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STATEMENT BY
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BEFORE
THE FOREIGN OPERATIONS SUBCOMMITTEE,
COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES
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I. OPENING

Mr. Chairman and distinguished members of this committee,

I know that we agree on the need for prudent investments abroad to enhance our national security, promote economic and political freedom, and reflect the humanitarian concerns of the American people. Foreign assistance is such an investment. Yet our foreign assistance request for FY 1986 comes before this Committee at a time when this Administration and the Congress are committed to bringing our budget deficits down. As a former budget director, perhaps I am more sympathetic than most to the immense challenge this poses and the painful choices that will have to be made.

Recognizing the overriding importance of reducing the budget deficit, we have carefully constructed our economic and military assistance programs to a level and mix that represent the minimum requirements to support our foreign policy objectives.

At the same time, we must bear in mind that our foreign assistance programs are vital to the achievement of our foreign policy goals. A world of peace, freedom, international stability, and human progress cannot be built by the United States alone. We need the support and cooperation of the many

friends and allies around the world who share our hopes and dreams of a better world, and who rely on us. And if we are to count on their support in facing the difficult and sometimes dangerous challenges of the modern world, we must ourselves be a reliable partner. We must be consistent in our devotion to the principles we cherish and proclaim: to promote prosperity, to defend freedom, to help build democracy and respect for human rights, to help alleviate suffering, and to protect our friends and allies against aggression.

In his State of the Union address, President Reagan noted that "dollar for dollar, our security assistance contributes as much to global security as our own defense budget." Strengthening our friends is one of the most effective ways of protecting our interests and furthering our goals. It gives them the ability and the confidence to defend themselves and to work for peace. If we are willing to pay the relatively modest cost and make the necessary sacrifices today, we can avoid far greater costs and sacrifices in the future. Foreign assistance is a prudent investment in our future, and the world's future.

When I appeared before this distinguished Committee last year, I sought to show how closely linked our foreign assistance programs are to our most fundamental foreign policy goals.

The events over the past two years have convinced me more than ever before that we are on the right track. We have strengthened our relationships with our friends in the developing world against Soviet expansionism. We have seen a number of developing countries move toward free and more open economies. Increasingly, the world recognizes that statist economic systems do not work. Free market economies do. And we have witnessed extraordinary progress in the growth of democratic institutions and in the decline of dictatorships, particularly in our own hemisphere.

It is no coincidence that along with the emergence of freer societies we see more open economies. One supports and reinforces the other. People, if they have a choice, want economic growth. They want prosperity. They need only the personal security and the political and economic environment that allows them to exercise their will and use their talents. Our support for the security and territorial integrity of our friends, therefore, advances the most basic human goals of prosperity and freedom. But it also advances another goal, peace. We have seen over the years that economic progress, individual liberty, and world peace are closely related. As President Reagan said in his Second Inaugural Address: "America must remain freedom's staunchest friend, for freedom is our best ally and it is the world's only hope to conquer poverty and preserve peace. Every blow we inflict against

poverty will be a blow against its dark allies of oppression and war. Every victory for human freedom will be a victory for world peace."

Today we are seeing developments in the Third World which, if we continue to nurture them, will lead to a more secure and prosperous world. There will inevitably be occasional setbacks, but if we stay the course, I believe the emerging pattern of stable and democratic governments will slowly but inexorably grow and be strengthened.

Much remains to be done. The most effective contribution we can make to the developing world is to maintain a healthy American economy. Our economic growth rate in 1983 was a prime reason for the sharp increase in U.S. imports from the non-OPEC developing countries to $92.3 billion, some 24% over the previous year. The developing nations will reap even more substantial benefits from the vigorous growth of our economy in 1984.

More than any other factor, however, the domestic policies of these countries will determine the strength and sustainability of their economies and their political institutions. Our foreign assistance can provide those critical incremental resources to help them achieve these objectives.

With this framework in mind, we have engaged in an exhaustive budget review process to assure that the sum of our resources and each individual component are the absolute minimum essential to implement and support our foreign policy.

Overview of 1986 Budget

The FY 1986 budget request for the International Affairs Function is $19.3 billion. Of that amount, the foreign assistance request totals $14.8 billion, a $300 million reduction from the FY 1985 Continuing Resolution level. As I will explain later, we have yet to determine the economic assistance level for Israel. When that assistance figure is eventually included, our request will be higher than the previous year. Economic assistance, which includes Development Assistance, PL 480, the Economic Support Fund, and contributions to multilateral development institutions, accounts for $8.2 billion. Military assistance, which includes military grants, loans, and training, totals $6.6 billion.

The remaining $4.5 billion requested for the International Affairs Function principally finances the operation of the Department of State, USIA, the Export-Import Bank, the Board of International Broadcasting, our assessed contributions to international organizations, contributions to U.N. peacekeeping

activities, and U.S. participation in multilateral international conferences.

Within the International Affairs Function, some appropriation accounts would receive an increase under our request, while others would decline. The function 150 total, however, is well below the FY 1985 enacted level. This will remain true even with an add-on for Israel that we may request in the coming weeks. These increases and decreases among individual appropriation accounts reflect the priorities of the Administration and the "budget freeze" philosophy that was applied to this year's budget process. They also reflect our efforts to distribute our scarce resources in a way that will maximize our foreign policy returns and help meet the pressing development and security needs of our strategic partners. Our FY 1986 foreign assistance request contains only one modest new initiative--an enhanced economic aid package for the Andean democracies of Ecuador, Peru and Bolivia. With that one exception, our 1986 budget request by and large represents a continuity program, reflecting both the overall fiscal constraints under which we are operating and the fact that many of our earlier initiatives--especially in Central America--are now well underway and beginning to show progress.

As in the past, the largest single component of our foreign assistance request is for Israel and Egypt--twenty eight percent (28%) of the total. This percentage, of course, will be higher when we include economic assistance funds for Israel. Assistance to base rights countries--Spain, Portugal, Greece, Turkey and the Philippines--accounts for an additional sixteen percent (16%), while military access and frontline states such as Korea and Thailand take up another thirteen percent (13%). Central America and the Caribbean represent another eleven percent (11%) of the request. All other country programs account for only twelve percent (12%) of the total resources requested. This twelve percent, however, is spread among more than eighty separate countries and regional programs. Finally, contributions to multilateral development institutions and voluntary contributions to international organizations and programs make up ten percent (10%) of the request, with the remainder of the amounts requested going to the Peace Corps, migration and refugee assistance, international narcotics control activities and a number of smaller programs.

Turning to the specifics of our request, I would like to make the following brief observations:

-- In Development Assistance, we are requesting $2.1 billion to attack serious conditions of poverty in Africa and Asia, Latin America and the Near East, and to help establish the basic conditions for economic progress and foster democratic development. We place heavy emphasis on policy reform, greater use of the private sector, and on technology transfer to foster development breakthroughs. These economic programs are a critical aspect of our overall foreign policy objectives.

-- Closely related to the Development Assistance request is a request for $1.3 billion in PL 480 for food assistance and balance of payments support to friendly governments. Food aid remains the centerpiece of the American people's humanitarian response to the tragic famine conditions in Africa.

-- The $2.8 billion requested for the Economic Support Fund is $1 billion below the amount appropriated in the FY 1985 Continuing Resolution. This is due in part to the fact that we have deferred making any ESF request for Israel at this time. I will elaborate on the question of economic assistance to Israel later in my remarks.

-- Our request for military assistance--that is, direct Foreign Military Sales credits and grant MAP--is $860 million

more than was appropriated in 1985. Most of this increase, $525 million, is accounted for by higher levels for Israel ($1.8 billion as opposed to $1.4 billion in 1985) and Egypt ($1.3 billion as opposed to $1.2 billion). In addition, our military assistance request for Turkey has been increased from the 1985 level of $700 million to $785 million. For the Philippines, we are requesting a $75 million increase over the FY 1985 level.

-- The $2.9 billion request for the State Department budget includes critically important funds to enhance our security program in the face of increasing terrorist threats against U.S. personnel and facilities. Additional funds are also requested to expand and improve the Department's ability to obtain and interpret foreign policy information.

III. The Regions

Latin America and the Caribbean

Mr. Chairman, nowhere has the linkage between foreign assistance and U.S. national interests -- and between democracy and economic opportunity -- been better illustrated than in Latin America and the Caribbean. The past year has provided clear evidence that democratic development, and the rejection

of the Communist left and the far right, are the keys to enduring peace and improving standard of living for all.

Our policy of lending political, economic, and military assistance to pro-democratic forces is working. Let us look at the record.

In 1979, four of the five Central American countries were undemocratic. Six years have produced dramatic change. Nicaragua remains under a dictatorship -- having traded a tyrant of the right for the tyranny of the left -- and Costa Rica remains thoroughly democratic -- though increasingly and justifiably concerned about its heavily armed Communist neighbor. But, an unprecedented transformation has taken place in the rest of Central America.

El Salvador has undergone the most dramatic change. As recently as a year ago, the country appeared caught in an endless war between guerrillas of the left and death squads of the right. But as the National Bipartisan Commission on Central America found, electoral democracy and political dialogue -- not externally imposed "power sharing" between guerrillas and governments -- proved to be the practical basis for effectively resolving the seamless web of El Salvador's political, economic, social, and security problems. In turn,

increased economic and security assistance were necessary to give democracy, reform, and economic revitalization a fighting chance.

Last year demonstrated that President Duarte's course was the route most likely to lead to greater respect for human rights and a better life. The Salvadorans themselves made the point in two rounds of national elections in 1984. And they did it again in a different dimension when a civilian jury found five former National Guardsmen guilty of the murders of the four American churchwomen. Support for this democratic renewal was backed unanimously by the National Bipartisan Commission, by President Reagan, by a bipartisan majority in the Congress, and in Europe by Social Democrats as well as Christian Democrats.

It would be naive to claim that all is now reformed, centrist, and peaceful in El Salvador. But the progress is significant and undeniable. U.S. firmness on principle and steadfastness on behalf of our Salvadoran friends has had a lot to do with it.

The recent history of Guatemala exemplifies the strength of the currents of change in the region. Conventional wisdom has often ranked Guatemala as "the most polarized" with the "least

chance of democratic development" in Central America. The Constituent Assembly elections seven months ago were not only widely accepted as honest and open, but -- to the surprise of the conventionalists -- revealed that centrist forces constitute the political majority. Elections for President, Vice President, Congress and local offices have been set for October. We realize that there continue to be problems, although the U.N. Human Rights Commission has acknowledged that positive steps have been taken toward democracy. It is encouraging that the Guatemalans are moving in this direction almost exclusively on their own.

Nicaragua is the exception to the democratic trend in Central America. The Sandinista leaders in Nicaragua continue to work actively with Soviet-bloc and Cuban help, to consolidate their totalitarian power. Should they achieve this primary goal, we would confront a second Cuba in this hemisphere, this time on the Central American mainland -- with all the strategic dangers that this implies. If history is any guide, the Sandinistas would then intensify their efforts to undermine neighboring governments in the name of their revolutionary principles.The first casualty of the consolidation of Sandinista power would be the aspiration for freedom and democracy of the Nicaraguan people. The second would be the for security of Nicaragua's neighbors, and the entire region.

No one in the United States wants to see this scenario unfold. Nicaragua's immediate neighbors -- Costa Rica, El Salvador and Honduras -- are well aware how dangerous that scenario would be. It is irresponsible to look the other way, imagining that the problem will disappear by itself. It would be foolhardy to grant the Sandinistas a peculiar kind of immunity in our legislation -- in effect, enacting the Brezhnev Doctrine into American law.

Communist dictatorships feel free to aid and abet insurgencies in the spurious guise of supporting "liberation". Democracies, the true target of this threat, must not be inhibited from defending their interests and the cause of democracy itself.

The democratic forces in Nicaragua are on the front line in the struggle for progress, security, and freedom in Central America. Our active help for them is the best insurance that their efforts will be directed consistently and effectively toward these objectives.

Peace and economic development in Central America require both the reliability of multi-year funding and the confidence that this long-term commitment will continue to be tied to

equity, reform, and freedom. Bipartisan support is essential if the Central America Initiative is to address the Bipartisan Commission's call for a commitment through 1989 to provide --in a consistent predictable way -- a balanced and mutually reinforcing mix of economic, political, diplomatic, and security activities.

This initiative is designed to use economic aid, coupled with sufficient policy reform, to eliminate the root causes of poverty and political unrest. Much work is already underway. Discussions are taking place with recipient countries concerning macro-economic adjustment. Progress has been made toward economic stabilization. Regional technical training programs will begin in April. We have begun to work with governments and non-governmental organizations seeking to improve the administration of justice. A trade credit insurance program has been set up through AID and the Export-Import Bank. The revival and strengthening of the Central American Bank for Economic Integration is being studied. And we are working to assist in the revival of the Central American Common Market.

The democratic trend in the Andean region has been equally impressive. All five countries have democratically elected governments. But many of their economies are being seriously challenged.

Ecuador, Peru, and Bolivia, have been particularly hard hit by the recent global recession. Their difficulties have been exacerbated by catastrophic weather conditions, sagging prices for their main exports, and, in Peru, a vicious Maoist guerrilla movement.

These countries deserve our help and it is in our interest to help them. We are proposing a special Andean program principally supported by $70 million in Economic Support Funds to assist these countries in their recovery efforts.

Democracies must live up to the expectation that they are capable of addressing major economic and political problems.

Our neighbors in Latin America for the most part are taking the necessary and often painful steps to ensure economic revitalization. They have lowered government expenditures, bringing them in line with government income. They have restricted imports of non-essential goods to save foreign exchange. They have adjusted their exchange rates to reflect economic reality and breathe new life into their export sectors. They have worked with the international financial community to restructure their debts and ensure continued orderly debt servicing. They have reallocated scarce resources even as those resources fell.

The efforts are beginning to show results. The trade balance for Latin America with the rest of the world has improved significantly, recovering from a negative $2 billion in 1981 to an estimated positive $37.6 billion in 1984. Vigorous U.S. economic growth in 1984 created new export opportunities. There also has been growth in real per capita income of about 0.2 percent in 1984 -- not much, but better than the decline of 5.8 percent in 1983 and 3.3 percent in 1982.

The Caribbean Basin Initiative is showing some positive signs. U.S. non-petroleum imports from the region for the first 11 months of 1984 were up 19 percent over 1983. The open U.S. market continues to offer substantial opportunities for the region's exports.

In Latin America and the Caribbean, I believe that the Administration and the Congress have reason to conclude that the policies we have been following the last four years are succeeding. The best option for the next four years is to continue these efforts based on firm, bipartisan support.

The lessons from the recent past and the guidelines for the near future can be condensed into an assertion: The skeptics were wrong about El Salvador, they were wrong about Grenada,

and they are wrong about Nicaragua -- and all for the same reasons. Mr. Chairman, what the Administration and the Congress have learned together about Central America in the recent past provides a mandate for the future. The Administration cannot fulfill that mandate without the active support of the Congress. If you and we do not stand firmly on principle and with our friends, we will both lose. A lack of policy consistency would be a significant obstacle to achieving our national objectives in this region over the next months and years.

Africa

I turn now from the promising developments in Latin America to a region where problems continue to be grave. Africa's desperate economic state is more in the public eye than it has ever been. I would like to devote the major portion of my discussion of Africa today to the economic crisis. In doing so, I do not mean to minimize the relationship between economic development and the national security of African states. Security assistance remains essential for many African countries. States threatened by Libyan adventurism or Soviet-armed hostile neighbors cannot devote the energy or resources necessary to economic development. And economically fragile societies are most vulnerable to subversion and attack.

Our total FY 1986 request for Africa is just over $1.2 billion. Of that amount 17% is for military-related assistance, roughly the same amount as in FY 85. The overwhelming majority - over one billion dollars - is for economic assistance. While the military component is small,it is nevertheless extremely important if we are to continue the programs of logistics support and training that we have started and if we are to provide the bare minimum in the way of defense equipment for our friends facing threats. The proximity of the Horn of Africa to the Middle East and vital oil shipping routes in the Red Sea and the Indian Ocean adds a critical strategic dimension to our interests in creating a politically stable and economically viable environment in the region. Consequently, we are seeking the resources necessary to assist Sudan, Kenya, Somalia, and Djibouti cope with their flat economies and to help Sudan and Somalia counter the very real threats to their security.

In southern Africa we continue to work diligently toward a just and lasting settlement for Namibia based on UN Security Council Resolution 435, for continued change in the repugnant system of apartheid in South Africa, and for the economic and political stability of the region in general. The funds that we are requesting for programs in southern African countries will enable us to strike directly at the causes of the economic

difficulties of the region. In southern Africa, as in East Africa, we intend to thwart the destabilizing influence of the Soviet Union and East Bloc by providing economic assistance and by offering an alternative to Soviet and East Bloc military assistance and training. Mozambique has demonstrated a real intent to move away from heavy dependence upon the Soviet Union and toward a position of true non-alignment. The small MAP and IMET programs for Mozambique are of particular importance in encouraging this process.

In West Africa we have recently seen the spread of both the effects of the drought and long-term economic stagnation and Libyan adventurism. Our assistance is targeted against both the near-term crisis and the long-range effects of the economic crisis.

I would like to focus specifically on the two most urgent crises facing Africa today: famine and economic stagnation. During recent months, untold thousands of Africans have perished. We estimate that some 14 million Africans remain at risk. If they are to survive, they need urgent assistance in terms of food, medical care, and shelter

There is also the broader problem of malnutrition. An estimated 20 percent of Africa's population eats less than the

minimum needed to sustain good health. Africa is the only region in the world where per capita food production has declined over the past two decades -- a combination of a drop in productivity and rapidly growing population. Africa's food dependency on outside sources has been growing at an alarming pace, with African commercial imports of grain increasing at a rate of nine percent per year during the past twenty years.

In addition to the current severe food crisis, Africa's disappointing economic performance has made it difficult for most African countries to service their debt, propelling many countries from one financial crisis to another. The economic crisis has required that African nations regularly seek debt rescheduling. Ten of the fourteen Paris Club reschedulings in 1984 were for African countries.

The United States has mounted an unprecedented campaign to provide both economic and emergency food assistance to Africa In this effort, we have not allowed political or ideological differences with any government to weaken our determination to direct assistance to those in need. Since October of last year, we have committed more than $400 million to send over one million tons of emergency food and other types of humanitarian assistance to Africa. If we add our regular AID food programs, then our total food assistance for Africa is

even larger -- almost 600 million dollars thus far this fiscalyear. I think we can be justifiably proud of what we have been able to accomplish in such a short period of time. I assure you that our response will continue to be a generous one.

Equally impressive has been the direct response of the American people and the private sector. Through generous contributions to private voluntary agencies, many thousands of additional lives have been, and continue to be, saved. Volunteers for these agencies are directly involved in distributing food, medicines, clothing, and shelter and caring for drought victims in the most remote parts of Africa, enduring extreme hardships and even risking their own lives. Such humanitarian assistance is in the best tradition of America and the values for which America stands.

Public attention has focused on the immediate drought crisis, but it is apparent that Africa's economic difficulties have a profound origin that goes back many years.

Drought has aggravated the problem, but is not the principal cause of Africa's economic crisis. Many of the African governments recognize that past policy failures have contributed to the current economic crisis. While we seek to address the immediate crisis, therefore, we must also seek more

sustainable solutions to Africa's economic problems. The United States has been in the forefront of those seeking tohelp African countries move from a statist economic orientation to one which allows market forces to operate freely and which provides appropriate price incentives, particularly to the small farmers. Structural issues which are being addressed include inefficient parastatals, overvalued exchange rates, negative interest rates on bank deposits, uneconomic subsidies to consumers and artificially low prices to producers. In addition to the emergency assistance to meet the drought and famine needs, U.S. economic assistance levels for Africa have increased from $787 million in FY 1981 to over $1 billion in FY 1985; For FY 1986 we are again asking for a total of $1 billion in economic aid. The Administration has established two new programs to assist African governments to undertake desirable reforms.

Last year the Administration requested $75 million as the first step in a five year $500 million program designed to provide additional financial support for selected African countries who are undertaking significant economic reforms.

We are currently discussing use of these funds for possible programs with four African countries: Zambia, Malawi, Mali and Rwanda, and may choose a fifth country later. In each of these

four countries our programs will facilitate and accelerate major policy reforms designed to stimulate economic growth through agricultural production and reduced governmental impediments to efficient utilization of limited economic resources.

In our FY 86 budget submission we are seeking a second appropriation of $75 million. Economic reform has become a major part of our dialogue with all African countries, and facilitated with many aspects of our regular program. However, implementing some of these reforms requires timely support of flexible funds, not tied to other long-term projects. This is what this $75 million is for. The experience of the past few months indicates that there is major international support for this program in Africa and in other donor countries.

The flexibility provided over this program has permitted us to have an impact on policies of donors and recipients alike which far exceeds the modest amount of funds involved in this request. I can think of no other single aspect of our assistance activities which more directly bears on the factors that have contributed to what is commonly called "the African Economic Crisis". An increasing number of African countries are beginning to alter in a fundamental way their national

economic policies. Above all, the relevance of free market economies as opposed to statist solutions has become clear to African leaders as never before.

I might just add that our perception of the roots of Africa's current economic crisis is widely shared by the international community. We are particularly pleased with the World Bank's latest report on sub-Saharan Africa and its stress on the need for economic reform to reverse Africa's economic decline. The World Bank recently launched its own Special Facility which will provide financial support to reform-minded countries -- a facility which complements and reinforces our efforts.

The "Food for Progress" initiative recently announced by the President is also targeted at achieving policy reform, but exclusively in the agricultural sector. This initiative would use food aid in strategically important African countries to promote reform in the key agricultural sector, stressing market approaches in agricultural pricing, marketing, and the supply and distribution of fertilizer, seeds and other agricultural inputs. One of the goals of the initiative is to supply American food to reform-minded countries on a multi-year basis. The sale of the commodities on the local economies would provide resources for the governments to use in supplying

needed incentives and inputs to the farmers while easing the effects on urban consumers of moving toward a market economy. The details of this proposal, including funding levels and sources, will be transmitted to the Congress shortly.

Near East and South Asia

One of the most important foreign policy goals of this Administration is to help achieve a lasting peace between Israel and its Arab neighbors. There are no quick and easy solutions for peace in the Middle East, but our assistance plays a crucial role in furthering the peace process.

The parties in the region are seeking to find answers to the difficult questions which must be addressed if there is to be a just and durable peace. The visits of Saudi Arabia's King Fahd and Egypt's President Muburak proved very helpful to our efforts to understand better how to proceed in the search for peace in the Middle East. Jordanian Foreign Minister Masri is also here this week for discussions. We will support practical efforts to move the Arab-Israeli dispute to the negotiating table, the sooner the better.

Israel and Egypt remain our principal partners in the quest for peace, and these two nations would be the largest

recipients of our proposed foreign assistance for Fiscal Year 1986. Our economic and military assistance programs are needed to strengthen Jordan's security and economy, both of which are vital to enable Jordan to confront the risks involved in playing a significant role in the peace process. Our relationships with Saudi Arabia and the Arab Gulf States are important elements in our efforts to advance the peace process and, as I will mention later, to protect our interest in the Persian Gulf.

The United States has a commitment to Israel's security extending over three decades. Our security assistance proposal aims to ease the onerous burden Israel shoulders in meeting its defense needs. The Fiscal Year 1986 Foreign Military Sales (FMS) program will enable Israel to maintain a qualitative military edge over potential adversaries in the region. Further progress towards peace depends in part on Israel having sufficient confidence in its ability to withstand external threats but also confidence in U.S. support and assistance. For these reasons, we are recommending a significant increase in Foreign Military Sales on a grant basis for Israel.

The U.S. and Israeli governments agreed last October to establish a Joint Economic Development Group to review economic developments in Israel, the role of U.S. assistance in support

of the Israeli adjustment program, and Israeli longer-term development objectives. At a meeting in December, Israeli government officials presented the annual White Paper outlining Israeli economic objectives and assistance requirements for the remainder of this fiscal year and for FY 1986.

Our security assistance is a reflection of the U.S. commitment to Israel's security and economic well-being. In addition, we have indicated our willingness to provide extraordinary assistance in support of a comprehensive Israeli economic program that deals effectively with the fundamental imbalances in the Israeli economy. Without such a reform program, however, additional U.S. assistance would not resolve Israel's economic problems but merely help perpetuate them. Moreover, without economic adjustment Israel will become even more dependent on U.S. assistance in the future. The Israeli government has made some considerable progress to date in developing an adjustment program. But further progress is necessary if their program is to put Israel back on the path of economic health and additional U.S. assistance is to have a durable effect. Accordingly, the Administration intends to hold open for the time being the amount and form of ESF which we will be requesting from the Congress pending further discussions with Israel and further evolution of its stabilization program.

We held a series of very useful discussions recently with Israeli Minister of Finance Modai on Israel's current efforts and those it hopes to take in the future. These discussions were a very useful contribution to our dialogue, which is continuing, and a step forward in our consideration of how additional U.S. economic assistance could support an effective Israeli stabilization program.

Our discussions will continue to focus not only on short term stabilization measures, but also on Israel's longer range development objectives so that Israeli citizens can have confidence in a brighter, more prosperous future. We agreed during Prime Minister Peres' visit last October to work together to promote foreign investment in Israel, particularly in the high technology area where Israel has a comparative advantage. Both governments are examining existing programs and frameworks which might help to improve Israel's investment climate and attract venture capital from abroad. It is clear that in Israel's case -- as in other countries -- mobilizing both domestic and foreign venture capital depends on an atmosphere that encourages private enterprise, appropriate tax structures and market pricing policies. Private sector initiatives hold the greatest promise for helping Israel achieve its development goals, and we are encouraged by the interest that has been generated in both countries. Our real

objective is to support Israel's own efforts to seize the opportunity to establish the fundamental conditions for economic growth in an age of new technology.

Mr. Chairman, I cannot tell you how much I admire the great efforts that Prime Minister Peres and his colleagues have been making in struggling not only with Israel's current economic problems, but other problems in Lebanon, in the peace process, and in their relations with Egypt. Even with all the difficulties in the economy now being faced, I have complete confidence that in the end these problems will be resolved and we will see emerge a healthy, strong and developing Israeli economy with strong leadership there from Prime Minister Peres and his colleagues.

The Camp David accords and the Egyptian-Israeli peace treaty remain the cornerstone of our Middle East peace policy. Egypt has demonstrated its firm commitment to those accomplishments by repeatedly refusing to disavow them as a price for resuming its historic leadership role in the Arab world. Our assistance helps ensure that Egypt will remain strong enough to continue to resist the pressures of radical forces which seek to undo what has been achieved. Egypt remains an important force for moderation and stability not only in the Middle East but also in Africa, where it plays an

important role in helping African states deter Libyan adventurism. Egypt's ability to continue this deterrent role depends heavily on our assistance. The FY 1986 Foreign Military Sales Program has been increased to enable Egypt to continue replacing obsolete Soviet equipment and remain a credible deterrent force in the region. We have proposed a $100 million cash transfer be part of the ESF program in recognition of Egypt's need for more timely balance of payments support now that falling crude oil prices are adversely affecting its foreign exchange earnings.

Another major U.S. interest in the Middle East is to maintain free world access to the vital oil supplies of the Persian Gulf now and in the future. The Persian Gulf countries produce over 25% of the free world's oil supply. Through our assistance, we help to improve the security of our friends in this area. Oman is cooperating closely with the U.S. toward our common goal of maintaining security and stability in that vital area and freedom of navigation through the Strait of Hormuz; Oman's agreement to permit access to its facilities represents a key asset for the U.S. Central Command. Although not recipients of U.S. financial assistance, the other Gulf states and Saudi Arabia, as members with Oman in the Gulf Cooperation Council, have shown the will and the ability to defend themselves against encroachment of the Iran-Iraq war. The Administration is embarking on a comprehensive review of

our security interests and strategy in the area, focusing on how our various programs in the security field complement our efforts in the peace process and contribute to the general stability of the region.

In North Africa we have longstanding and close relationships with Morocco and Tunisia as firm friends and strategically located geo-political partners. Morocco, with whom we have transit and exercise agreements, and Tunisia are both in difficult economic circumstances. Our assistance program in Morocco, in concert with other donors, is designed to help the Moroccan Government as it implements necessary economic reforms. We have expressed to the Government of Morocco our disappointment over the unwelcome development of the Libya-Morocco treaty of August 1984. Qadhafi's aggression against neighboring states and his undiminished support of terrorism and subversion worldwide are continuing causes of concern. We have registered these concerns with the Moroccans and told them that we discount the possibility that association with King Hassan could influence Qadhafi constructively. Despite differing views on how to deal with Qadhafi, however, the economic and political rationale for this assistance to Morocco remains; indeed it is stronger.

South Asia

A major foreign policy objective in South Asia is to obtain a negotiated settlement to get the Soviet Union out of Afghanistan so that the refugees can return and Afghans can exercise their own sovereignty and independence. In our efforts to achieve this goal, it is vital that we help ensure the security of Pakistan in the face of Soviet intimidation. Our six-year assistance program for Pakistan serves this goal. It is designed to support Pakistan's economy and its development and to help strengthen its defenses through provision of military equipment and training.

The U.S. has several important goals in South Asia. We seek to prevent conflict among the major states of the region; to help the region develop economically, and to foster the success of democratic institutions. India, the largest democracy in the world, plays a pivotal role in the peace and stability of the region. Our development assistance program for India will concentrate on more sophisticated research and higher technical training, building on India's strong scientific and technological base. Our assistance programs in Bangladesh, Sri Lanka and Nepal demonstrate U.S. support for the moderate non-aligned policies and economic development of these countries.

Europe

Security assistance proposals for the European region are designed to redress the military imbalance in Europe and counter the increased Soviet military threat in Central Europe and in Southwest Asia. The assistance supports key NATO allies and has the dual result of providing the U.S. with continued access to important military bases and helping these countries modernize their own military capabilities. By so doing, our security assistance sustains confidence in our best efforts commitments which are the foundation of base agreements.

U.S. foreign policy objectives in Spain are to support Spanish democracy, to encourage Spanish movement towards a more open economy, and to contribute to Western defense by assuring continued U.S. access to vital air and naval facilities in Spain. The security assistance program plays a key role in achieving these objectives.

The Spanish military has assumed a role appropriate for armed forces in a democracy. Our assistance is necessary to help Spain meet its goal of modernization to NATO standards and to provide tangible evidence of the benefits Spain receives as a partner in the Western alliance, as demonstrated by its

bilateral relationship with the U.S. as well as its participation in NATO. Our security assistance program thus plays an important role in helping Spain to consolidate and strengthen its new democratic institutions.

Prime Minister Gonzalez' government has taken politically difficult steps to open Spain's traditionally protectionist economy to market forces. This decision was particularly courageous since Spain's economic austerity program has been accompanied by high unemployment. But as a result, the Spanish economy has shown impressive improvement in 1984. Its economic program would have placed a much more onerous burden on the Spanish people without our support. The security assistance program helps in modernizing the economy through scientific and technical exchanges and permits Spain to continue its economic recovery without jeopardizing its military modernization.

Our objectives in Portugal are similar to those in Spain. Portugal is striving to consolidate its 10-year-old democratic institutions while it assumes an expanded role in western political and military structures. It is also pursuing a demanding economic austerity program in an attempt to reform its troubled economy, which is the second poorest in western Europe. The U.S. security assistance program assists Portuguese economic development efforts and permits Portugal to

continue its program of military modernization aimed at assuming expanded NATO defense responsibilities.

U.S. security assistance to Portugal therefore provides both real and symbolic support for Portugal's attempt to strengthen its democracy and free-market economy. It provides a cornerstone for Portugal's attempts to play a more effective role in NATO. It also serves to meet the assistance goals to which the U.S. is committed under the 1983 agreement.

Our security assistance to Greece and Turkey contributes to important strategic policy objectives on the southern flank of NATO. Turkey's position between the Soviet Union and the Middle East and proximity to southwest Asia make it a natural barrier to Soviet expansion into the Middle East and the Persian Gulf. The Soviet invasion of Afghanistan, the Iran-Iraq War and the disintegration of Lebanon highlight the importance of a politically stable and militarily credible Turkish ally in this disturbed region. We also benefit from our military relationship with Turkey by our use of extremely valuable military and intelligence facilities. The United States accordingly has a compelling interest in enhancing Turkey's ability to meet its NATO commitments and deter potential aggression in Southwest Asia through provision of security assistance.

Our interests are not confined to NATO security objectives. We have sought the cooperation of the Turkish Government in promoting a settlement on Cyprus. The Turkish Government accepted and supported the U.N. Secretary General's initiative. We are now working with all the parties to ensure that efforts in the wake of the recent summit in New York to reach a settlement between the Government of Cyprus and the Turkish Cypriot community can move forward. Accordingly, we believe that any attempt at one-sided efforts to impose conditions regarding Cyprus on security assistance to Turkey would not only be unwarranted but would set back the prospects of a settlement on Cyprus.

On the economic side, Turkey has taken far-reaching and courageous steps to stabilize and liberalize its economy. U.S. concessional aid to Turkey is directly and constructively related to Turkey's efforts to create a freer and more sound economy.

We are also seeking a substantial level of security assistance for Greece. We have our differences with the Greek government. We want a better relationship with Greece, but the Greek government has to do its part as well. We recognize Greece's strategic importance in the eastern Mediterranean. We

derive important benefits from our military facilities. Our security assistance program is an important element in our relationship with Greece. It is exceeded only by our request for Israel, Egypt, Turkey and Pakistan.

East Asia and Pacific

Foreign assistance is an investment in the future that can benefit both recipient and donor. This is particularly evident in the East Asia and Pacific region where the returns paid on our foreign assistance investment have been enormous. For some 20 years East Asian countries have achieved higher economic growth rates than any other region of the world. They have achieved these remarkable results principally by relying on the dynamism of free market systems. As a result of this rapid economic growth, the region now accounts for more of our foreign trade than any other region of the world. Since former aid recipients in the region have reached the stage of development where they no longer need bilateral aid, and in some cases have become aid donors themselves, East Asia and Pacific countries now account for only a small portion of our worldwide assistance programs despite the vital importance of the region to the United States.

In spite of this generally bright picture, the region still

has pressing economic and security problems that we must confront. The Administration's FY 1986 foreign assistance request for East Asia and the Pacific that addresses these problems totals approximately $818 million. The requested economic assistance of $335 million will be concentrated in the three largest members of the Association of South East Asian Nations, the Philippines, Indonesia, and Thailand. The bulk of the $483 million requested for military assistance will go to deter direct military threats to Korea and Thailand and to enhance our close military relationship with the Philippines, a treaty ally. We also propose modest assistance programs in other ASEAN countries, in Burma, a country that has become increasingly important to our anti-narcotics efforts, and in the islands of the South Pacific. I would like to highlight some of our specific concerns.

The Philippines has passed through difficult times that have adversely affected the economy. The government has begun to take corrective measures and has concluded an economic stabilization agreement with the International Monetary Fund. These actions are encouraging, but more has to be done to turn the economy around. The Philippine situation is further clouded by a growing armed insurgency by the New People's Army, the military arm of the Communist Party of the Philippines, which has been able to exploit the country's political,

economic, and social difficulties. The revitalization of democratic institutions, the establishment of long-term growth through structural economic reform, the maintenance of our vital security relationship, and the successful resistance to a communist takeover of the Philippines are intertwined. Our integrated economic and military assistance program is designed to support all of these objectives.

Like the Philippines, Thailand is a treaty ally of the United States. It is also a front-line state that faces serious security challenges caused by Soviet supported Vietnamese aggression in neighboring Cambodia. Our security assistance to Thailand supports the government's efforts to improve social and economic conditions in the war-affected Thai-Cambodian border areas that have experienced a large influx of refugees because of continued brutal attacks by Vietnam. The on-going Vietnamese military offensive along the Thai-Cambodian border and frequent Vietnamese forays into Thailand underscore the importance of modernizing Thailand's defense forces to provide a deterrent to further Vietnamese aggression.

The specific efforts of the Philippines and Thailand are reinforced by their membership in ASEAN, which represents the best hope for peace and stability in Southeast Asia. Consistent

with our strong support for ASEAN and in recognition of the importance of our relationship with Indonesia, we have also proposed economic and military assistance for that nation. Indonesia has continued to make good progress in its development program and maintaining sound economic policies in the face of an international recession. Our military sales to Indonesia have enhanced our common strategic interests in Southeast Asia. We also plan to continue the ASEAN regional technical assistance program. In another ASEAN member, Malaysia, where U.S. private investment continues to be a major catalyst of economic growth and development, the government has expressed interest in continued defense cooperation with the United States within the context of that nation's non-aligned status. Malaysia has played a constructive role in international affairs and has forcefully advanced ASEAN's strategy to bring about a withdrawal of Vietnamese forces from Cambodia. We propose to continue our modest military assistance program in support of these efforts.

Another important U.S. treaty ally is the Republic of Korea. The prevention of North Korean aggression against South Korea is indispensable for peace and stability in the region and important to our own security. So far we have been successful in deterring aggression and preventing a recurrence of hostilities on the Korean peninsula. To maintain our support for the U.S.-ROK alliance we propose to continue an FMS

credit program that will permit the ROK to improve the capabilities of its combat forces, many of which are stationed with our own forces along the DMZ and would operate with us under a joint command in time of war.

Multilateral Development Programs

Thus far I have stressed the vital role American bilateral assistance plays in promoting the security and stability of the developing world. As I am sure each of you appreciates, this task is far too great for one country to attempt to do alone. Fortunately, we do not have to. Our friends and allies in the industrialized world devote a considerable amount of their resources to the task of promoting the development process, which in turn yields dividends in the expansion of economic trade and strengthening of democratic institutions. These resources are becoming too scarce to allow for inefficient use of any kind. A coordinated approach among donors has always been desirable. It is now critical.

The principal tool available for such coordination is the pooling of a portion of our economic assistance through the multilateral development banks (MDBs) and the development programs of the United Nations and the Organization of the American States. MDB lending remains a significant and growing source of investment capital for developing countries. In FY

84, MDBs together committed $22 billion in new loans. That a lending program of this size was sustained with a U.S. paid-in contribution of $1.3 billion testifies to the advantages of using the MDBs to share the burden of providing aid. The U.S. benefits directly from the MDBs efforts to promote strong and sustained progress in the developing countries through increased sales of U.S. goods and services. Indeed, a significant portion of the U.S. trade deficit can be attributed to the decline in purchases by debt-troubled developing countries, a decline which appropriate development assistance can help reverse.

While valuable as a source of development finance, the MDBs play an equally critical role by providing sound market-oriented economic policy advice to their borrowers. They also impose financial discipline on the development objectives of their clients. These institutions are devoting increasing resources to projects and programs designed to support private enterprise in the developing world. For many years, the World Bank's special affiliate, the International Finance Corporation, has focussed on the specific needs of the private sector. The regional development banks are beginning to follow the World Bank's lead. The strengthened commitment on the part of these institutions to private enterprise may prove to be one of the most important factors in supporting a successful development process.

We are convinced that the MDBs have a crucial role to play in advancing world-wide growth and development, and increasing the private sector contribution to that process. We thus consider our participation in them a necessary complement to our bilateral assistance policy. In recent years this Administration, acting in close consultation with the Congress, has sought to reduce the cost to us of providing an effective level of support to these institutions, while maintaining U.S. leadership. We have been successful in negotiating overall replenishment levels which we believe are adequate to the needs of borrowing members but also take into consideration our budgetary constraints. Maintaining U.S. leadership, however, depends on our meeting these obligations in a timely manner. I, therefore, urge Congress to support fully our FY 86 request for $1.3 billion.

The United Nations and OAS programs for development also make valuable contributions to the development process. The role of institutions such as the United Nations Development Program (UNDP), the World Food Program (WFP), and UNICEF have complemented our bilateral efforts. We support these programs and continuously and forcefully seek to improve their effectiveness and efficiency.

Summary

In closing, Mr. Chairman, I would like to emphasize the basic theme of this year's budget presentation. We have a responsibility to stick with the policies that have worked or begun to work. Quick fixes, pulling back from the fray, or hoping for diplomatic miracles are not responsible options. But if we stand together, firmly, predictably and realistically defending our principles and our friends, and do so in the steadfast manner the problems require, then we can prevail. Our FY 1986 budget request is designed to do just that.

PRESS
DEPARTMENT OF STATE

March 26, 1985
No. 57

REGIONAL FOREIGN POLICY CONFERENCE

Milwaukee, Wisconsin
April 10, 1985

The U.S. Department of State and the Institute of World Affairs are co-sponsoring a Regional Foreign Policy Conference at the Pfister Hotel in Milwaukee April 10, 1985. Several other organizations in the area--representing business, education, ethnic, women's and civic groups--are cooperating in the day-long program.

The Conference is designed to encourage an exchange of views between citizens of the region and Department of State officials who formulate and implement foreign policy.

The Honorable George S. Vest, former U.S. Ambassador to the European Communities and current Director General of the Foreign Service and Director of Personnel-designate, will deliver the keynote address on U.S.-Soviet Relations at the 12:45 p.m. luncheon. Concurrent panel discussions (9:35 a.m., 11:15 a.m. and 2:15 p.m.) led by Department of State officials and local experts will focus on International Trade, U.S. relations with Central America and the Caribbean, and U.S. policy in the Middle East.

Attendance is limited and by invitation only. Those wishing to attend or desiring additional information regarding the day's agenda, please contact Conference Managers:

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PRESS
DEPARTMENT OF STATE

March 27, 1985
No. 58

A TOAST BY
THE HONORABLE GEORGE P. SHULTZ
SECRETARY OF STATE
IN HONOR OF
AMBASSADOR JEANE J. KIRKPATRICK
Washington, D.C.
March 27, 1985

For further information contact:

PRESS
DEPARTMENT OF STATE

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A TOAST BY
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For further information contact:

Jeane Kirkpatrick's career as an educator did not end when she left Georgetown over four years ago. She simply moved on to a much larger classroom. Over these past four years Jeane has taught an entire nation that courage, conviction, and intellectual integrity are the indispensable qualities of leadership. And she has taught the world, by word and by example, that the values we Americans cherish: freedom, democracy, and commitment to the truth -- are as vibrant and vital as ever. She is the embodiment of the best that America has to offer. And I personally am grateful and proud, as I know every American must be, that a person of her intellectual and personal stature has served as our representative to the rest of the world.

Jeane, your service at the United Nations has been without equal in our history. In the best tradition of the scholar-diplomat, you have brought intellectual vigor, personal charisma, and, above all, a forthrightness to the conduct of diplomacy in a forum where these qualities have long been absent.

You took the helm at USUN when the American renewal, pledged by President Reagan, was just beginning. Thanks to you, that renewal has been carried into the difficult, politicized arena of the United Nations -- once a haven for Western ideals, in recent years increasingly hostile to them. Your courageous and principled stand there has made the United Nations less the "dangerous place" for American interests than it used to be. You have refused to compromise on matters of principle. You have insisted that everyone must act according to the same standards of truth and human decency. You have demonstrated to the world, and -- perhaps just as importantly -- to the nation you represent, that values and standards worth having are values and standards worth fighting for.

Jeane, I feel privileged to have stood beside you and joined you in that fight. And I, too, have learned from you. Your wisdom and your insight into the proper direction of American foreign policy and the role our nation must play in this world have been invaluable. Your in-depth and always illuminating arguments have helped shape the thinking of those who work with you, often in profound ways. Even those who on occasion may have disagreed with you, and I have disagreed with you on occasion, always benefited from your intelligence and your extensive knowledge.

The American people and we, your colleagues and friends, owe you a great debt for your forthright contribution to the public discourse on the great issues of our time. A public servant can render no greater service to a free society.

Ladies and gentlemen, please raise your glasses with mine in a toast to our distinguished colleague. She departs the United Nations and, for the moment, government service, having left an indelible imprint on both. Her lasting legacy at the United Nations will guide us and help us carry on with the work she has begun there. We will continue, in her words, to "take the UN seriously" -- to stand up for truth and integrity, and by so doing make the United Nations a more congenial place to express American views, pursue American interests, and defend and promote American values. Beyond that, we will all try to hold ourselves to the high standards of courage and personal integrity she has set. Jeane, on behalf of all Americans, I salute you.

PRESS
DEPARTMENT OF STATE

No. 59
March 28, 1985

AS PREPARED FOR DELIVERY

ADDRESS BY
THE HONORABLE GEORGE P. SHULTZ
SECRETARY OF STATE
BEFORE THE
AUSTIN COUNCIL ON FOPEIGN RELATIONS
Austin, Texas
March 28, 1985

For further information contact:

One of the most profound moral and political challenges facing our nation today is the effort to control and reduce nuclear weapons.

In recent years, concern about the danger of nuclear holocaust has made nuclear arms control more than ever the focus of national debate. This is all to the good. In our free society, vigorous debate makes us stronger, not weaker, as we work to safeguard our security and protect the peace.

But moral concern about nuclear weapons must be matched by an understanding of the underlying political and military complexities. If it is not, this moral concern can only raise false hopes -- with consequences of the greatest immorality, endangering the prospects for peace.

As we embark on a new round of arms negotiations with the Soviet Union -- the most comprehensive and complex of any in history -- such understanding is more important than ever. Today I would like to discuss these underlying issues with you, and to explain how your government is meeting this challenge.

The Basis of Peace and Stability

Our fundamental goal is to defend our freedom and that of our allies and to reduce the risk of war, especially nuclear war.

The prerequisite of successful arms control -- and world peace -- is the deterrent strength of the United States. This strength has been the basis of international stability and security for the past forty years. The defense policy of the United States and the North Atlantic Alliance has been to have that strength necessary to convince any potential adversary that aggression will not pay. The democracies cherish peace; we would prefer to go about our lives without devoting huge effort and treasure to arming ourselves. But as long as there are others in this world hostile to freedom, and willing to use force to impose their own system, we must be willing to defend what we hold dear. As President Truman expressed it in 1946: "Peace has to be built on power for good. Justice and good will and good deeds are not enough."

For a time in the 1970s, in the wake of Vietnam, we tended to turn away from this reality, and we neglected our defenses. But the Soviet buildup continued without breaking stride.

The Soviets passed the United States in the number, size, and destructive power of offensive missiles; they proceeded to develop more and more modern systems. We essentially froze the number of our missiles; our modernization programs slowed down. As this process continued, the improvements in the Soviet ballistic missile force -- including the prompt hard-target-kill capability of its giant ICBMs -- increasingly threatened the survivability of our own land-based retaliatory forces and our national command structure. The Soviets spent significant resources on passive defensive measures to improve the survivability of their own forces, and they continued to develop active defenses that might eventually be able to counter the surviving U.S. retaliatory forces. These Soviet moves were slowly, but very surely, eroding our capability for swift and effective retaliation -- on which depends our ability to deter any attack. Our concern was heightened by mounting evidence of Soviet violations of previous arms control agreements.

The arms control process has always had as a main goal to ensure deterrence by enhancing stability and balance in the strategic relationship. These Soviet actions were undermining that very goal. The United States had an inescapable responsibility to work to maintain the basic conditions for stability and balance.

To strengthen our deterrent and restore the military balance, President Reagan has moved to modernize our strategic and conventional forces across the board. The MX Peacekeeper missile is a vital element of this policy. I cannot stress too much the importance of continuing on course with this program.

But the American eagle holds arrows in one hand and the olive branch in the other -- and his eyes look toward the olive branch. Our goal is peace, and therefore we are always ready for serious dialogue with our adversaries on ways to control and reduce weapons. The Soviets have now returned to the bargaining table for new negotiations, after their failed attempts to divide us at home and from our allies. Earlier this month, the President dispatched three distinguished Americans -- Max Kampelman, Mike Glitman, and Texas' own John Tower -- to lead our side in these crucial negotiations. With a strengthened deterrent, an alliance that has withstood Soviet pressures, and the impressive vote of confidence given by the American people last November, we are now in a good position for successful arms control. Our steadfastness -- and our continuing commitment to serious negotiations -- have brought us to this promising moment. This is a lesson we must not forget in the arduous months and years ahead.

Our Objectives at Geneva

What are our objectives in these new negotiations? Our four basic aims are stability, reductions, equality, and verifiability.

First, we seek arms control measures that enhance strategic stability. An agreement, if it is truly to promote security, must decrease and minimize the incentives one side might have to preempt or strike first in a crisis. By this means, arms control can help reduce the danger of war.

Our second objective is reductions. Our arms control proposals represent a historic and systematic effort to reduce the levels of nuclear weapons substantially -- rather than, as in the past, only legitimize their increase. When the SALT I negotiations began in 1969, the Soviet Union had about 1,500 strategic nuclear weapons. Today, the Soviet arsenal has grown to more than 8,000 strategic nuclear weapons, yet it still remains within most of the limits of the SALT I and SALT II treaties. The radical reductions that we seek today would reverse the arms buildup and result in a more stable balance at lower levels of forces on both sides.

Our third objective is equality. Reductions must leave both sides with equal or equivalent levels of forces. An agreement that leaves one side with a unilateral advantage could only create instability. Soviet strategic power is centered in its land-based missile force; American strategic power is spread more evenly over each element of our triad of land-based missiles, submarines, and bombers. We recognize these differences and are prepared to be flexible and reasonable in taking them into account.

Our fourth objective is verifiability. No American would favor an accord which lacked provision for effective verification of compliance by the parties. Questions about our ability to verify the SALT II treaty were one reason it encountered such opposition. All our efforts to resolve the many complicated issues of stability, reductions, and equality will come to naught in the absence of effective terms of verification. The evidence of Soviet violations or probable violations of existing arms control obligations -- including verification provisions of SALT II -- makes this an inescapable necessity.

In the new Geneva talks, our negotiators will discuss offensive and defensive weaponry with the Soviets in three broad areas: strategic offensive nuclear systems, intermediate-range offensive nuclear forces, and defense and space arms. The President has instructed our negotiators to bargain seriously and vigorously. We will judge the results by the strictest of standards -- whether they would maintain the security of the United States and our allies, ensure deterrence, enhance strategic stability, and reduce the risk of war. We are prepared to be flexible, however, about ways to achieve our objectives. We will meet the Soviet Union halfway in finding a mutually acceptable approach.

In the field of strategic arms, our negotiators are authorized to explore ways of bridging differences that separated the two sides' positions in the earlier START talks. In those talks, we offered to explore alternate ways to reduce ballistic missile throw-weight, in response to Soviet criticism that our proposals would require restructuring of Soviet forces. We were willing to consider indirect limits such as those we originally proposed, direct limits if the Soviets preferred, or any other serious Soviet proposals. In response to the Soviet criticism that the original U.S. proposal was not comprehensive, we dropped our two-phased approach and proposed a draft treaty.

This treaty included equal limits on heavy bombers and held the number of air-launched cruise missiles allowed on each bomber to a level below that of SALT II.

We remain ready to explore trade-offs between areas of U.S. and Soviet advantage in order to begin the process of reducing overall numbers, particularly the numbers of the most destabilizing systems -- highly MIRVed ICBMs. For our part, we are ready to limit the potential capabilities of our heavy bombers.

With regard to intermediate-range nuclear forces (INF), we believe the position that we outlined in the fall of 1983 in the earlier INF talks provides a framework for a fair agreement. Our ultimate objective has been and remains a zero-zero outcome -- the complete, global elimination of this entire class of longer-range INF missiles. The continuing Soviet deployment of SS-20 missiles, now with over 1200 warheads, makes this goal all the more important. We are also ready to consider interim steps, such as a balance at equal levels of warheads in a global context. The United States is prepared to consider foregoing deployment of its full global allowance in Europe. We are ready to talk about possible aircraft limitations, and to be flexible on other points as well. We look to the Soviets to be equally flexible.

There remains a third area under discussion at the new Geneva talks, namely defense and space arms. Here we seek a dialogue on how both sides together may begin to move from the current strategic situation toward a more stable framework for deterrence, one relying more and more on non-nuclear defensive systems. In these discussions, we will present our concerns about the erosion of the Anti-Ballistic Missile Treaty regime, including Soviet actions that have called that agreement's premises into question. In turn, we will provide the Soviets with a comprehensive rationale for our Strategic Defense Initiative -- or "SDI" -- and be prepared to address the entire question of defense and space weapons.

The Strategic Defense Initative

For at least the past thirty years, deterrence has rested on the ultimate threat of offensive nuclear retaliation; the United States and the Soviet Union have each been hostage to the nuclear forces of the other. Our retaliatory deterrent has enabled us to live in peace with freedom. We strive to deter war with the minimum level of military power consistent with that purpose. If there is no alternative to the threat of offensive nuclear retaliation, then this is the necessary and moral course.

But if, with adequate defenses, we could deny the potential aggressor any hope of achieving his objectives through military power, so that neither side's population was at risk to the other, then that would become the preferable and moral course.

Effective defenses against ballistic missiles would enhance deterrence by reducing or eliminating the efficacy of the attacking weapons. Such defenses, with the ability to intercept first-strike missiles, would take away incentives for an aggressor to attack first in a crisis. They would also provide an insurance policy, in the remote possibility that deterrence failed, by shielding us and our allies against attack.

In his seminal speech of March 23, 1983, President Reagan proposed that we explore the possibility of countering the awesome Soviet missile threat with defensive measures. He offered a vision of a world in which the mutual hostage relationship might eventually be replaced by something more secure -- by systems that could intercept and destroy missiles before they strike their targets. Such a strategic world would be, not to any single nation's advantage, but to the benefit of all. As the President asked, "Wouldn't it be better to save lives than to avenge them?"

We recognize that deterrence will have to rely on the threat of offensive nuclear retaliation for many years to come -- though at sharply reduced levels, if the Geneva talks succeed. With this understanding, we now begin a major research effort: the SDI. We believe that it will provide the basis for a considered judgment, sometime in the next decade, on the feasibility and practicality of providing a shield for the United States and our allies against ballistic missiles.

Defenses, if feasible, will also aid our objective of deep reductions in offensive missiles. A strategic balance at sharply lower levels is more vulnerable to the risk of cheating. The lower the agreed level of arms, the greater the danger that concealed deployments could be of a magnitude to threaten the other side's forces. But with feasible defenses in place, so many illegal missiles would be required to upset the balance that significant cheating could not be concealed.

Indeed, this very point was made by Foreign Minister Gromyko, who told the United Nations General Assembly in 1962 that antimissile defenses could be the key to a successful agreement reducing offensive missiles. They would, he said, "guard against the eventuality . . . of someone deciding to violate the treaty and conceal missiles or combat aircraft."

Mr. Gromyko and other Soviet leaders in the past have often discussed the value of defenses. I would hope that he and his colleagues would review those statements, and come to acknowledge again the merit of our position today on the potential value of strategic defense.

I have emphasized that the defenses would have to be feasible. Feasibility means, first, that any new defensive systems must be reasonably survivable; if not, they might themselves be tempting targets for a first strike. Second, it means not just that the systems must work, but that they must be cheaper to produce than would the new offensive systems needed to overcome them. In short, they must be cost-effective; otherwise it would make sense to produce offensive weapons in numbers sufficient to overwhelm the defenses.

A change in the cost relationship of offensive to defensive forces would have revolutionary and potentially quite beneficial effects. Cost-effective defenses would change the marginal incentive for investment away from offensive to defensive systems. In turn, even an imperfect, but cost-effective, defense system would vastly complicate any aggressor's first-strike planning, and further reduce his temptation to consider a preemptive nuclear attack.

The Transition to a New Strategic Environment

The road to this safer world would have to be traveled with care. In making the transition from today's near-total reliance on offense, our objective would be to deploy defensive systems which, at each step of the process, make a first strike even more difficult. By doing so, we would not only enhance stability, but also provide further incentives for reducing offensive forces.

The feasibility criteria we have adopted -- survivability and cost-effectiveness -- are designed precisely to ensure that any transition period is a stable one. Thus, survivability means less temptation and incentive for either side to attack these new defensive systems at a moment of political crisis during the transition period. Phasing-in of truly cost-effective defensive systems will mean that offensive countermeasures -- such as piling up more missiles to swamp the defenses -- are a losing game.

SDI is not a bid for strategic superiority; on the contrary, it would maintain the balance, in light of the rapid Soviet progress in both offensive and defensive systems. Nor is SDI an abrogation of the ABM Treaty.

President Reagan has directed that the research program be carried out in full compliance with the Treaty. He has also made clear that any future decision to deploy defenses that were not permitted by treaty would have to be a matter of negotiation.

This does not mean giving the Soviets a veto over our defensive programs, any more than the Soviets have a veto over our current strategic and intermediate-range programs. But our commitment to negotiations does reflect a recognition that we should seek to move forward in a cooperative manner with the Soviets. Given the early stage of our research, many of the details of such a transition are by necessity still unclear. Nonetheless, we look forward to discussions in Geneva with the Soviets on the implications of new defensive technologies for arms control and strategic stability, and on how best we can both manage any transition to such defenses.

Thus far, the Soviets have not accepted the idea of such a cooperative transition. This should neither surprise nor particularly dismay us. At this point the Soviets still are seeking to undermine our domestic and allied support for SDI research, while they proceed with their own efforts. They are tough-minded realists, however.

As our research proceeds, and both nations thus gain a better sense of the future prospects, the Soviets should see the advantages of agreed ground rules to ensure that any phasing-in of defensive systems will be orderly, predictable, and stabilizing. The alternative -- an unconstrained environment -- would be neither in their interest nor in ours.

Our SDI program is designed to enhance allied as well as U.S. security. A decision to move from research to development and deployment would, of course, be taken in close consultation with our allies. As the U.S. and Soviet strategic and intermediate-range nuclear arsenals declined significantly, we would seek to negotiate reductions in other types of nuclear weapons. If we could develop the technologies to defend against ballistic missiles, we could then turn our energies to the perfection of defensive measures against these other nuclear weapons. Our ultimate objective would be the elimination of them all.

By necessity, this is a very long-term goal. For years to come, we will have to continue to base deterrence on the ultimate threat of nuclear retaliation. And that means we will continue our modernization programs to keep the peace.

This long-term goal also poses special challenges. Were we to move toward the sharp reduction or elimination of nuclear weapons, the need for a stable conventional balance would come once again to the fore. To maintain NATO's security, continued modernization of conventional forces will be essential -- just as it is in the present conditions of the strategic balance. At the same time, we must continue to press for reductions in conventional forces -- in particular, for mutual and balanced reductions in troop levels in Europe. The world community should also devote urgent attention to the need to limit and indeed eliminate the menace of chemical weapons. We have made such a proposal with a draft treaty presented by Vice President Bush last spring in Geneva to the Committee on Disarmament.

We must remember, as well, that deterrence would continue to be the basis of our security, even were we to make this transition to a defense-dominated world. The difference would be that, rather than resting on the threat of Mutual Assured Destruction, deterrence would be based on the ability of the defense to deny success to a potential aggressor's attack -- whether nuclear or conventional. The President has called this strategic relationship Mutual Assured Security.

The Debate over SDI

Some argue against SDI. They say the balance of terror has worked, so why tamper with it? They also say SDI will lead to an offensive arms race as the Soviets move to counter our defenses -- as if the Soviets have not been engaged for the past twenty years in the greatest offensive buildup in history, one far beyond legitimate security needs.

These critics overlook two other central points. The first is that the pace of technological advance in offensive weapons -- such as increasing missile accuracy and mobility -- could over time undermine the principles on which the mutual hostage relationship has rested. SDI is a prudent and wise investment in our future safety. It would enhance, not undercut, deterrence.

The second point the critics overlook is that the Soviets have their own version of an SDI program, and have had it for years, long before ours. Behind the propaganda about the alleged "militarization of space" you will find the expenditures, the military and research personnel, the laboratories, testing grounds, and weapons of an ambitious Soviet strategic defense program.

The Soviet Union has always placed great reliance on strategic defense. Over the past twenty years, the Soviets have spent approximately as much on defense as on their massive offensive program. They have long made major investments in civil and air defense; they have the world's only operational anti-satellite weapon system, and the only operational ABM system, around Moscow. The 1972 ABM Treaty permits one such system; we abandoned ours, but they have maintained and modernized theirs. The Soviet Defense Forces -- one of their five military services -- number 500,000 strong, more than the Soviet Navy or Strategic Rocket Forces.

We have persuasive evidence that the Soviets have long been investigating the defensive technologies on which our SDI research will focus. Their high-energy laser program is considerably bigger than ours and continues to grow. There is also much evidence of a major Soviet research effort in the development of particle-beam weapons.

The ABM Treaty limits the deployment of ballistic-missile early-warning radars to locations along the periphery of the national territory of each party and requires that they be oriented outward.

At Krasnoyarsk, almost 400 miles inside the frontiers of the Soviet Union, a new radar, oriented across Soviet territory, is under construction in violation of the Treaty. Other Soviet activities suggest that the Soviet Union may be preparing a nationwide ABM defense -- an action which, of course, would entirely negate the ABM Treaty. Twenty-three Democratic members of the House of Representatives just sent a letter to General Secretary Gorbachev, pointing out that if the Krasnoyarsk matter "is not resolved in a satisfactory manner, it will have serious consequences for the future of the arms control process." Halting and reversing this erosion of the ABM Treaty is another objective we have set for the Geneva talks.

My point here is clear: The United States is not alone. We are not starting another arms race. We are starting a research program that complies with the ABM Treaty. Rather than asking what will be the Soviet response to SDI, critics ought to be asking: Given the Soviet Union's major strategic defense effort and its huge offensive forces, what are the consequences for deterrence, stability, and Western security if we do <u>not</u> pursue an adequate research effort?

Prerequisites for Successful Arms Control

These are the issues we intend to pursue in Geneva. They represent a full agenda. The United States is committed to seek progress; we hope the Soviets have the same commitment.

We in the West can facilitate progress if we bear in mind what progress depends upon. History suggests there are three prerequisities.

The first, which I explained earlier, is the need to keep up our guard and our strength. In the past we have had a tendency to focus either on our military strength or on negotiations. To succeed, we must treat them both in tandem, as two essential components of a sensible national security strategy. That is the plain reality of international politics. Talk, without the strength to back it up, is just that: talk. The Soviets must understand that in the absence of an equitable, verifiable agreement, we will be as strong as necessary to maintain our freedom and deter war.

The other two prerequisites are patience in seeking the agreement we desire, and unity both at home and with our allies.

We are embarked on the most complex and comprehensive negotiations to limit arms in the history of man. In these talks we face Soviet diplomats who are practiced, patient, and determined. They will try to wear us down. They will also try to undermine our positions by deceptive propaganda, by specious appeals to public opinion, here and in Europe, by subtle and not so subtle threats, just as they did for two years during the START and INF talks.

The opening of the Geneva talks a few weeks ago, like my meeting with Foreign Minister Gromyko in January, received much publicity and attention. This is understandable. It reflects the hopes of all people, hopes we share. But if we are ever to attain those hopes, we must be patient. We must recognize from experience that the talks may be long and arduous. Every negotiation has been protracted. The talks that led to the 1963 Limited Nuclear Test Ban Treaty took eight years; the 1968 Non-Proliferation Treaty took four years; SALT I, almost three years; SALT II, nearly seven years. Ever since bilateral nuclear arms control negotiations with the Soviet Union began some thirty years ago, the Soviets' rigid perception of their military requirements and their hostility to proper measures of verification have been significant obstacles. But we, for our part, are ready to move ahead as fast as possible. We will not be the obstacle.

The third and perhaps most important prerequisite is unity, both at home and with our allies.

Many of our problems in the past fifteen years have resulted from divisions here at home. Probably the greatest cost of the Vietnam War, after its terrible toll in lives, was the shattering of the national consensus on defense that was forged in World War II and that carried us through the most difficult days of the Cold War. Today, I believe a new consensus is emerging -- a growing majority behind the need for a strong defense coupled with serious and realistic efforts for reliable arms control agreements with the Soviets. And we see a new patriotism, a new pride in America.

Last November, the American people overwhelmingly expressed their confidence in President Reagan and his policies. The Administration has the responsibility to consult with the Congress, and we are doing all we can, in a spirit of cooperation. Congress has the duty to debate and criticize, to approve expenditures and to consult in the formulation of general policy. We in the Executive Branch have the constitutional responsibility to conduct the negotiations.

To aid Congress in its role, we had with our delegation at the opening of the Geneva talks a distinguished bipartisan group from both Houses. Should a treaty be negotiated, it will require the Senate's advice and consent to ratification. But if the Congress does not back us in many other ways, we may not have a good treaty to bring home for advice and consent.

The same principle applies to our relations with our allies. The Soviet attempt to prevent the deployment of Pershing and cruise missiles in Europe failed, utterly, because we allies stood together as we have for decades. The Soviets may make this attempt again, in the context of the new talks. We must continue to stand together if we want these talks to succeed. The Soviets will be watching closely for signs of differences and disarray in the West. If they see such signs, they will only be encouraged to step up their political warfare while prolonging negotiations and waiting for unilateral concessions. But if they see us united, we will have hastened the day of serious negotiation and furthered the prospects of success.

The Geneva talks will be of unprecedented complexity. We must be careful not to permit our revulsion against war to lower our guard. We must not let our hopes, noble as they are, blind us to the daunting realities of the arms control process.

But there are favorable factors at work. America is recovering its economic vitality, its military strength, and its self-confidence. We stand firm with our staunch allies. If we in the West are patient and united, combining resolution with flexibility, then we have good prospects of success. We can attain the goal we all share: reducing the danger of war and building a constructive and secure relationship with the Soviet Union in the nuclear age.

Thank you.

PRESS
DEPARTMENT OF STATE

No. 59A
April 1, 1985

Q&A SESSION
BY
THE HONORABLE GEORGE P. SHULTZ
SECRETARY OF STATE
BEFORE THE
AUSTIN COUNCIL ON FOREIGN RELATIONS
LYNDON B. JOHNSON LIBRARY AUDITORIUM
UNIVERSITY OF TEXAS
AUSTIN, TEXAS
THURSDAY, MARCH 28, 1985, 1:40 P.M.

PROFESSOR PHILLIP BOBBITT: Thank you, Mr. Secretary, for a splendid and sobering effort. I will ask the first question, and then I'll ask the Secretary to come up here and recognize the rest of you for a brief question and answer period.

My question is, we say we will discuss offensive and defensive systems in Geneva. Don't we mean, simply, that we will attempt to persuade the Russians of the advantages of defensive systems much as you have done today; and that having gotten to the table with the promise of such discussions, we would, in fact, never agree to a ban on deployment or a testing ban no matter how much the Russians are spending on defensive systems now?

SECRETARY SHULTZ: Of course, we will try to persuade the Soviets of what we think is a sensible way to move the strategic doctrine.

I think one may recall that Albert Einstein, at the dawn of the nuclear age, said: "Everything has changed but our way of thinking." And he was pointing up the fact that in many scientific, engineering, technical, physical ways, it's often much easier to change than it is how we think about things.

And what the President is calling for here is a real shift of gears in what the strategic deterrence concept rests on. So

it represents a change in the way of thinking. When the President made his speech in March two years ago, the reaction of the arms control intellectuals and experts -- the people who know everything -- was almost universally negative. The instinctive reaction in polls of the American people was interested.

As people have thought about it more, learned more about it, there's come to be a change in perception, and we now see experts in the field, both Democratic and Republican who were very skeptical at the outset, writing, saying, "You know, maybe the President has got something there."

We see some of the same things going on in Europe.

Certainly, when you have a system of strategic deterrence, based on offensive capability that has worked for the peace in Europe for all this time, you don't abandon it lightly. And, of course, we're not calling for its abandonment. What we're calling for is a research program that has the potential of changing what deterrence rests on.

So when you say, "Aren't we going to try to persuade the Soviet Union of that," we certainly are. We think the case is a very strong one, and we at least entertain the hope based on the historic orientation of the Soviet Union to defense. After all, they have been invaded and invaded and invaded. They're very conscious of defense. You don't really have to change their way of thinking. They've always thought about defense.

As I pointed out in my talk, they have been spending far more on defense than we have, and they have started research on strategic defense long before we have. So it's not a new idea.

Going back and looking up some of the things that Soviet leaders have said, picking up the comment of Foreign Minister Gromyko of 20 years ago, we find that they were saying exactly what we are now saying. Maybe their light went on a long time ago and it is just going on. Maybe their problem is they have been looking to the defensive side; they just don't want us to.

But at any rate, when they see that we are really looking at this, and have an important, serious research program going on, perhaps we will be able to persuade them of a different view. At least we're certainly going to try. This section of the talks will be chaired by Max Kampelman who is a very persuasive negotiator.

As to the question of what we will do if the research proves successful, the President has said, on many occasions, that the ABM Treaty calls for negotiation, and so we will prepare to negotiate.

I tried to describe the nature of a transition. It may be we're way ahead of the game in even trying to describe such a thing. But still we feel if we're going to present the concept, we should think it through. It should be noted that a negotiated transition, where you have an understanding on both sides about what is happening, is much more stable from our point of view than an unconstrained one.

So even if we have the knowledge, we have a stake in a negotiated transition. I think I can say, not only on the basis of what I hear the President say, and so on, but also on a basis of where our interests lie -- of course, the two things will line up -- that we want to see a negotiated change to a different kind of deterrence if it turns out that the research measures up to the tests that I have set out, and we don't know the answer to that question. If we did, we wouldn't bother doing the research.

QUESTION: Secretary Shultz -- Charles Ross. What we are talking about at this point, frankly, is looking at some very long-range problems toward the politics of the economics of the choices of technology of strategic defense and our relationship with the Soviet Union as each nation builds towards, hopefully, a consensus and a view towards reducing the armaments picture overall.

The problem really that we have to look at, and which you were speaking of in your talk, was looking at that (inaudible) period between the time when, if research determines that we can build a moderately effective SDI or ASAT approach to defense, and the Soviets can also, it must be presumed, develop the same thing within some period of time, we have a very serious problem in negotiating that transition.

Do you see any particular approaches that might be useful in dealing with the Soviet Union in working on that transition phase. The comparable period is the period between now and the 1990's when the Trident II (inaudible) will be deployed as to form an effective deterrent.

Our problem with SDI will be so much more complicated, of course, but the dynamic is approximately the same. How do we get over the transition phase when the threat of having an

in-place defensive system will be very great and yet the (inaudible) will be very low?

SECRETARY SHULTZ: I think I just gave a speech designed to answer that question.

Without repeating it, I think we get there, first, by maintaining our strength, by being ready to have deterrence based on offensive capability maintained, we hope, at lower levels, as is our proposal -- a radical reduction; by trying to show everybody -- our public, our allies, the Soviet Union -- what we think a future world might look like if it turns out that strategic defense is possible, and by working our way toward how a transition should be managed. And, as I've said, I think a negotiated transition is the right way to go.

I think it is important to set out -- and I have emphasized the strategic defense point in my speech because it has gotten the bulk of attention recently; but it's important to set out that our first and foremost objectives right now are to bring about reductions, radical reductions, in nuclear arms.

Can we do it? Well, it remains to be seen, but let me give you some markers of progress.

President Carter, early in his Administration, had the idea that arms control should be pointing toward massive reductions. He sent Secretary Vance to Moscow, you remember, to propose something along those lines, and Secretary Vance got thrown out on his ear, to put it colloquially but I think accurately.

President Reagan, during the 1980 election campaign, was very critical of SALT II and, for that matter, of other arms control agreements on the grounds that they ratified increases and didn't call for reductions, which is what he said he thought they should be about. And then when it came to the INF and START talks, he proposed radical reductions.

On the whole, he was heavily criticized for doing that, as people said, "Why are you doing that? It shows that you aren't serious." Remember? I can tell by your question, you know a lot about the subject.

The result of our discussions in Geneva last January was that we set out objectives for these talks, and the objectives include radical reductions, pointing to zero.

Obviously, these are words. Whether there's any reality behind the words remains to be seen. That is what we're going to negotiate about.

Admiral Inman?

Admiral Inman is not only a hero of the past, he's a hero of the present, as far as I'm concerned. He's undertaken the Chairmanship of a task force that is helping us think through our security problems around the world from the standpoint of the State Department. I'm very grateful to the work and time and creativity that he's putting into it.

ADMIRAL BOBBY INMAN: Thank you, Mr. Secretary. Before I get into it, the more I understand the complexity of your policy and the more I regret I agreed. (Laughter) We'll see it through.

We've seen stories coming out, talking about demonstration systems -- SDI -- that focus only on trying to defend existing missile systems so one can interpret it to be permitted under the treaty now.

I just want to make sure I understood you very clearly today. My understanding is that you are saying that the policy is no demonstration systems; proceed with the research. And if there is, in fact, to be a decision to proceed with the system, one would enter into negotiation about that process. And that, in fact, it is not, at least at this point, efficient that along the way a demonstration system would be put into effect before the entire research demonstrates the feasibility of the whole concept?

SECRETARY SHULTZ: The ABM Treaty calls for negotiations if any deployment, other than that permitted under the Treaty, is to be undertaken. The President has said and said and said that what we are now in the midst of is a research program entirely within the framework of the Treaty; and that if we approach an issue that involves something different than permitted from the Treaty, then that will be a subject for negotiation. So we continuously said that.

Of course, the question of whether or not you would have a system -- you say a "demonstration system" or a system to protect a certain area or not, as we all know -- the Treaty permits you to have a system in a area. And the Soviet Union has one around Moscow. We don't.

I might say, we shouldn't blame the Soviet Union for that, and we don't. That's no violation of any treaty. That's

just them being a little more on the ball than we are, and willing to invest in defense more than we are. I think probably it reflects also a technical judgment on our part that as of, say, 15 years or so ago, the technology was not advanced enough to really make it cost-effective. But now, without knowing what the answer is for sure, those who are involved in the field -- and I'm no expert; I can only take peoples' word for it -- but those who are involved in the field think that there is genuine promise, so there's a different technical situation.

It springs, in part, from the idea that you don't go at this by thinking how you would defend a particular place, but rather how you would, in a so-called layered defense, intercept missiles before they really get started in the upward part of their trajectory rather than the downward part of their trajectory. So there's a whole different concept involved here. That doesn't quite lend itself, I think, to the notion that you were talking about.

PROFESSOR BOBBITT: This will be the last question.

QUESTION: Mr. Secretary, in the past five or six months we've heard conflicting reports of the political will and wisdom of sharing technological findings from SDI research with the Soviets.

My questions are (1) is the Reagan Administration prepared to take a position on sharing such information, and (2) would not such an exchange of information be required in order to meet your third objective, which you stated earlier in your speech, that being equality in the arena of nuclear forces?

SECRETARY SHULTZ: If we get to the point where we have assurance from the research that the kind of system being posited is really possible, and we start to try to negotiate a transition regime, then a transition means that both sides are going to do some things that are different in the field of defense, among other things.

So at that point there will have to be some sharing, and the President has said that. Exactly what you share and how, of course, very much remains to be seen. In the meantime, we have a very vigorous and active program designed to deny to the Soviet Union the fruits of U.S. and Western technology that can be used for the build-up of their military capability.

I think the evidence is quite strong that through buying things on the market, through espionage, and other forms of

leakage of technology, we have made a big contribution to their military capability, and that's dumb. We should try to stop it, and we are trying to stop it very actively.

But that is a different proposition from a negotiation in which we say that it is to our advantage to have a negotiated transition. And if we think it's to our advantage, then we have to be willing to talk about the things that will make it possible. But, as I say, we are a long way from that moment, a very long way from that moment. So we can only speculate.

Since we believe this is, at least, potentially such an important concept, and it is so much more humane, in a way, to think of deterrence in this manner, that we should be trying to do as much exploring of the ground as possible.

In the meantime, we want to reduce, as much as we possibly can, the levels of these very threatening nuclear arms. The burden of the negotiations, as far as we are concerned, is right there.

The Soviets have said that anything that will happen on the offensive side depends upon what happens in the space defense area, and so we'll be arguing through those areas. We feel that if there is an agreement for reductions that seems to be in the interests of both parties, we should go ahead with it, whether we've gotten far enough in our research or not. And just how this will turn out, in fact, if we get to that point, remains to be seen.

But, of course, as I said in my talk, always we have to keep in front of us the responsibility we have to have the capability to defend our freedom, to defend our values, and not ever allow ourselves to get in the position where we can't do that and therefore invite aggression against us.

The way to keep the peace is by being peaceful, but also by being strong.

I've often thought about the Great Seal of the Republic, and referred to it in my speech, which is, as you know -- as I said -- the Eagle [illegible] there with arrows in one hand and the olive branch in the other.

It's kind of interesting in the refurbished diplomatic rooms in the State Department, on the Eighth Floor, there is a lot of furniture from the olden days with replicas of the Great Seal on it that go back 150 and 200 years. Frequently, in those Great Seals, the Eagle's eye is facing the arrows. You may know that at the end of World War II President Truman

noticed that and he decreed -- he signed an Executive Order and there was some legislation, and so forth -- that said henceforth, in any governmentally-approved rendition of the Great Seal of the Republic, the Eagle will always be facing the olive branch to show that the United States always will seek peace, but the Eagle will always hold onto the arrows, recognizing that the strength there is necessary if we are to keep the peace.

Thank you very much.

PROFESSOR BOBBITT: Thank you.

(Standing applause)

(Q&A Session concluded at 2:05 p.m.)

PRESS
DEPARTMENT OF STATE

No. 60
March 29, 1985

PROGRAM FOR THE OFFICIAL WORKING VISIT TO WASHINGTON, D.C. OF HIS EXCELLENCY TURGUT OZAL, PRIME MINISTER OF THE REPUBLIC OF TURKEY, AND MRS. OZAL.

April 1-5, 1985.

Monday, April 1

6:00 p.m. — His Excellency Turgut Ozal, Prime Minister of the Republic of Turkey, Mrs. Ozal and their party arrive Andrews Air Force Base, Maryland via Lufthansa Airlines Chartered Aircraft.

6:20 p.m. — Arrival Washington Monument Grounds, (Reflecting Pool Side).

The Honorable George P. Shultz, Secretary of State, and Mrs. Shultz will greet the party on arrival.

6:30 p.m. — Arrival Madison Hotel, 15th and M Streets, Northwest.

Private dinner and evening.

Tuesday, April 2

11:30 a.m. — Prime Minister Ozal will meet with President Reagan at the White House. At the conclusion of the meeting, President Reagan will host a working luncheon in honor of Prime Minister Ozal, Old Family Dining Room, The White House.

S/CPR - Mary Masserini
Madison Hotel - Protocol Office,
862-1600 Ext. 1501

Tuesday, April 2 (continued)

3:00 p.m. Prime Minister Ozal will meet with The Honorable Thomas P. O'Neill, Speaker of the House of Representatives; The Honorable James Wright, Majority Leader; The Honorable Robert Michel, Minority Leader, Speaker's Office, Room H-210, U.S. Capitol.

3:30 p.m. Prime Minister Ozal will meet with Members of the United States House of Representatives, Room 2200, Rayburn House Office Building.

6:30 p.m. His Excellency Dr. Sukru Elekdag, Ambassador of the Republic of Turkey, and Mrs. Elekdag will host a reception in honor of His Excellency Turgut Ozal, Prime Minister of the Republic of Turkey, and Mrs. Ozal, 1606 23rd Street, Northwest.

Dress: Business suit.

PRESS CONTACT: Mr. Varol Ackin, 833-8411

Wednesday, April 3

8:00 a.m. Dr. Richard L. Lesher, President, U.S. Chamber of Commerce will host a Breakfast in honor of His Excellency Turgut Ozal, Prime Minister of the Republic of Turkey, U.S. Chamber of Commerce Building, 1615 M Street Northwest.

PRESS CONTACT: Ms. Debra Busker, Ms. Patricia Monahan, 465-5431

10:00 a.m. Prime Minister Ozal will meet with The Honorable George Bush, Vice President of the United States, West Wing, White House.

PRIME MINISTER OZAL WILL MEET WITH THE FOLLOWING AT MADISON HOTEL, PRIME MINISTER'S SUITE:

11:00 a.m. The Honorable M. Peter McPherson, Administrator, Agency for International Development.

11:45 a.m. The Honorable Malcolm Baldrige, Secretary of Commerce.

PHOTO COVERAGE: Photographers to be on 15th floor of Madison Hotel, 15 minutes before scheduled meetings.

Wednesday, April 3 (continued)

1:00 p.m. — Members of the Center for Strategic and International Studies, will host a luncheon in honor of His Excellency Turgut Ozal, Prime Minister of the Republic of Turkey, Caucus Room, Cannon House Office Building, Independence Avenue and North Capitol Street, Southwest.

PRESS CONTACT: Ms. Leslie Milk, 775-3265

2:45 p.m. — Prime Minister Ozal will meet with The Honorable Robert J. Dole, Senate Majority Leader, U.S. Capitol, Room S-233.

3:15 p.m. — Prime Minister Ozal will meet with The Honorable Robert C. Byrd, Senate Minority Leader, U.S. Capitol, Room S-208.

4:00 p.m. — Prime Minister Ozal will meet with The Honorable Richard C. Lugar, Chairman of the Senate Foreign Relations Committee and Members of the Armed Services and Appropriations Committees, U.S. Capitol, Room S-116.

5:30 p.m. — Prime Minister Ozal will meet with The Honorable George P. Shultz, Secretary of State, Madison Hotel, Prime Minister's Suite.

PHOTO COVERAGE: Photographers to be on 15th floor no later than 15 minutes before schedule meeting.

7:30 p.m. — The Honorable George P. Shultz, Secretary of State, and Mrs. Shultz will host a dinner in honor of His Excellency Turgut Ozal, Prime Minister of the Republic of Turkey, and Mrs. Ozal, Department of State, Thomas Jefferson Room.

Dress: Black tie.

Thursday, April 4

10:00 a.m. — Prime Minister Ozal and his party arrive River Entrance, The Pentagon.

Honors Ceremony.

10:15 a.m. — Prime Minister Ozal meets with The Honorable Caspar Weinberger, Secretary of Defense, Secretary's Office, The Pentagon.

Thursday, April 4 (continued)

12:00 Noon — Members of the Press Club will host a luncheon in honor of His Excellency Turgut Ozal, Prime Minister of the Republic of Turkey, National Press Club Building, 529 14th Street, Northwest.

PRIME MINISTER OZAL WILL MEET WITH THE FOLLOWING AT THE MADISON HOTEL, PRIME MINISTER'S SUITE.

3:00 p.m. — The Honorable James A. Baker, III, Secretary of the Treasury.

3:45 p.m. — The Honorable John R. Block, Secretary of Agriculture.

5:00 p.m. — The Honorable Jacques de Larosiere, Managing Director, International Monetary Fund.

7:00 p.m. — The Honorable A. W. Clausen, President of the World Bank.

PHOTO COVERAGE OF ALL ABOVE MEETINGS: Photographers to be on 15th floor of hotel no later than 15 minutes before scheduled meetings.

8:00 p.m. — The Assembly of Turkish-American Associations will host a dinner in honor of His Excellency Turgut Ozal, Prime Minister of the Republic of Turkey, and Mrs. Ozal, Washington Hilton Hotel, 1919 Connecticut Avenue, Northwest, The Grand Ballroom.

Dress: Black tie.

PRESS CONTACT: Ms. Nan Canter, 293-4670

POOL COVERAGE OF ABOVE EVENT

Friday, April 5

8:00 a.m. — Prime Minister Ozal will have a Breakfast-Meeting with The Honorable Alexander Haig, former Secretary of State, Prime Minister's Suite, Madison Hotel.

PHOTO COVERAGE: Photographers to be on 15th floor of hotel no later than 15 minutes before scheduled meeting.

Friday, April 5 (continued)

9:30 a.m.	Prime Minister Ozal will visit the National Gallery of Art, Constitution Avenue at 6th Street, Southwest.
	PRESS CONTACT: Ms. Carolyn Amiot, 842-6359
11:35 a.m.	Prime Minister Ozal, Mrs. Ozal and their party arrive Washington Monument Grounds (Reflecting Pool Side).
11:50 a.m.	Arrival Andrews Air Force Base, Maryland.
12:00 Noon	Departure from Andrews Air Force Base via Lufthansa Airlines Chartered Aircraft.

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NOTE

Recognized Credentials for Coverage of Events:

White House

State Department

U.S. Capitol

U.S.I.A. - V.O.A.

and

Turkish Visiting Press Pass.

* *

PRESS
DEPARTMENT OF STATE

No. 61
March 29, 1985

STATEMENT ON BEHALF OF
THE HONORABLE GEORGE P. SHULTZ
SECRETARY OF STATE
Washington, DC
March 29, 1985

Fifty years ago tomorrow, the first edition of the Wireless File was radioed in Morse code to American diplomatic missions abroad. And, for half a century, this USIA newswire has supplied our diplomats overseas with daily news and information about United States policies. It has become one of the primary means by which our officers abroad keep themselves and host government officials up to date -- through timely texts of public statements, background information, and official translations. In 1985, it is hard to imagine an American diplomatic mission conducting business without the Wireless File arriving daily by computer-link and radio-teletype.

Reliability, speed and thoroughness mark the Wireless File today, as they have for the last five decades. This is a credit to the many hundreds of men and women who have worked on the File since 1935. I salute them, and I extend my congratulations to USIA on another milestone in service to our nation's diplomacy.