ourselves, but

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ne which transmits itself to others' economies, most especially to those who rely upon exports to lead their growth and lead their recovery. This is reflected in improved commodity prices, it's improved in the rapid rate of export growth into our markets, particularly by those, as I say, in Asia, and ASEAN is certainly included in that, who have had export-led growth strategies and have been very quick to appreciate and capitalize upon the improvement of the market in the United States and the other OECD countries.

QUESTION: From Djakarta this is Pabong Siyagyan (?), the Editor of the Djakarta Post.

Mr. Under Secretary, our moderator, Harry Ellis, has been snatching away my questions, so it just shows how sensitive he is about the feelings down here, and my colleague from Kuala Lumpur reflected that concern. I'd like to follow up on your answer, sir. When you said that you have been trying to explain your negotiations and the increasing cooperation between the USA and China, is explaining alone enough? Don't you think that increasing your aid and attention to Indonesia would be also as important in trying to give a credible counterweight in Southeast Asia?

AMBASSADOR ARMACOST: Well, indeed I do. I

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think it has been a given in the approach of this administration that we regard ASEAN as a virtual island of stability in an otherwise very troubled world. Indeed, viewed from Washington the notable thing about the entire East Asian area has been the relative tranquility of that region by comparison with other regions with which we deal, and one of the notable things, I think, in a government which often responds to the squeaky wheel or the problem areas, because you have only so much attention you can devote to things, is the fact that Secretary Shultz is now preparing to embark on a trip next week to Asia, which will represent the fourth trip he's made in the last 13 months to that region. That, I think, reveals a strong desire to concentrate on those relationships that are important to us and to deal with the real problems, not just the problems, but to build from strength. That's the reason why he, just as a matter of course, now regards these ASEAN ministerial meetings, the dialogue they offer for outside powers like ourselves, as a natural part of his annual schedule.

I can recall four or five years ago it used to be difficult getting those meetings on the schedule of the Secretary of State. That no longer is the case, because we recognize it as a chance to review our relations with each of the ASEAN countries and focus on very practical and

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tangible ways on how we can improve those relationships, and that certainly includes the areas of assistance, it includes trade, it includes investment, it includes security matters, it includes cooperation on political issues.

QUESTION: Probang Siyayan (?) again.

But that island of stability in Southeast Asia, there is some concern here that with a modern and more powerful China, that stability might be affected. Now, you talk about the visits of the Secretary of State, George Shultz. Are we talking now about in real terms of increased aid and increased political attention to ASEAN?

AMBASSADOR ARMACOST: I believe we are, yes. I came into the government in the late 1960s and, of course, there was a massive preoccupation with Southeast Asia at the time, but it was a preoccupation with the conflict in Indo-China. By the mid-1970s, when there had been some disillusionment in this country about that part of the world, it was difficult to get people in Washington to focus on Southeast Asia. There was a strong tendency to want to forget about that and all the travail that had been experienced by Americans over a bitter and divisive war, and to concentrate on other relationships closer to home.

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I think as a result of the dynamic growth in ASEAN a new awareness of that region, not for a conflict, although we are not deluding ourselves that no conflict exists, because when we talk with our ASEAN friends we talk frequently about Kampuchea. But we recognize that the opportunities for growth, the opportunities for expanded trade and investment, represent the sinews of an emerging relationship with this regional association that's quite unique in the world. And it's that, I think, which is so intriguing to Secretary Shultz and to President Reagan, to this administration, and is the principal reason for the great interest in the ASEAN area at this time.

QUESTION: From Djakarta. I would like to ask you, next July there will be the ASEAN foreign ministerial meeting, and it will be followed by the ASEAN-Pacific countries dialogue, and I am sure that your foreign minister will be also present there.

AMBASSADOR ARMACOST: Yes.

QUESTION: Could you discuss or give us some idea what kind of message he will convey in that meeting?

AMBASSADOR ARMACOST: Well, I'm sure he will convey our support for this regional association. He will convey our desire to find additional ways of facilitating expanded cooperation. He will convey our willingness to

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contemplate new forms of cooperation with ASEAN and with the other dialogue partners. I believe at this session there will not only be the traditional occasions for all the ASEAN countries to sit down with each of the dialogue partners and an occasion for all the dialogue partners to sit together with all the ASEAN countries, but to focus on the possibilities for expanded economic and technical cooperation in the wider area of the Pacific.

And that, I think, will represent the bulk of the talk there. There will be a review of the economic and political issues in the region. It's not so much a matter of our conveying messages on all those issues. It's a matter of our sitting down to listen to the concerns of friends and coordinating our strategy. This is a dialogue, we think, in which we don't go just to speak; we go to listen.

QUESTION: From Manila, this is Fada Lorenzana (?) of the Mahylika (?) Broadcasting System.

AMBASSADOR ARMACOST: Good morning.

QUESTION: My question is a followup to the point earlier brought up by Ambassador Reyes. Could you give us a possible scenario within which the United States would be willing to withdraw its military facilities from the Philippines?

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AMBASSADOR ARMACOST: Well, I'd like to turn the question around, Fada. Of course, if it is the will of the Philippine people that the presence of U.S. forces no longer serves Philippine interests then, of course, we would respect the will of the Philippine people.

We have worked in a very determined way in recent years, and this was reflected, I think, both in the negotiations in 1978-79 and those that were concluded roughly a year ago, to assure that the practical arrangements at the bases were arrangements which fully respected Philippine sovereignty and assured equality or an equitable balancing of the benefits.

We have, as you very well know, established the fact that there are Philippines bases on which American bases exist. There are Philippine base commanders, Philippine forces provide the perimeter security, and in a number of other practical ways we have sought to achieve those general objectives I just cited.

The hope would be that this makes it clearer to everyone concerned that the presence of Americans is designed not simply for American benefit but for the benefit of the Philippine people and, indeed, for the region, because it enables us to play our role in maintaining a balance of forces in Southeast Asia, which I think

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contributes to the security not only of the Philippines, but to the Philippine neighbors.

It is my belief that that is understood by the large preponderance of Philippine opinion, at least judging from my own personal experience, traveling widely in the country and encountering relatively few evidences of hostility toward that presence, or desire to see that presence removed.

But as I say, if it is the will of the Philippine people that that presence does not serve Philippine interest, of course, we would have to respect that judgment.

QUESTION: In spite of the present conditions, Mr. Secretary, has the United States explored the possibility, or rather, the feasibility of moving the facilities to another country?

AMBASSADOR ARMACOST: Well, you know, a great power always has to have sources, and you obviously have to study those alternatives. But we also are quite confident that the arrangements at the bases serve our mutual interests and will continue to do so. So those represent the kind of normal types of contingency studies from which we have drawn no conclusions we should move. We hope these arrangements are mutually satisfactory.

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QUESTION: This is -- (inaudible) -- from Singapore. In view of the Soviet military buildup -- (inaudible) -- what role do you see -- (inaudible) --

MR. ELLIS: I'm sorry, we're having real audio problems on that one. Would you kindly repeat the question and do it as slowly as possible?

QUESTION: Mr. Secretary, this is Gru Lying (?) from Singapore again.

In view of the Soviet military buildup in this region, what role do you think the United States should adopt vis-a-vis its relations with the ASEAN countries?

AMBASSADOR ARMACOST: What role should the United States take?

MR. ELLIS: Should the United States adopt in relation to the ASEAN countries, against the background of the Soviet military buildup.

QUESTION: Yes.

AMBASSADOR ARMACOST: Well, we have attempted to continue to play our role at the level of the strategic balance or the balance of forces in the region, at least as I just mentioned, through the continued presence of armed forces in the Philippines. We have also tried to be a good supplier, a reliable supplier, of that kind of defense equipment that's needed by our friends at this time.

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We have tried also to look at our economic relationships to assure that our ASEAN friends have that economic strength on the basis of which their security rests on a solid foundation.

We have nourished and tried to keep in good working order our security relationships throughout the region, and we have sought to work in close cooperation with our friends on the most immediate issue, where at least Vietnamese power, supported by the Soviets, is representing a threat to the stability of the region, in Kampuchea. Those represent the broad guidelines of the approach we've taken to the expansion of Soviet military power in Southeast Asia, per se.

We would hope at some point the Vietnamese, recalling their claims of independence, would find it no longer desirable to have Soviet bases on their soil.

QUESTION: In this case, do you see any reasonable prospect of the United States stepping up its support for the Democratic Kampuchea Coalition, Kagaman (?), especially the non-communist component?

AMBASSADOR ARMACOST: We have, as I said earlier, supplied from material support to financial support for political and humanitarian purposes to the non-communist elements within the coalition. As I said

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earlier and would wish to repeat, we have not been prepared to provide such assistance to Pol Pot because of the record of his previous regime when ruling in Kampuchea, and the repugnance the Americans have for the kind of abuses of human rights he perpetrated at that time. But we have supported the other factions, and will continue to do so.

QUESTION: Mr. Ambassador, if I may, from Kuala Lumpur again, I want to refer to this debt problem by the developing countries.

As you are well aware, a chain is as strong as its weakest link, and in ASEAN a member is facing a problem as far as this is concerned.

The U.S. insists on a case by case approach to the debt problem. Is there any other new thinking to this approach and to tackle the whole problem on a wider, as a whole?

Number two, what is the U.S. comment on ASEAN's position that the high interest rate in the U.S. is compounding the problem?

AMBASSADOR ARMACOST: Yes. Well, with regard to the first, our general approach to this is based on several precepts among them, that the IMF has a critical role to play in relationship to the debt problem, that

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3-16 often the kinds of discipline required by the IMF in order to get the balance of payments problem back into equilibrium rapidly are required, and at the same time we have felt that it's important to stimulate equity investment as a supplement or alternative, to some extent, to commercial borrowing as the source of development finance.

We have been prepared ourselves, as you know, to step in in those cases that represent real problems, to provide special assistance ourselves in relationship to the Philippines, for example. Not only have we gone out of our way to provide Export-Import Bank financing of much larger scale, since about six or eight months ago, and to furnish much larger quantities of CCC credits during this difficult period, but to also offer goods financing, which would get money into the pipeline more rapidly after an IMF standby agreement is signed.

With regard to your second question, let me recall -- could I ask you to refresh my memory on the second aspect of the question?

QUESTION: It is ASEAN's position that the high interest rates are compounding this problem.

AMBASSADOR ARMACOST: Well, high interest rates, obviously, have an effect on those countries most particularly who rely heavily upon commercial borrowing for

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financing development. And then, as interest rates fluctuate, they get benefits or pay a price.

This administration, when it came into office, I think, was seeing interest rates running at over 20 percent, and therefore has made a very determined effort to get our own economy back into balance with the expectation this would bring a reduction in interest rates. That has generally occurred. There has been a reduction of about a third since the administration took office.

Recently there has been some mild movement back upward and we recognize that that represents a problem that we've all got to address. Overall, however, I don't think we are the source of the major problems in the sense that the renewed growth in our economy has been the principal stimulus for increased growth elsewhere, including particularly the export sector, and therefore, those benefits of our growth have been of major importance to developing countries and, indeed, we want to see interest rates go down, we're looking for ways to assure that result.

We believe that when they don't go down it represents, I suppose, a judgment on the part of businessmen that we can't control inflation. I think this administration made a remarkable record on reducing the

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scale of inflation. It's down at very modest levels and it's a high priority of the administration to keep it that way. That should have its effect on the interest rates over the longer haul.

MR. ELLIS: Our questioner mentioned the case-by-case approach of the Reagan administration. Now recently the major Latin American debtor countries have tried to present a collective debt approach to the creditor world. Do you see a trend in which the United States might support such regional groupings of debtor lands?

AMBASSADOR ARMACOST: Well, I am not an international economist and I probably should walk very carefully into this mine field, if I walk at all. But I would simply say that most countries have somewhat unique problems, although the general effect of high indebtedness has been felt in many countries, as evidenced by the fact the IMF is talking to, I think, 60 or 70 countries at the present time.

That is also the reason why, I suppose, the IMF is inclined to request rather stiff medicine. Their resources are limited. They represent an institution whose mandate is to promote rapid adjustments and balance of payments problems. They are not a concessional financial institution.

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I think in dealing with this problem we have to deal with the structural problems that are producing the balance of payments disequilibrium and then probably look to other institutions like the World Bank to provide the concessional development financing and also the structural adjustments needed to produce -- sustain growth -- without these payments problems over the longer term.

If I might reiterate a theme I touched on earlier, it has been our conviction that an equity investment and the creation of conditions conducive to expansion of that equity investment represents one means of assuring the finances necessary for growth without some of the problems attendant upon excessive borrowing in which the indebtedness of the country then fluctuates heavily with interest rates because they have taken on that debt under variable rates of interest.

MR. ELLIS: We'll go back now to Kuala Lumpur for the next question.

QUESTION: Mr. Ambassador, this is Kamal Agin (?) from Malaysia. I want to ask you about the Antarctic. I am sure you are well aware that we in this region are trying to get as much support from our friends all over the world in our effort to internationalize the zone. I believe you are still our friend -- and at least you say

so. Would you give us such support?

MR. ELLIS: We missed one key word in your question. If you would repeat that first part of it, please.

QUESTION: Well, I asked you about your position towards the effort by us in the third world to make the Antarctic an international zone.

AMBASSADOR ARMACOST: The Antarctic, an international zone. I'll tell you, you've got me. I'll have to retreat on that one because I, frankly, in the course of the last month when I encountered a lot of issues with which I had not been, frankly, terribly familiar, this is one that hasn't crossed my desk yet. But I will look into it truly.

QUESTION: From the Foreign Editors Club of Thailand, here is the question. As the frontline state we would like to know how much Thailand could expect from the United States in case of armed aggression and in this connection, Mr. Secretary, we would like to ask under what circumstances and for what purposes would the U.S. rapid deployment joint task force be deployed to Southeast Asia?

AMBASSADOR ARMACOST: The last part of the

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question, what would be deployed?

MR. ELLIS: The rapid deployment force.

AMBASSADOR ARMACOST: The rapid deployment force. Well, we have been allied to Thailand for nearly a generation and we have repeatedly reaffirmed the importance of that security relationship to us. I think the tangible expression of our commitment has been evidenced since 1980 in nearly tripling our security assistance.

I think it's also been indicated by the fact that when incursions have occurred along the border and have generated great anxiety in Thailand about its security we have responded promptly and effectively with emergency shipments of equipment.

So we take our security commitment seriously and I think the record will show that we have manifested that support in very concrete ways.

With regard to the second part of your question, since it's hypothetical, I think I would have to duck the question and say that that would depend upon the circumstances at the time. We have created a capability to respond to a variety of threats to security, but without attempting in advance to specify in great detail or precision the kind of conditions which would activate the force. We need

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the capability and we now are creating that very rapidly. But I don't know that I can anticipate the precise conditions with any precision under which it might be deployed.

QUESTION: Will the U.S. increase its resistance for the anti-piracy program in Thailand?

AMBASSADOR ARMACOST: We have attached great importance to that, as you know, and have worked with your government in dealing with it. I think our current level of contribution in 1984 -- FY '84 -- is about \$1-1/2 million. I would have to look to check and see what the programmed amount is for that for Fiscal Year 1985. But I think, as you know, we have worked with you and with the U.N.'s HCR (?) to help you deal with that issue and we will provide the resources that are necessary to manifest real support.

QUESTION: From Djakarta, this is -- (inaudible). Again on economic matters. Secretary Armacost, the Pacific basin idea is quite popular among the industrialized countries in that area. I would like to have your honest opinion on the parties (?) interested in ASEAN and the U.S. in this matter since ASEAN has 350 million people and is a quite a big market for U.S. goods.

AMBASSADOR ARMACOST: Yes, if I understand your question correctly, ASEAN is of great importance because of its size, because of its diversity and because of the

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friendly attitude it has adopted toward us and to others who prefer the market economy, because of our historical ties and, therefore, we attach great importance to filling out that relationship.

I believe you were talking about the Pacific Basin concept and the attraction that has for people in the industrial world. Well, I suppose it does. But as we have approached this issue, our hope has been to forge a set of relationships with ASEAN friends and other Asian friends that reflects the temper of the people within the region and I think we would adopt the same approach to that larger community, if it should materialize. Indeed, it exists in some respects through the natural forces of trade and investments. But if anything beyond that should materialize, we would approach that, I think, in the same spirit we have approached the emergence of ASEAN -- not by trying to provide a blueprint from outside, but relying upon the impetus of the indigenous forces within the region to begin to develop in an organic way a larger community.

We have been very attentive, I think, in recent years to the fact that there have been certain anxieties among our ASEAN friends that their enterprise, which we regard as very important, might be submerged in some larger enterprise that is being stage managed by

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outsiders. So we are attentive to those concerns. We attach great importance to the practical arrangements between ourselves and ASEAN. We are interested in discussing with our ASEAN friends how that community relates to the broader Pacific trading community.

QUESTION: From Jakarta, this is Pappa Sergian (?) of the Jakarta Post. A short question. Mr. Armacost, you occupy this office barely for a month now. How does it feel to be Under Secretary of Political Affairs of an important world power? Do you like your job so far?

AMBASSADOR ARMACOST: I do, but I have to grant you it's hard work. You don't finish this job in eight hours.

MR. ELLIS: We have time for just one more short question and a short answer and this one from Manila.

QUESTION: I am Ambassador Reyes from Manila. One of the consequences of the invasion of Kampuchea and the resulting stalemate is the entrenchment of Soviet missiles and airpower in Indochina right next to the strategic Molucca Strait. There is a smell of permanence in the Russian presence there and I would ask you, Mr. Under Secretary, what is the United States doing to counter these threats?

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AMBASSADOR ARMACOST: Well, we are attempting to maintain our own capabilities in the Pacific. Indeed, far from receding as a power in that area as some feared 10 years ago, we are modernizing our forces in the Pacific and they have been somewhat augmented. At the same time, we will continue to pursue with our ASEAN friends political solutions to the Kampuchean problem for, if such a solution can be accomplished, then it seems to me that might change the conditions under which the Soviet Union has had entree to Vietnamese soil for purposes of establishing bases or using facilities there in a way which gives cause for concern among Asian countries.

MR. ELLIS: I am sorry to say that our time is up. We have been talking with Michael H. Armacost, Under Secretary of State for Political Affairs and, Mr. Secretary, we thank you very much for having been with us.

I would like also to thank all of our questioners for some very probing questions and for your patience with some audio problems.

This concludes today's Worldnet transmission. I am Harry Ellis and I look forward to being with you again on Worldnet.

(End)

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