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WITHDRAWAL SHEET

Ronald Reagan Library

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

R Ron Sable FYI
3887
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ACTION

May 16, 1986

MEMORANDUM FOR JOHN M. POINDEXTER

THRU: STEPHEN I. DANZANSKY

FROM: STEPHEN P. FARRAR SPF

SUBJECT: International Affairs Funding Crisis

To begin following up on our May 14 discussion of foreign affairs budget problems, we have scheduled a meeting of the NSC for next Friday, May 23. The meeting is intended as a step toward a coordinated Administration response to congressional cuts. Hopefully, the outcome will be creation of a State-chaired task force to design strategies and, after NSC approval, assure their implementation.

Attached at Tab I is a memorandum to Secretary Shultz, informing him of the upcoming NSC meeting and requesting that State prepare a discussion paper for the meeting. Attached at Tab II is a memo to Secretary Baker, urging his support and attaching a copy of the memo to Shultz. While we have alerted State staff to the request, the memos should be signed out today, if possible, to assure a final product by COB Wednesday.

Peter Rodman concurs.

RECOMMENDATION

That you sign the attached memos to Secretaries Shultz and Baker at Tabs I and II.

Approve ____ Disapprove ____

Attachments
- Tab I Memo to Secretary Shultz
- Tab II Memo to Secretary Baker
  - Tab A - Copy of Shultz Memo

DECLASSIFIED
Sec.3.4(b), E.O. 12958, as amended
White House Guidelines, Sept. 11, 2006
BY NARA LM, DATE 6/27/25

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3887

THE WHITE HOUSE

WASHINGTON

~~CONFIDENTIAL~~

MEMORANDUM FOR THE HONORABLE GEORGE P. SHULTZ
The Secretary of State

SUBJECT: International Affairs Funding Crisis

You have been correctly calling public attention to the crisis developing as a result of Congressional action on the international affairs portion of the 1987 budget. The Administration needs to consider strategies for resolving the crisis and, if necessary, strategies for coping with funding levels lower than requested by the President.

I believe a useful step toward shaping an Administration strategy should be a discussion by the National Security Council of the extent of the problem and possible solutions. I have scheduled an NSC meeting for Friday, May 23, for that purpose.

It would be extremely useful if you could prepare a short discussion paper for the May 23 meeting, working as appropriate with Jim Baker to make sure the situation with the multilateral development banks is fully reflected. We will need the paper by COB, Wednesday, May 21, to allow circulation prior to the meeting.

~~CONFIDENTIAL~~
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THE WHITE HOUSE

WASHINGTON

~~CONFIDENTIAL~~

MEMORANDUM FOR THE HONORABLE JAMES A. BAKER
The Secretary of the Treasury

SUBJECT: International Affairs Funding Crisis

The funding crisis emerging in the international affairs accounts will require a concerted effort by all of us in the Administration to resolve. Attached at Tab A is a copy of a memorandum I have sent to George Shultz, requesting him to prepare a paper for a May 23 meeting of the NSC to discuss the problem. As you will note, I have asked George to work with you to assure proper reflection of issues concerning the multilateral development banks.

Attachment
Tab A - Copy of Shultz Memorandum

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Sec.3.4(b), E.O. 12958, as amended
White House Guidelines, Sept. 11, 2006
BY NARA LM DATE 6/27/25

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THE WHITE HOUSE

WASHINGTON

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BY NARA NM DATE 6/27/25

CURRENT NEWS
EARLY BIRD EDITION

WEDNESDAY, MAY 14, 1986

WASHINGTON POST 14 May 1986 Pg.21

Defense Torpedoes Foreign Aid Request

By Joanne Omang
Washington Post Staff Writer

A Reagan administration effort to wring more foreign aid funding out of Congress apparently was derailed yesterday by Republican legislators' annoyance over continued White House refusal to trim defense spending.

Republican leaders, emerging from a morning White House strategy session on the fiscal 1987 budget, said they went prepared to hear a plea from President Reagan and Secretary of State George P. Shultz for another $550 million for beefed-up security at U.S. facilities worldwide and more aid to the Philippines. Shultz already was armed with a Democratic commitment if a bipartisan agreement could be worked out.

Instead, according to several of those present, the meeting bogged down on the administration's insistence on having $4 billion more in defense funds than the Senate has allocated.

Sen. Pete V. Domenici (R-N.M.), chairman of the Senate Budget Committee, "got to talking about having to face reality on defense . . . it got to be a squabble [with Defense Secretary Caspar W. Weinberger] and nothing was resolved," said Rep. William S. Broomfield (R-Mich.), ranking minority member of the House Foreign Affairs Committee. Shultz did not bring up the foreign aid issue.

"We need the leadership of the White House if this [foreign aid increase] is going to be approved, but it was not discussed at what is a crucial time," Broomfield said.

"Shultz missed a golden opportunity, in spite of all his talk," one key House staff member said, referring

REQUEST...Pg.2

WASHINGTON TIMES 14 May 1986 Pg.4

U.S. policy on spy satellites risky, Pentagon official says

By Walter Andrews
THE WASHINGTON TIMES

Recent rocket failures show that U.S. reliance on a few highly capable spy satellites may be more risky militarily than the Soviet approach of relying on more, less sophisticated ones, a senior Pentagon official said yesterday.

Frank J. Gaffney, deputy assistant secretary of defense for nuclear forces and arms control, also took NASA to task for failing to encourage industry competition in the development and production of launch boosters that could place satellites and other "payloads" in space for less cost.

Mr. Gaffney said the Soviet approach to satellites "involves more survivability ... [and] less sophistication in favor of both greater numbers and greater diversity," and that it would be "inherently more resilient" than the U.S. system in the event of war.

At a breakfast meeting with reporters he said, "from a military planner's point of view," he would prefer the "option to adopt a highly redundant, highly diversified posture, much as the Soviets have."

If there is ever a war between the two superpowers, the evidence is that the Soviets are prepared to spread the conflict to space — "going after everything we have there," Mr. Gaffney said.

He declined to discuss specific American intelligence satellites or their capabilities. But non-government space experts have warned that the crash last month of a Titan 34D space booster, said to be carrying the last KH-11 reconnaissance satellite, could cause "a gap" in America's spy satellite capability.

The only remaining KH-11 could begin to wear out late next year, or early in 1988, the experts said, before an improved KH-12 satellite could be launched by the space shuttle, whose rocket boosters are being redesigned because of the January disaster.

Mr. Gaffney said the National

SATELLITES...Pg.6

WASHINGTON POST 14 May 1986 Pg. 21

Pentagon Report: Nuclear Winter Of Discontent

As ordered by Congress, the Defense Department has produced a new report on the nuclear winter phenomenon. Rep. Timothy E. Wirth (D-Colo.), who sponsored the legislation and released the report yesterday, criticized it as "last year's report plus . . . five pages of filler that does not begin to address the many issues concerning nuclear winter raised by Carl Sagan, [Sen.] Barry Goldwater and myself, among others."

One fair criticism Wirth didn't make is that the report is written in

REPORT...Pg.6

Charles A. Bailey, Chief, Current News Branch, 697-8765; Cris Schall, Deputy Chief
Harry Zubkoff, Chief, News Clipping & Analysis Service (SAF/AA) 695-2884

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REQUEST...from Pg. 1

to Shultz's weekend promise to "drop everything" to rescue his $22.6 billion foreign aid and State Department package. Shultz argued to reporters Sunday that U.S. foreign policy commitments will be drastically undermined if Congress sticks by its preliminary funding decisions.

As a result of yesterday's impasse, the House is expected to pass a budget today that will provide $5.6 billion less than the administration request, which could mean cuts of 40 percent to 60 percent in security assistance for nations other than Israel and Egypt, the aide said. The Senate budget resolution passed last week would allocate $17.8 billion, still $4.8 billion short of the administration target.

Other officials said Shultz also could not find time for a proposed meeting on the situation with Rep. Dante B. Fascell (D-Fla.), chairman of the House Foreign Affairs Committee, House Minority Leader Robert H. Michel (R-Ill.) and Majority Leader James C. Wright Jr. (D-Tex.).

Fascell, who warned last February that looming fund cuts could decimate the administration's policies, yesterday offered Democratic support for a rule that would allow the administration to propose a foreign aid increase in today's debate. But the Rules Committee did not hear from the administration.

Shultz did raise the issue with Domenici later in the day in Domenici's office.

Domenici said he responded that "you can't cut everything, raise that and still have no revenues added to the pot." But he did promise to defend the Senate-passed foreign aid outlay figures—$400 million higher than the House allocation—when the measure comes to a House-Senate conference.

Shultz repeated his call for further help to the Philippines yesterday, noting that President Corazon Aquino "inherited a real mess" from ousted president Ferdinand Marcos. "There are real problems and they do need help," he said on NBC's "Today" show.

Shultz said the administration would help in an international effort to raise $2 billion for Aquino's government, "and we'd like to get them more money from here, but the congressional picture ... just

REQUEST...Pg. 4

FOREIGN AID: WHERE THE DOLLARS GO

IN THOUSANDS OF DOLLARS

This chart, based on information from the Agency for International Development, shows actual U.S. economic and military assistance awarded to foreign countries in fiscal year 1985, the last year for which such expenditures are available. The countries are listed by the appropriate AID Regional Bureau. Numbers are in thousands of dollars.

The totals include funds awarded under the following programs: Development Assistance, Economic Support Fund, Food for Peace, Peace Corps, Narcotics Control, Foreign Military Sales, Military Assistance Program and the International Military Education and Training Program.

—James Schwartz

COUNTRY	TOTAL
African Bureau	
Sudan	$253,220
Somalia	104,869
Liberia	81,153
Kenya	78,449
Zaire	67,734
Zambia	50,000
Senegal	47,196
Zimbabwe	36,214
Niger	32,793
Mali	32,096
Mozambique	30,000
Cameroon	27,406
Malawi	26,979
Rwanda	21,667
Botswana	21,227
Chad	20,717
Madagascar	19,680
Ghana	17,041
Lesotho	16,204
Mauritania	15,463
Guinea	11,722
Burkina Faso	10,855
Swaziland	9,856
Sierra Leone	8,715
Uganda	7,946
Djibouti	7,576
Togo	7,307
Mauritius	7,000
Gambia	6,354
Burundi	6,035
Central African Republic	4,136
Ethiopia	3,909
Tanzania	3,278
Guinea-Bissau	3,004
Cape Verde	2,795
Seychelles	2,472
Benin	2,124
Gabon	1,931
Equatorial Guinea	1,071
Congo	1,000
Comoros	400
Ivory Coast	161
Additional Regional Funds	110,792
Total	$1,220,547
Latin America/Caribbean	
El Salvador	$561,076
Honduras	282,571
Costa Rica	216,049
Dominican Republic	178,699
Jamaica	164,624
Guatemala	98,124
Panama	79,411
Peru	70,035
Ecuador	58,604
Haiti	55,021
Bolivia	44,135
Belize	24,730
Colombia	11,476
Grenada	11,191
Mexico	9,896
Paraguay	2,078

COUNTRY	TOTAL
Brazil	750
Uruguay	100
Venezuala	96
Guyana	80
Barbados	69
St. Vincent	56
St. Lucia	48
Antigua	45
Bahamas	44
Suriname	42
Dominica	41
Trinidad and Tobago	39
St. Kitts-Nevis	26
Additional Regional Funds	253,410
Total	$2,122,566
Asia/Near East	
Israel	$3,350,000
Egypt	2,479,883
Turkey	879,490
Pakistan	638,013
Greece	501,366
Spain	414,926
Philippines	269,676
Korea	231,943
Portugal	207,959
Bangladesh	198,874
Jordan	191,877
India	176,049
Morocco	150,096
Indonesia	147,020
Thailand	140,310
Tunisia	96,577
Sri Lanka	65,121
Oman	60,155
Yemen	46,955
Nepal	21,791
Burma	20,669
Lebanon	19,480
Cyprus	15,000
Malaysia	4,981
Fiji	2,484
Micronesia	2,361
Maldives	1,522
Western Samoa	1,166
West Bank	1,373
Solomon Islands	982
Papua New Guinea	971
Gaza	679
Tonga	648
Afghanistan	543
Kiribati	227
Yugoslavia	96
Algeria	64
Singapore	50
Austria	49
Tuvalu	34
Fiji (inland)	32
Iceland	22
Additional Regional Funds	49,334
Total	$10,390,848

THE WASHINGTON POST

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CURRENT NEWS
EARLY BIRD EDITION

FRIDAY, MAY 16, 1986

BALTIMORE SUN
16 May 1986 Pg.15

Pentagon halts Fiatallis deal linked to Libya

By Vernon A. Guidry Jr.
Washington Bureau of The Sun

WASHINGTON — The Pentagon yesterday formally put on hold a deal to buy bulldozers from a company partly owned by Libya in the hope, one official said, of congressional action that would get the Defense Department off the hook on the increasingly controversial deal.

Publicly, a department spokesman, Robert Sims, said Defense Secretary Caspar W. Weinberger was indefinitely blocking the $7.9 million deal with Fiatallis North America, Inc., for bulldozers for the Marine Corps.

"The secretary has decided, as of today, that he will use the national security clause in the contract to avoid awarding it until there has been some resolution of the issue. Our concern is that Libya might get

PENTAGON...Pg.4

WASHINGTON POST 16 May 1986 Pg.1

House Passes '87 Budget Despite Reagan Outcry Over Defense Cutbacks

By Helen Dewar
Washington Post Staff Writer

The Democratic-controlled House, brushing aside last-minute charges from President Reagan that it is taking "unacceptable risks with our national security," voted 245 to 179 yesterday to approve a fiscal 1987 budget that would sharply cut the administration's proposed military spending for next year.

The vote was largely along party lines, with 17 Republicans supporting the Democratic budget and 19 Democrats voting against it. The essentially partisan vote sets the stage for what seems to be emerging as an equally partisan fight over continuation of the administration's rearmament program.

Republican support for the measure also appeared to fall short of the bipartisan backing that House Democratic leaders had been demanding for enactment of tax increases. And, even before the vote, House Speaker Thomas P. O'Neill Jr. (D-Mass.) reaffirmed his insistance that Reagan must "embrace" tax increases before Democrats would support them.

The nearly $1 trillion House budget follows the general outlines of a bipartisan plan adopted last month by the Republican-controlled Senate. But the two versions differ in some key elements, which could cause problems in a House-Senate conference that may be called as early as next week to resolve differences.

BUDGET...Pg.2

NEW YORK TIMES 16 May 1986 Pg.14

Senate Cuts Pensions for Future Service Personnel

WASHINGTON, May 15 (AP) — The Senate voted 93 to 1 today to cut pensions for future military personnel as part of the Congressional effort to reduce budget deficits.

The measure would limit pensions for service members who retire after 20 years of service to 44 percent of base pay. Under the current system, they may retire at half pay.

Under the Senate measure, people who remain in the service for 30 years would be eligible to retire at 75 percent of base pay, as they are now.

The House passed a similar measure three weeks ago by a vote of 399 to 7. It would allow people to retire with 40 percent of their pay after 20 years and 75 percent after 30 years. A conference committee will resolve differences between the two measures.

Change for Future Enlistees

The measure would affect only the pensions of people who entered the service after it became law. Benefits paid to the 1.4 million Americans drawing military pensions and 2.1 million people in uniform would not be affected.

Senator Alfonse M. D'Amato, Republican of New York, cast the lone dissenting vote. He did not immediately explain his action.

Defense Secretary Caspar W. Weinberger and the five members of the Joint Chiefs of Staff opposed the measure. They have argued that it would harm efforts to attract and retain recruits for the nation's all-volunter military force.

Last year, Congress cut the Pentagon's request for spending on the retirement system to $15.3 billion from $18.2 billion in the fiscal year ending this Sept. 30 and ordered the Pentagon to come up with a way to cut future retirement costs as well.

Representative Les Aspin, the Wisconsin Democrat who heads the House Armed Services Committee and who is one of the key Congressional supporters of reducing pensions, said cutting the overall amount the Pentagon could spend on retirement was the only way to force the Defense Department to change its system.

Senator Barry Goldwater, Republi-

PENSIONS...Pg.3

Charles A. Bailey, Chief, Current News Branch, 697-8765; Cris Schall, Deputy Chief
Harry Zubkoff, Chief, News Clipping & Analysis Service (SAF/AA) 695-2884

COMPARING THE BUDGETS
(Billions of Dollars)

	Revenues	Outlays	Deficit	Defense Outlays	Domestic
Fiscal 1987					
House	$857.2	$ 994.2	$137.1	$276.2	$718.0
Senate	857.2	1,001.2	144.0	282.0	719.2
President's Budget*	849.9	1,010.3	160.4	296.7	713.6
Fiscal 1988					
House	941.2	1,047.1	105.9	281.4	765.7
Senate	941.2	1,051.2	110.1	291.8	759.4
President's Budget*	928.1	1,060.7	132.6	316.6	744.1
Fiscal 1989					
House	1,011.9	1,076.2	64.3	290.5	785.7
Senate	1,011.9	1,084.0	72.1	305.1	778.9
President's Budget*	999.9	1,092.1	92.2	336.1	756.0

*Reestimated by the Congressional Budget Office, Feb. 27.
SOURCE: SENATE BUDGET COMMITTEE
BY JAMES SCHWARTZ—THE WASHINGTON POST

HOW SPENDING WOULD BE AFFECTED IN FISCAL 1987
(Outlays in Billions of Dollars)

Function	House	Senate	President's Budget Reestimated*
International Affairs	$ 13.80	$ 14.20	$ 16.50
General Science, Space and Technology	8.75	9.10	9.05
Energy	4.85	4.60	4.35
Natural Resources and Environment	12.25	12.60	12.05
Agriculture	23.55	23.50	22.40
Commerce and Housing Credit	2.20	3.55	3.00
Transportation	25.50	27.80	25.60
Community and Regional Development	7.00	7.20	6.25
Education, Training, Employment and Social Services	30.60	30.55	27.45
Health	38.35	38.30	35.05
Medicare	73.40	72.80	70.60
Income Security	121.40	121.45	119.45
Social Security	209.35	209.40	211.65
Veterans Benefits and Services	26.70	26.45	26.45
Administration of Justice	7.15	7.15	7.05
General Government	5.65	5.40	6.15
General Purpose Fiscal Assistance	2.65	2.80	1.75
Net Interest	143.50	143.95	144.80
Allowances	.60	.55	.75
Undistributed Offsetting Receipts	-39.20	-42.10	-36.85

*By the Congressional Budget Office, Feb. 27.
SOURCE: HOUSE BUDGET COMMITTEE
BY JAMES SCHWARTZ—THE WASHINGTON POST

BUDGET...from Pg. 1

Both come within the Gramm-Rudman-Hollings deficit target of $144 billion for next year, both would cut Reagan's defense spending request, scale back his proposals for domestic spending retrenchment and call for tax increases of about $7 billion more than the president has indicated he is willing to accept.

But the House would cut Reagan's $320 billion defense request to $285 billion, with $3 billion held back until the Pentagon accounts fully for current spending. The Senate, meanwhile, would cut the president's request to $301 billion. The House level is about $2 billion below current spending authority for defense; the Senate would allow slightly more than enough extra spending authority to cover the costs of inflation next year.

While both houses basically would freeze domestic spending, they would achieve the savings in different ways and the Senate savings would be somewhat larger.

BUDGET...Pg. 6

WASHINGTON POST
16 May 1986 Pg. 14

Members Who Bucked Their Party's Majority

The House yesterday approved, 245 to 179, the fiscal 1987 budget resolution proposed by its Budget Committee. Here are the 17 Republicans who voted for it and the 19 Democrats who voted against it.

Republicans For

McKinney (Conn.), O'Brien (Ill.), Conte (Mass.), Davis (Mich.), Stangeland (Minn.), Weber (Minn.), Bereuter (Neb.), Rinaldo (N.J.), Smith (N.J.), Gilman (N.Y.), Horton (N.Y.), Coughlin (Pa.), Schneider (R.I.), Jeffords (Vt.), Bliley (Va.), Miller (Wash.) and Morrison (Wash.).

Democrats Against

Stark (Calif.), Wirth (Colo.), Bennett (Fla.), Hutto (Fla.), Stallings (Idaho), Yates (Ill.), McCloskey (Ind.), Byron (Md.), Dyson (Md.), Carr (Mich.), Reid (Nev.), Mrazek (N.Y.), Solarz (N.Y.), English (Okla.), McCurdy (Okla.), Boner (Tenn.), Lloyd (Tenn.), Coleman (Tex.) and R. Hall (Tex.).

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United States Department of State 4

Washington, D. C. 20520

MAY 16 1986

INFORMATION MEMORANDUM
S/S

TO: The Secretary

FROM: H - James W. Dyer, Acting JWD

SUBJECT: Senate Appropriations Committee Markup of FY-86 Urgent Supplemental Appropriations Bill

The Senate Appropriations Committee (SAC) reported out H.R. 4515, the FY-86 Urgent Supplemental Appropriations Bill. Included in the measure is $660.172 million for the Inman diplomatic security program (vice the Administration's supplemental request of $702 million and FY-87 request of $1.4 billion) to be obligated on September 30, 1986 for disbursement in FY-87 and subsequent years. The bill dropped both the House-passed language forcing us to take the Inman funds from previously appropriated DOD funds or from unobligated and unearmarked ESF, MAP or FMS and the Mica amendment requirement tying appropriated Inman funds to the terms and conditions in the House-passed diplomatic security and anti-terrorism authorization bill.

The SAC also took the following actions in mark up:

-- Approved the Administration's supplemental request of $50 million in MAP and $100 million in ESF for the Philippines but did not provide requested deob/reob authority for prior-year Development and ESF funds, subjected their obligation to existing reprogramming requirements, did not approve our request to deob prior year FMS for the Philippines and transfer these funds ($29.4M) to the MAP account, and adopted Senator Cochran's report language specifying that if Philippines ESF funds are used to purchase commodities, these commodities must be of US origin;

-- Approved the Administration request for $20 million (to come from currently appropriated economic assistance funds) for Northern Ireland (vice $50 million earmarked in ESF in the House-passed bill), subject to enactment of an authorization bill, and dropped the House-passed requirement that the transferred funds come exclusively from ESF;

-- Provided $2.739 million from already appropriated foreign assistance funds for the anti-terrorism assistance program (vice the Administration request of $4.84 million in new funds);

-- Provided up to $21.7 million in economic assistance for Haiti to be transferred from already appropriated bilateral economic assistance accounts rather than from ESF, as in the House bill, and provided that $1.7 million of such funds may be transferred to the Inter-American Foundation for programs in Haiti;

-- Dropped current restrictions against furnishing MAP to Haiti but made MAP availability subject to existing reprogramming requirements;

-- Recommended the extension of current FY-86 Exim Bank direct loan authority contained in the Foreign Assistance Appropriations Act, 1986, through FY-87, thereby making available an additional $462 million in budget authority and $118 million in outlays;

-- Disapproved the Administration's supplemental appropriation request for a $50 million contingency fund, due to budgetary considerations and because of the Committee's longstanding view that such funds are subject to abuse and lack necessary Congressional oversight.

-- Appropriated $178.75 million for the Micronesia Compact of Free Association -- the Administration request -- and appropriates an additional $9.34 million for the Republic of Palau Compact, contingent upon Congressional enactment of legislation that is currently under consideration.

In other action, the Committee adopted report language to accompany the bill which expressed Committee frustration with the deferral issue but recommended against Senate adoption of the House provision to eliminate the President's authority because of the procedural complications it would create in the Senate.

Senate consideration of the urgent supplemental will probably occur next week. The Committee bill as reported does not add to the deficit; therefore, it will not be subject to Gramm-Rudman points of order when it reaches the Senate floor. We anticipate that Chairman Hatfield's efforts on the floor to keep the bill "deficit neutral" will succeed and that the Senate will complete action before the Memorial Day recess begins Thursday, May 22. Due to the great dissimilarities in the two bills, we anticipate a difficult and protracted conference in June.

CNR
Drafted: H:CNRaether:stmcp
5/16/86:x78802
bud #3275

Clearances:
T:RBoyce
M:RStarek
H:MJohnson
AID:RLester

MJ
by CNR

United States Department of State

Washington, D. C. 20520

MAY 19 1986

INFORMATION MEMORANDUM
S/S

~~CONFIDENTIAL~~

TO: The Secretary

FROM: H - James W. Dyer, Acting JWD

SUBJECT: 150 Budget Function Resources: Legislative Update

At your specific direction, H, T, M, and AID have begun daily meetings to consider how best to proceed with efforts to obtain adequate resource levels for Function 150.

At this time we can report the following to you:

-- The Senate will begin consideration today or tomorrow of the FY-86 Urgent Supplemental Appropriations Bill which, inter alia, contains $660.2 million for the Inman program and $150 in ESF and MAP for the Philippines. We are giving thought to an effort to advance a floor amendment providing deob/reob authority for prior-year development and ESF funds for the Philippines. We are also trying to determine if we will be victimized by cutting amendments. The Senate expects to complete action on the bill before the Congressional recess begins Thursday.

-- Drafts of a Presidential statement and/or letter decrying the inadequate resource levels for FY-87 for Function 150 contained in the House and Senate budget resolutions have been sent to NSC. An interagency meeting may be scheduled for Friday, May 23, to develop Administration strategy for issues concerning Function 150. Conference on the budget will not occur until after recess, probably the week of June 2, thereby providing an opportunity to build support for improved FY-87 funding levels. We have asked the White House to weigh in and slow the budget down so we can build up a stronger case.

~~CONFIDENTIAL~~
~~DECL: OADR~~

-- The Obey Foreign Operations Subcommittee has postponed marking up its version of the FY-87 foreign aid bill until after recess. Postponement could work to our advantage. Under consideration is a strategy designed to dramatize the seriousness and magnitude of Obey's anticipated draconian cuts, thereby affording another opportunity to display to Members of Congress -- in particular the Budget Resolution Conferees -- the unprecedented dilemma we face.

Clearances: H:MJohnson
T:RBoyce
M:RStarek
AID/LEG:KKammerer (Subs)

by CNR

Drafted: H:CNRaether:stmcp CNR
5/19/86:x78802
bud #3280

3925 6

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

Copy to Farrar

Ron Sable -Concurrence

ACTION

May 20, 1986

MEMORANDUM FOR JOHN M. POINDEXTER

THRU: STEPHEN I. DANZANSKY

FROM: STEPHEN P. FARRAR SPF

SUBJECT: Draft Presidential Letters and Statement on the 150 Function

State has prepared Presidential letters similar to the ones the President recently signed on the defense budget. The draft describes the serious implications of the cuts and asks that Congress "explore means to reverse or at least minimize" the cuts.

Even though conference on the budget resolution is not likely to be held until early June, conferees are being selected this week. Sending the letters now would provide conferees with a backdrop against which a more detailed Administration strategy could be executed.

Speechwriters and OMB have cleared.

Ron Sable and Mike Donley concur.
with changes noted

RECOMMENDATION

That you sign the attached memorandum to the President recommending that he sign the letters drafted by State.

Approve ____ Disapprove ____

Attachments
Tab I Memo to the President
Tab A - Letters to Domenici and Gray
Tab B - Presidential Statement
Tab II Incoming Material

• HOLD TIL AFTER RECESS - per Dyer

THE WHITE HOUSE

WASHINGTON

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN M. POINDEXTER

SUBJECT: Letters on the International Affairs (150) Budget

Issue

Letters to Senate and House Budget Committee Chairmen Domenici and Gray, and Presidential statement concerning 1987 funding for international affairs.

Facts

The Senate and House 1987 Budget Resolutions are 21% and 25% respectively below the President's request. These levels would seriously damage our foreign aid program, undercut our efforts to strengthen the security of U.S. Embassies abroad, and weaken U.S. foreign policy in many other ways.

Conferees are being selected this week.

Discussion

I recommend that you sign the attached letters and issue the Presidential Statement prepared by State. The letters will provide a base for launching an Administration effort to obtain the best possible result from conference.

The letters have been cleared by OMB. ~~Will Ball~~ and by Will Ball

Recommendation

OK   No

____ ____ That you sign the letters to Senate and House Budget Committee Chairman Domenici and Gray.

Attachments
- Tab A - Letters to Domenici and Gray
- Tab B - Presidential Statement

Prepared by:
Stephen P. Farrar

THE WHITE HOUSE

WASHINGTON

Dear Pete:

I am writing to underscore Secretary Shultz's recent statements on the grave implications of Congressional budget actions in the International Affairs (150) function. As conferees begin to work on a final budget resolution for FY 1987, I hope you will take into account my concern that the funding levels under consideration risk jeopardizing all the progress we have made in the past five years. Today, we have a strong, effective foreign policy, due in large measure to the increased resources we have devoted -- with bipartisan Congressional support -- to international affairs. We must not reverse this situation through unwise budgetary action.

The request for the International Affairs function represents less than 2.3 percent of the entire federal budget. Out of this ~~tiny~~ small fraction, we fund not only our entire foreign assistance program and the State Department's operations, but also numerous smaller programs dealing with the conduct of foreign affairs and international communications and cultural exchanges. For this relatively ~~tiny~~ small* share of the budget, we receive enormous dividends, chief among which is a renewed position of influence and respect internationally.*

Yet, the Congress has taken this ~~tiny~~ small fraction and cut it by as much as twenty-five percent. Moreover, as Secretary Shultz has pointed out, after funding our highest priority commitments to Israel and Egypt, the base rights countries, Pakistan, and Central America, and after allowing for the Congress' addition of over a billion dollars for the Export-Import Bank, the shortfall in the bulk of our foreign affairs programs is more on the order of fifty percent.

*$5B is not "tiny"

Pete, the implications of these reductions are severe. Our efforts in the fragile Caribbean countries of Haiti, Jamaica and Grenada would be undercut. Aid to the Andean countries could not continue, and our efforts to halt the production and illegal export of narcotics from this region would be undermined. Key security assistance programs with vital strategic partners such as Korea and Thailand would probably have to be terminated. Successful humanitarian assistance programs throughout Sub-Saharan Africa and south Asia could not be funded. We would be unable to continue providing adequate assistance to moderate Arab states such as Tunisia, Morocco, Jordan and Oman, thus putting at risk our continuing efforts toward a Middle East peace. That part of our assistance which goes through the international financial and development institutions would also be severely circumscribed, calling into question our reliability in meeting commitments in multi-lateral fora.

The problem is not limited to foreign aid alone. In the wake of increasing threats to our diplomats living and working abroad, I have requested a major Embassy security enhancement initiative. We must be able to protect American lives and property abroad against terrorist activity directed at the United States.

Meanwhile, the ongoing operations of the State Department, USIA and the Board for International Broadcasting must also be funded. Reductions of the kind being discussed could result in substantial reductions in our diplomatic presence overseas which would give the impression of a United States in retreat. This is hardly the sort of posture we should be adopting in the wake of the foreign policy successes we have achieved over the past few years.

Such cutbacks in foreign affairs programs would send a signal to the world that we are retrenching just as an era of new opportunity is dawning. It would be tragic if we were to signal.

send this

In your deliberations on the budget, I ask that you bear in mind the consequences of your decisions for the policies which TOGETHER we have worked so hard ~~together~~ to implement. There must be no further cuts; to the extent possible, I ask you to explore means to reverse or at least minimize the reductions which you have already made. We must continue to pay the relatively small cost of a vital, active foreign policy which tells the world that we stand for peace, freedom and security.

Sincerely,

The Honorable Pete V. Domenici
Chairman, Committee on Budget
United States Senate
Washington, D. C. 20510

THE WHITE HOUSE

WASHINGTON

Dear Bill:

I am writing to underscore Secretary Shultz's recent statements on the grave implications of Congressional budget actions in the International Affairs (150) function. As conferees begin to work on a final budget resolution for FY 1987, I hope you will take into account my concern that the funding levels under consideration risk jeopardizing all the progress we have made in the past five years. Today, we have a strong, effective foreign policy, due in large measure to the increased resources we have devoted -- with bipartisan Congressional support -- to international affairs. We must not reverse this situation through unwise budgetary action.

The request for the International Affairs function represents less than 2.3 percent of the entire federal budget. Out of this tiny fraction, we fund not only our entire foreign assistance program and the State Department's operations, but also numerous smaller programs dealing with the conduct of foreign affairs and international communications and cultural exchanges. For this relatively tiny share of the budget, we receive enormous dividends, chief among which is a renewed position of influence and respect internationally.

Yet, the Congress has taken this tiny fraction and cut it by as much as twenty-five percent. Moreover, as Secretary Shultz has pointed out, after funding our highest priority commitments to Israel and Egypt, the base rights countries, Pakistan, and Central America, and after allowing for the Congress' addition of over a billion dollars for the Export-Import Bank, the shortfall in the bulk of our foreign affairs programs is more on the order of fifty percent.

Bill, the implications of these reductions are severe. Our efforts in the fragile Caribbean countries of Haiti, Jamaica and Grenada would be undercut. Aid to the Andean countries could not continue, and our efforts to halt the production and illegal export of narcotics from this region would be undermined. Key security assistance programs with vital strategic partners such as Korea and Thailand would probably have to be terminated. Successful humanitarian assistance programs throughout Sub-Saharan Africa and south Asia could not be funded. We would be unable to continue providing adequate assistance to moderate Arab states such as Tunisia, Morocco, Jordan and Oman, thus putting at risk our continuing efforts toward a Middle East peace. That part of our assistance which goes through the international financial and development institutions would also be severely circumscribed, calling into question our reliability in meeting commitments in multilateral fora.

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Such cutbacks in foreign affairs programs would send a signal to the world that we are retrenching just as an era of new opportunity is dawning. It would be tragic if we were to signal.

In your deliberations on the budget, I ask that you bear in mind the consequences of your decisions for the policies which we have worked so hard together to implement. There must be no further cuts; to the extent possible, I ask you to explore means to reverse or at least minimize the reductions which you have already made. We must continue to pay the relatively small cost of a vital, active foreign policy which tells the world that we stand for peace, freedom and security.

Sincerely,

The Honorable William H. Gray, III
Chairman, Committee on Budget
U. S. House of Representatives
Washington, D. C. 20515

PRESIDENTIAL STATEMENT

The President today informed the Congress of his concern over deep reductions being proposed in foreign affairs programs. The Senate Budget Resolution would reduce the President's request by twenty-one percent, and the House Budget Resolution proposes a twenty-five percent reduction.

As conferees begin to work on a final budget resolution for FY 1987, it is imperative to understand that the funding levels under consideration risk jeopardizing the progress we have made in the past five years. Today, we have a strong, effective foreign policy due in large measure to the increased resources we have devoted -- with bipartisan Congressional support -- to international affairs. We must not reverse this progress through unwise budgetary action.

The request for the International Affairs function represents less than 2.3 percent of the entire federal budget. Out of this tiny fraction, we fund not only our entire foreign assistance program and the State Department's operations, but also numerous smaller programs dealing with the conduct of foreign affairs and international communications and cultural exchanges. For this relatively tiny share of the budget we receive enormous dividends, chief among which is a renewed position of influence and respect internationally.

Yet the Congress has taken this tiny fraction and cut it by as much as twenty-five percent. Moreover, as Secretary Shultz has pointed out, after funding our highest priority commitments to Israel and Egypt, the base rights countries, Pakistan, and Central America, and after allowing for the Congress' addition of over a billion dollars for the Export-Import Bank, the shortfall in the bulk of our foreign affairs programs is more on the order of fifty percent.

The implications of these reductions are severe. Our efforts in the fragile Caribbean countries of Haiti, Jamaica and Grenada would be undercut. Aid to the Andean countries could not continue, and our efforts to halt the production and illegal export of narcotics from this region would be undermined. Key security assistance programs with vital strategic partners such as Korea and Thailand would probably have to be terminated. Successful humanitarian assistance programs throughout Sub-Saharan Africa and south Asia could not be funded. We would be unable to continue providing adequate assistance to moderate Arab states such as Tunisia, Morocco, Jordan and Oman, thus putting at risk our continuing efforts toward a Middle East peace. That part of our assistance which goes through the international financial and development institutions would also be severely circumscribed, calling into question our reliability in meeting commitments in multilateral fora.

The problem is not limited to foreign aid alone. In the wake of increasing threats to our diplomats living and working abroad, the President has requested a major Embassy security enhancement initiative. We must be able to protect American lives and property abroad against terrorist activity directed at the United States.

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Such cutbacks in foreign affairs programs would send a signal to the world that we are retrenching just as an era of new opportunity is dawning. It would be tragic if we were to send such a signal. We must continue to pay the relatively small cost of a vibrant, active foreign policy which tells the world that we stand for peace, freedom and security.

3925

8615430

United States Department of State

Washington, D.C. 20520

May 16, 1986

MEMORANDUM FOR VADM. JOHN M. POINDEXTER
WHITE HOUSE

SUBJECT: Draft Presidential Letter and Statement on the 150 Function

A draft Presidential letter to Senate and House Budget Committee Chairmen Domenici and Gray expressing strong concern over Congressional action on the International Affairs (150) function of the budget is attached. We are also forwarding a draft Presidential statement on the same subject for release by the Office of the Press Secretary.

for Nicholas Platt
Executive Secretary

Attachments: as stated

3925

8615430

United States Department of State

Washington, D.C. 20520

NATIONAL SECURITY COUNCIL

May 19, 1986

SPEECHWRITERS:

May I have your comments/clearance on the attached ASAP.

Thanks.

Steve Farrar, NSC
X-3543

OK Speechwriting

May 16, 1986

M. JOHN M. POINDEXTER
E HOUSE

›tter and Statement on the

to Senate and House Budget
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for Nicholas Platt
Executive Secretary

Attachments: as stated

7

Shultz Foreign Aid Bid Came Too Late

By Christopher Madison

There may be a "new" George P. Shultz who is more aggressive about saying exactly what he thinks. But judging from his recent effort to stave off cuts in the fiscal 1987 foreign aid budget, the Secretary of State's new tack may not be producing any more victories than the "old" low profile.

In mid-May, Shultz took the unusual step of seeking out a press audience—the Overseas Writers Club—to make a case for the Reagan Administration's foreign aid program, which was being clobbered in House and Senate budget deliberations.

Shultz's aim was to stir up enthusiasm for a program without a constituency. "We have to be willing to pay for a strong foreign policy," he told the group in a May 14 speech.

He also suggested ominously that Members of Congress were damaging national security by cutting foreign aid.

But Shultz's speech came too late to have any impact on the budget: The Senate had already passed its budget resolution, and the House would be acting the next day.

Both House and Senate budgets cut the Administration's over-all international programs budget request by about 20 per cent, and, under the procedures resulting from the Balanced Budget Act, there will be little opportunity to increase the foreign aid budget through the appropriations process.

More than anything, Shultz's speech raised questions about his lack of involvement with Congress on the foreign aid budget: Where had he been for the past three or four months?

"He could have gotten better numbers if he had worked with Congress earlier in the process," said a Senate staff member who focuses on the foreign aid budget.

Other congressional sources said key Members of the House and Senate had been attempting to get Shultz's attention on the budget issue for months, with no success.

During House consideration of the budget resolution, Rep. David R. Obey, D-Wis., chairman of the Appropriations Subcommittee on Foreign Operations, said, "I told the Secretary of State in January in a meeting in his office, and I told him again when he appeared before our committee, and I told the Secretary of the Treasury that if they were not willing to pay for an expansion of our foreign assistance, there is no way they could expect Congress to provide an expansion in foreign assistance."

The Administration seems to have been wearing blinders on the foreign aid issue since the beginning of the year, when President Reagan sent up a foreign aid budget of $22.6 billion, slightly higher than what he proposed last year.

At the same time, to meet targets set by the Balanced Budget Act, Congress was moving in the opposite direction, making cuts in the 1986 spending levels approved by the appropriations and authorizing committees last year.

The result is that the Administration will get substantially less than it requested for foreign aid. The Senate budget resolution sets spending for all international affairs programs at $17.8 billion, and the House resolution sets it at $17 billion. A conference committee was expected to iron out the differences.

Foreign economic and military aid is only part of the international affairs budget. Reagan proposed $16 billion for those aid programs. The Senate reduced that amount to $13.3 billion, and the House cut it to $11.5 billion.

The consequences of the reduced foreign aid program will be substantial. Senate budget negotiators assume a 10 per cent reduction from 1986 spending levels, which already had been reduced after the passage of the new budget law. The House budget assumes a 20 per cent cut.

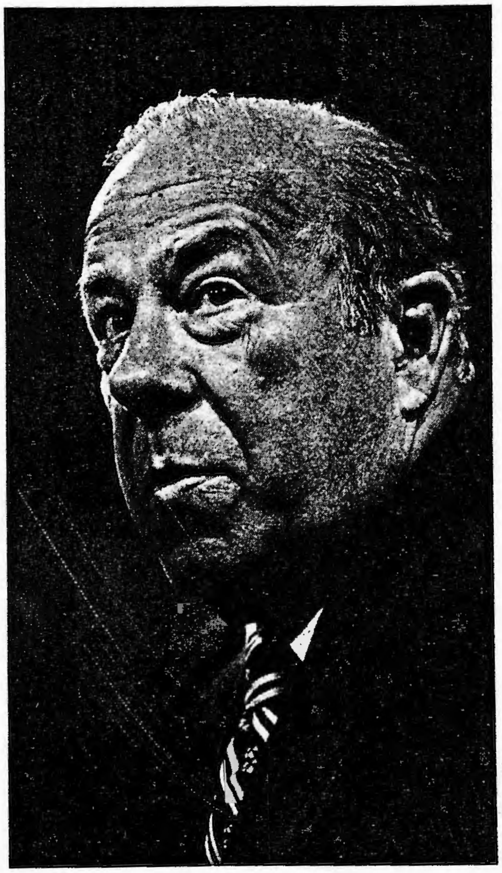
But aid would not be cut to all countries. It is widely assumed that Israel and Egypt, the two largest aid recipients, would be kept at levels close to this year's, as would so-called base-rights countries such as Greece and Turkey, where U.S. aid levels are tied to the presence of military bases.

The result is that aid to all other recipients will be cut, some by as much as 25 per cent.

Also facing cuts will be Reagan's request for the State Department's operating budget and for the ambitious $4.4 billion embassy security program. In action that will probably be closely adhered to by the Appropriations Committees, the Senate Foreign Relations Committee approved only a two-year, $1.1 billion embassy security program.

But the impact on some existing programs may not be as severe as Shultz suggested when he warned that cuts would cause "mayhem."

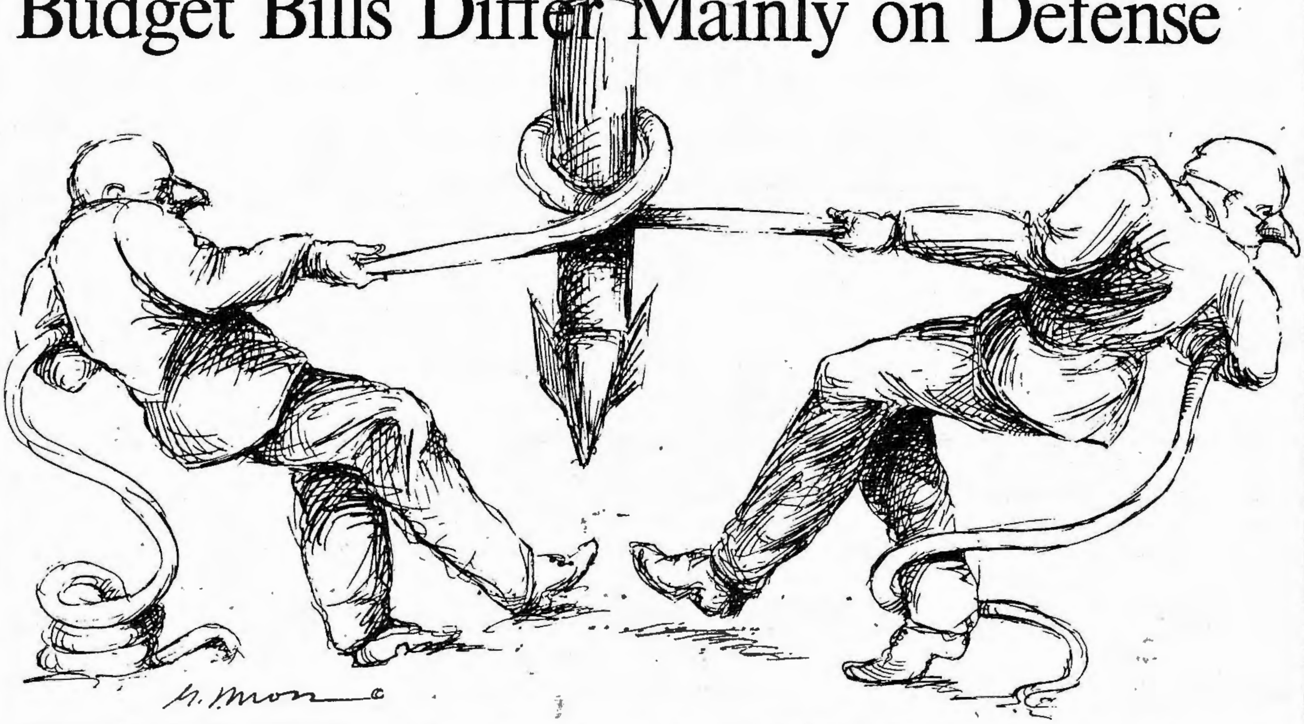
Congressional sources said that Shultz had been advised by department officials that budget levels contemplated by Congress could mean shutting down as many as 41 embassies and consulates overseas. Shultz declined to use that number publicly because he was suspicious that it was too high, and congressional budget experts say the number of closed embassies is likely to be closer to 6 than 41. □



Richard A. Bloom

Secretary of State George P. Shultz
His higher profile got no results.

Budget Bills Differ Mainly on Defense



By Jonathan Rauch

With the first round of budget action completed in both chambers, the Senate and House began negotiating on May 20 over budget resolutions that look, as a House Republican aide put it, like Tweedledum and Tweedledee, except on one key issue: defense spending.

Defense "is *the* issue, there's no doubt about it," said Sen. Dan Quayle, R-Ind. A House Democratic aide, asked about points of difference, said, "Defense, defense and more defense."

The bipartisan-backed Senate resolution amounts to a domestic budget freeze at fiscal 1986 levels, a defense increase of 1-2 per cent in addition to inflation and a tiny tax increase. *(See NJ, 5/10/86, p. 1148.)* The Democratic-backed House resolution—a domestic freeze, a tiny tax increase and a defense cut from the fiscal 1986 level of 2-3 per cent after inflation—adopts the same approach, with differences visible mostly on the level of fine detail. In broad outline, the House and Senate didn't come up with much to fight over—proving Senate moderates right when they predicted that House Democrats would not walk away from a bipartisan Senate budget.

"Basically," said House Budget Committee chairman William H. Gray III, D-Pa., "we're very close on the domestic side, and we're not that far apart on the defense side, when you really look at it."

Taken together, the two budget resolutions underscore the extent to which lawmakers of both chambers and both parties have confined their options to a sliver of the spectrum, narrowly circumscribing the budget debate. Even where the House and Senate disagree most strongly—over defense and taxes—their divergences seem minute in the context of a trillion-dollar federal budget.

On defense, the Senate assumes new spending authority of $940 billion through fiscal 1989; the House, $887 billion. The Senate figure for fiscal 1987 is $301 billion, the House's, $285 billion. Over three years, the Senate figure is about 6 per cent above the House's. The difference is significant, but the basic policy assumption of both chambers is the same: The big defense buildup of President Reagan's first term is over, and the dramatic downward shove Congress gave to defense spending projections in last year's budget cycle is going to stick. The question now is one of fine-tuning.

Still, it is a question with the potential to tie up budget negotiations for months, as Congress found out in 1984, when the Senate held out all summer for a higher defense number than the House would cede, finally compromising at the last minute. "I think it's going to be a longer conference than many people think," Quayle said.

Quayle was a leader in Senate conservatives' successful drive this year to add $6 billion in new defense spending authority over the level approved by the Senate Budget Committee. To get enough conservative votes to put a Republican majority behind the Senate's budget resolution, Budget Committee chairman Pete V. Domenici, R-N.M., promised to do his utmost to hold the line on defense in negotiations with the House. "Many of us who voted for the budget did so on the understanding that this is the bottom line" on defense, Quayle said. "There just simply isn't any room for compromise."

Whether this is so, getting a majority of Senate Republicans to approve a budget resolution with much less than $300 billion in it for the Pentagon in fiscal 1987 may be a difficult, if not hopeless, job. And the House is reluctant to go up much. Although the two sides may split the difference at $293 billion—the level adopted by House Republicans in their budget alternative—getting there could pose a problem.

The argument over revenues concerns $4.7 billion, or 0.5 per cent of federal revenues—a microscopic sum. House Democrats continue to maintain that they will not raise revenues

Both Chambers' Budgets Defy Reagan

that Reagan and House Republicans don't ask for. Reagan requested $6 billion in new tax money. House Democrats, like the Senate, assume $10.7 billion in new revenues in their budget resolution. But they say that the $4.7 billion in excess of Reagan's request will be earmarked for some kind of deficit reduction trust fund and that the House will not ultimately raise the money unless Reagan or House Republicans or both ask for it.

According to Gray, the main difference between the Senate and House budgets is that the Senate would raise $5 billion in revenues beyond Reagan's request and spend it on defense; the House would spend the same $5 billion to reduce the deficit below the $144 billion target prescribed for fiscal 1987 by the new Balanced Budget Act. In effect, Democrats' strategy is to tie the defense and tax issues together: If Reagan wants a higher defense figure, he will have to ask for the tax money to pay for it.

There are some other differences between the resolutions: clashes over foreign aid, for example. And the Senate would cut medicaid, which the House would expand a little; the Senate would cut medicare while the House would more or less leave it alone. Both chambers would rely on a domestic spending freeze at this year's level and an assortment of budget reestimates, user fees and asset sales to bring the deficit down. *(See box, this page.)* Finally, both budgets look for as many ways as possible to reduce the deficit without making big policy choices. Following is a more detailed breakdown of the two measures:

Domestic spending: The House resolution would freeze most discretionary accounts at fiscal 1986 levels and then cut an additional 2.5 per cent. That may make life difficult for the appropriators. In a variety of categories, however, the House measure offsets the cuts with increases. The freeze exempts programs for the poor and veterans. As with the Senate resolution, the only big cut in entitlements would be the elimination of general revenue sharing, for savings of about $4.6 billion a year.

Inflation reestimate: Like the Senate, the House reestimated cost-of-living adjustments (COLAs) for social security and other programs at 2 per cent in fiscal 1987 rather than the 3.4 per cent previously assumed, producing savings on paper. Also like the Senate, the House does not account for the loss of federal revenues that will also accompany lower-than-expected inflation. Any actual COLA savings would probably be more than offset by lower revenues.

User fees: The House would impose new fees on use of services provided by the Customs Service, the Nuclear Regulatory Commission and the Coast Guard. The Senate calls for the same customs fee and recreational and navigational user fees.

Asset sales: For the House, as for the Senate, the big item here is the sale of the Consolidated Rail Corp., for projected receipts of $1.4 billion-$1.8 billion in fiscal 1987. Beyond that, both chambers assume a wide variety of sales of federal loans. Typical examples: The House assumes the sales of loans held by the Small Business Administration and the Education Department.

Oil overcharge receipts: The House assumes that legislation will be passed to settle claims of oil company overcharges and to give a $2.2 billion share of the proceeds to the federal government. The Senate spreads the receipts out over three years.

The White House likes neither budget and has called the House resolution "a radical anti-defense budget" that constitutes "nothing less than a breach of faith with our common duty to protect this nation."

But most of Reagan's budget went out the window in March when Domenici rejected it, and now the White House appears to be almost entirely on the defensive, with Congress setting the pace and the direction. □

Budgets Side by Side

Here is a comparison of the House and Senate budget resolutions, by major category of deficit reduction measure. The so-called baseline deficit, the amount of the deficit under current policy, is adjusted from the $183 billion figure in use earlier this year to reflect deficit cuts enacted since then. All figures are in billions of dollars by fiscal year; numbers may not add to totals due to rounding.

	1987		1987-89	
	House	**Senate**	**House**	**Senate**
Baseline deficit	$175	$175	$472	$472
Deficit reductions:				
Defense spending	8	2	43	12
Domestic spending	8	9	42	52
COLA reestimate	3	3	10	11
User fees	1	1	3	2
Oil overcharge receipts	2	1	2	2
Asset sales	4	3	3	5
Revenues	11	11	46	46
Interest	2	1	17	15
Resulting deficit	$137	$144	$307	$326

SOURCE: House Budget Committee

8

NATIONAL SECURITY COUNCIL

5/27

Lynn Sachs —

FYI — State draft memo to Shultz.

Steve Farrar

~~CONFIDENTIAL~~

TO: The Secretary

FROM: T - William Schneider, Jr.
M - Ronald I. Spiers
AID - M. Peter McPherson
USIA - Charles Z. Wick

SUBJECT: The Budget - Where Do We Go From Here?

SUMMARY

The budget for international affairs is in serious trouble. Both the House and Senate budget resolutions imply major shifts in our foreign assistance policies, the conduct of foreign relations and information/exchange programs. This memo reviews how we got into this situation and details a strategy for minimizing further damages to our interests between now and the final appropriations acts later this year.

BACKGROUND - How We Got Here

Our FY 1987 request for Function 150 was in trouble even before it was delivered to the Hill. The OMB guidance was based on the original FY 1986 request plus a small increase for inflation. Partly because the Continuing Resolution

cc: ISA
Econ

~~CONFIDENTIAL~~

dragged into mid-December before passage, the guidance was never adjusted downward to account for the much lower actual appropriations and the subsequent sequestration. As a result, the $22.6 billion FY 1987 budget proposal represented a 10 percent increase over FY 1986. In the new Gramm-Rudman atmosphere of fiscal austerity, and when compared with the drastic cuts and outright program eliminations being sought in the rest of the non-defense portion of the budget, it was clear that foreign aid and State operations - never very popular on the Hill under the best of circumstances - would suffer deep reductions from the request and possibly even from the already-low enacted baseline. Our position in testimony that the FY 1987 request was only a modest increase over our original FY 1986 proposal - which Congress sharply cut and sequestration reduced further - has never enjoyed much support.

As the Congress began considering the budget as a whole, it became clear that Function 150 would be a hostage to the larger debate over defense, domestic spending and taxes. Even before the request was made public, the Senate Foreign Relations Committee held a closed-door session with senior Administration figures and warned against increases of the kind being discussed. At your appearance before the Senate Budget Committee, Chairman Domenici pleaded with you to intervene with the President on the issue of revenue enhancement and modified defense growth. Only through such compromise, he said, could he hold the line on cuts in the 150 Function and keep us straightlined at current levels. More radical was the approach Chairman Obey took during your appearance before the Foreign Operations Subcommittee of the House Appropriations Committee. He asked you to resubmit the entire request; otherwise, he threatened to report out a bill that would gut foreign assistance except for Israel and Egypt.

During this period, White House strategy dictated that we steadfastly support the entire request. Whereas in previous years this Administration had always negotiated backstage compromises with Senate Republicans, this year the approach was to stand back, let the congressional budget process disintegrate into gridlock, and then work in the appropriations committees to strike acceptable deals. Unfortunately, the Senate's passage of a budget resolution last month derailed this strategy. You have attracted considerable attention to our plight in your recent statements. Now we must work to limit any further damage to our foreign policy interests.

The Numbers - A Damage Assessment

The methodology used by the budget committees began with the "CBO Baseline" (representing FY 1986 enacted levels adjusted for inflation) from which they made adjustments up or down. For Function 150, every adjustment went down with the exception of the allowances made for the Inman Diplomatic Security Initiative (see Tab 1 for detail). The House assumed full funding for Inman, in accordance with the recommendation of the HFAC. The Senate, however, made a major reduction in FY 1987, allowing only about a third of our request and also made no allowance for the carryover outlays associated with the FY 1986 supplemental for Embassy security. Given the likelihood that the a supplemental will pass (albeit at less than our request), the effect will be that the supplemental will use up more than the FY 1987 outlays available for the security program activity under the Senate mark, leaving no outlays to accommodate the FY 1987 portion of the program.

Our problem is that virtually everything else in the Senate version is superior to the House version, except for USIA and BIB. Excluding the differences on Inman, the Senate allows about $1.5 billion more than the House for the rest of the function (see Tab 2).

The Budget Conference

With this in mind, we should support a budget conference goal of obtaining the higher of the two levels for each account plus some additional outlays for Inman. This means we would be seeking a 150 total larger than the Senate mark. Senate Budget Committee staff advise that such an outcome could probably arise only in the context of an Administration willingness to go along (at least tacitly) with the revenue enhancements contained in the Senate bill. Failing that, higher outlays for Inman would have to come out of Function 150. We would need to determine how much outlay headroom we need for Inman, identify our preferred 150 source for these outlays, and work to influence conferees accordingly. House Democrats are certain to target security assistance as a source of any additional outlays for Inman.

The 302(b) Crosswalk

Once (or if) a final budget resolution is completed, we will need to follow the allocation of ceilings to the appropriations subcommittees very carefully. We understand that the Budget Committee staffs have agreed not to publish sub-function detail of the final 150 mark, supposedly to facilitate the House's acceding to the Senate on security assistance levels with minimum embarassment. The problem with this is that it will encourage, even more than usual, Jamie Whitten's penchant for dipping into 150 to increase the allocation to the Agriculture subcommittee. We must seek as fair a 302(b) crosswalk as possible. To do this, we need to learn what guidance the Budget Committees give the Appropriations Committees concerning subcommittee allocations. We believe that you should then contact Whitten to ensure a fair treatment for 150 accounts. We will work with the moderate Democrats on Obey's subcommittee to do the same. Our best understanding of the likely allocations deriving from the Senate and House budget resolutions to the three subcommittees concerned (Foreign operations; State, Commerce and Justice; and Agriculture) is at Tab 3.

In the Subcommittees

Once the 302(b) allocation process is complete, our efforts will be focused on the three appropriations subcommittees with jurisdiction over 150 accounts.

Foreign Operations - the House side will move first; in fact, Obey had hoped to mark up on May 21, but the absence of a firm 302(b) caused even the other Democrats to recommend postponement. Obey will move quickly after the budget conference concludes, and can be expected to go ahead anyway if the conference stalls. He has threatened to produce a bill limited to Israel, Egypt and a few other "popular" programs such as Peace Corps, maintaining that anything more would be impossible to bring to the floor. Obey's agenda is in fact much broader than his foreign operations portfolio; he is basically using foreign aid as a vehicle to force the White House to compromise on defense and tax issues. We cannot expect a very favorable treatment in this subcommittee, but we must work to ensure a mark which, in the aggregate, equals the 302(b) allocation. We would then work to improve the mix between economic/military and multilateral/bilateral in conference.

On the Senate side, we will work with more sympathetic members and staff, and will try to structure a bill designed to counter Obey in conference. Our strategy will depend on what Obey produces, but it could involve taking funds from Title I (multilateral banks and international organizations) to plus up those Title II and III bilateral programs (ESF, MAP, FMS) which Obey is likely to underfund. Similarly, we may be able to free up some Title IV resources through pending legislation to make unused FY 1986 Eximbankmoney available in FY 1987, and working with Domenici to get CBO's agreement to score our I-Match export-subsidy program off-budget. The net result could be $500 million to spread in Titles II and III.

State, Commerce and Justice - once the 302(b) process is complete, we should work to keep 150-derived allocations from going to Commerce or Justice programs. On the Senate side, Chairman Rudman has stated privately that he would use any additional Inman funds for Justice's prison programs. At the right time, you may want to approach him (and Ed Meese) to safeguard the 150 accounts. Meanwhile, USIA and BIB are each below freeze levels in both House and Senate levels; we may need to lobby appropriators to provide a bit more than the implied budget resolution levels for these small but important programs. BIB has a particularly severe funding problem resulting from exchange rate losses.

Agriculture - PL 480 is usually our least difficult account, although this year the funding levels are under more pressure than usual. However, commodity price reductions may ease the problem.

Alternate Approaches

All of the above assumes the budget and appropriations process moves along in predictable fashion and, of course, it never does. If the budget conference bogs down, it would be prudent for us to seek some sort of government-wide omnibus appropriation or continuing resolution, from which we might be able to obtain better mark-up levels than we would under separate appropriation acts.

If the process seriously stagnates, the Gramm-Rudman sequester machinery would engage and we would be reduced by a fixed percentage across the board from our FY 1986 post-sequester levels. Current estimates of the likely sequester hover around 7 to 10 percent. Such an outcome might be beneficial to foreign aid accounts, but it would be devastating for State operations and Inman.

Clearances:

M - RFeldman
AID - KKammerer
USIA - SSilverman
H - MJohnson
BIB - PSchleuter
OMB - PDuSault

(BOYCE #129)

CONFIDENTIAL

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9

THE WHITE HOUSE

WASHINGTON

May 29, 1986

MEMORANDUM FOR THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF DEFENSE
THE SECRETARY OF AGRICULTURE
THE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET
THE DIRECTOR OF CENTRAL INTELLIGENCE
THE ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT
THE DIRECTOR, UNITED STATES INFORMATION AGENCY
THE PRESIDENT OF THE EXPORT-IMPORT BANK
THE DIRECTOR, PEACE CORPS
THE CHAIRMAN, BOARD FOR INTERNATIONAL BROADCASTING

SUBJECT: Senior Interdepartmental Group on International Affairs Funding for 1987 (C)

The President has directed that a Senior Interdepartmental Group (SIG) be created on international affairs funding for fiscal year 1987. The SIG, to be chaired by the Department of State, will develop an Administration strategy for responding to cuts in the international affairs function contained in House and Senate budget resolutions for 1987. (C)

The SIG will prepare an initial report to the NSC on the 1987 funding situation, based on the attached outline, by COB Wednesday, June 4, 1986. To meet this deadline, the SIG will meet at 4:00 p.m. on Friday, May 30, 1986, at the State Department in Room 7516. (C)

Please notify the office of the Deputy Secretary (647-9640) of your agency's representative (at the level of Deputy Secretary) and his alternate (at the Under Secretary level) by COB Thursday, May 29, 1986. (U)

John M. Poindexter

Attachment
Tab A - Issues to be Addressed

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Declassify: OADR

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SENIOR INTERDEPARTMENTAL GROUP ON INTERNATIONAL AFFAIRS FUNDING FOR 1987

Issues to be Addressed

1. The Budget Conference: How to achieve the most favorable outcome.

2. The 302 (b) Allocation Process: Possible sources of flexibility; pitfalls. Proposed action.

3. Appropriations Subcommittees: Administration position on earmarks; funding priorities.

4. Authorization Committees: How to obtain maximum flexibility.

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NATIONAL SECURITY COUNCIL

May 30, 1986

NOTE FOR RON SABLE

FROM: STEVE FARRAR SRF

Attached are talking points on the International Affairs Situation for the President's Tuesday meeting.

Attachment
As stated

TALKING POINTS

INTERNATIONAL AFFAIRS BUDGET SITUATION

-- As conferees resumes work this week on a final budget resolution for fiscal year 1987, I want to call your attention to a serious problem emerging in our international affairs programs.

-- Today we have a strong, effective foreign policy, due in large part to additional resources we have devoted -- with bipartisan congressional support -- to international affairs.

-- Yet, as important as these resources are, my 1987 budget request for international affairs comprises only 2.3 percent of the entire federal budget.

-- Judging from the actions of the House and Senate in passing their budget resolutions, we may be facing a cut of up to 25 percent in the international affairs programs. I just don't think we can take this kind of cut without losing our renewed position of respect and influence internationally that we have all worked so hard to achieve.

-- As Secretary Shultz has pointed out, after funding our highest priority commitments -- such as Israel, Egypt, and base rights countries -- the cuts in the remaining programs would be more on the order of 50 percent. This would jeopardize:

  -- Our security assistance programs in Central America, the Caribbean, and in moderate Arab states in the Middle East;

  -- Our embassy security enhancement initiative, aimed at protecting our diplomats living and working abroad; and

- -- The ongoing operations of the State Department, USIA, and the Board for International Broadcasting.

-- Such deep cuts would be interpreted throughout the world as a sign that the United States is retrenching just as an era of new opportunity is dawning. I think you will agree that we must not let this happen.

-- As you return your attention to the budget, I urge you keep in mind the need for adequate funding for our international activities. We must continue to bear this relatively small cost in order to help preserve peace, freedom, and security throughout the world.

5/30/86

12

DEPARTMENT OF STA

'86 JUN -2

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DEPARTMENT OF STATE

B

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86 JUN 2 P7:39

WHITE HOUSE
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MESSAGE NO. 008233 CLASSIFICATION ____ No. Pages 3

FROM: Ralph Boyce | T | 7-7888 | 1206NS
(Officer name) | (Office symbol) | (Extension) | (Room number)

MESSAGE DESCRIPTION Draft Platt-Poindexter

TO: (Agency)	DELIVER TO:	Extension	Room No.
Treasury	James Conro	566-8243	
OMB	Phil DuSault	395-6190	
DOD/DS	Lt Gen Phil Gast	695-3291	Rm. 4E841
USIA	Marv Stone	485-8747	
NSC	Steve Farrar	395-3543	
CIA	Robert Kerr		

FOR CLEARANCE [xx] INFORMATION [xx] PER REQUEST [ ] COMMENT [ ]

REMARKS: Draft for discussion at the SIG meeting on Tuesday, June 3 at 4 pm

Lynn call him
he delivered
to you

S/S Officer: [signature]

United States Department of State

Washington, D.C. 20520

~~CONFIDENTIAL~~

MEMORANDUM FOR VADM JOHN M. POINDEXTER
THE WHITE HOUSE

Subject: Senior Interdepartmental Group on International Affairs Funding for FY 1987

As directed in your memorandum of May 29, Deputy Secretary Whitehead convened the SIG on May 30 and June 3. The agencies represented agreed to recommend the attached legislative strategy for the impending budget conference and 302(b) allocation exercise.

Nicholas Platt
Executive Secretary

Attachments:

As stated

~~CONFIDENTIAL~~

DECL: OADR

DECLASSIFIED
Dept. of State Guidelines, July 21, 1997
BY LM NARA, DATE 6/24/25

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PROPOSED LEGISLATIVE STRATEGY FOR BUDGET CONFERENCE AND 302 (b) EXERCISE

A. Budget Conference

1. Presidential letter to Chairmen Domenici and Grey -- to be delivered as conference gets underway

2. Secretary Shultz phone call to Domenici -- to underscore importance of not reducing Senate aggregate any further in conference and to communicate our view on the proposed Senate conference proposal to offset additional outlays for Inman from other 150 accounts

3. Secretary Baker phone call to Grey -- to encourage the House to accede to the Senate level in conference

B. 302 (b) Allocation Process

may only dampen Whitten's natural instinct to slash.

1. ~~Presidential~~ Miller/JMP/Shultz phone call to House Appropriations Committee Chairman Whitten -- to seek a fair 302 (b) allocation — does Whitten listen to RR – does Pres. want to be talking about 302(b)s ??

2. Secretary Shultz Miller/~~Shultz~~ phone call to Senate Appropriations Committee Chairman Hatfield -- to seek a favorable 302 (b) in Senate

3. Appropriate level phone calls to Appropriations subcommittee Chairmen Obey, Smith, Kasten and Rudman -- to encourage them to seek a fair 302 (b) process in full committee

Shultz → breakfast with GOPs on subcmtes

- foreign aid shift to Inman ? Need State decision on this.
- Charlie Flickner said RR letter would be damaging....
- Check with will et.al

Drafted By: State/T - RBoyce
6/2/86, x. 77888

Cleared By: State/D - JTimbie
State/M - RFeldman
State/H - JDyer
AID/LEG - KKammerer
AID/PPC - JBumson
Treasury - JConro
DOD/DSAA - PGast
USIA - MStone
OMB - PDuSault
NSC - SFarrar
[illegible] - PSchleuter
Peace Corps - LRuppe
Eximbank - JBohn
[illegible] - RKerr

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ROUTING AND TRANSMITTAL SLIP

Date 6/3/86

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Action	File	Note and Return
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As Requested	For Correction	Prepare Reply
Circulate	For Your Information	See Me
Comment	Investigate	Signature
Coordination	Justify	

REMARKS

6. OMB
7. NSC
8. BIB
9. Peach Corps
10. Eximbank
11. CIA

Attached is a revised version of the SIG to the NSC (to be discussed at the June 3 SIG meeting)

DO NOT use this form as a RECORD of approvals, concurrences, disposals, clearances, and similar actions

FROM: (Name, org. symbol, Agency/Post)	Room No.—Bldg.
Ralph Boyce T	1206 NS
	Phone No. 77888

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MEMORANDUM FOR VADM JOHN M. POINDEXTER
THE WHITE HOUSE

Subject: Senior Interdepartmental Group on International Affairs Funding for FY 1987

As directed in your memorandum of May 29, Deputy Secretary Whitehead convened the SIG on May 30 and June 3. These meetings focused primarily on the upcoming budget conference and 302(b) allocation. Subsequent sessions will deal with our strategy in the appropriations process.

The agencies represented at the SIG agreed that we have a major crisis in funding for our international affairs activities in FY 87. They agreed to adopt a two-track approach in dealing with this problem. The Administration would continue to emphasize the President's foreign policy priorities and defend the validity of our original request; at the same time, we would become actively engaged in the congressional budget process at the highest levels in order to prevent further damage to our interests.

~~CONFIDENTIAL~~

The Budget Conference

The first decision point in the process is likely to be the budget conference scheduled to begin this week. We have a problem in deciding what to support in the budget conference - the Senate version is larger in the aggregate and generally superior in every account with three exceptions:

(1) the Inman Diplomatic Security Initiative -- the Senate does not allow enough outlays even to accommodate the modified Inman package recommended by the Senate Appropriations Committee in the FY 1986 Urgent Supplemental. The Senate allows only $88 million in outlays for FY 1987; current estimates of the supplemental's carry-over effect would require $150 million. Thus the Senate version is $62 million short even before allowing for any FY 1987 program for diplomatic security.

(2) USIA -- the House version is more favorable, although it still falls short of the 1986 freeze level — minimum judged necessary by USIA to conduct its operations

(3) Board for International Broadcasting (BIB) -- the House version is more favorable, although it is about $50

million below the level BIB requires to keep Radio Free Europe/Radio Liberty, Inc. from declaring bankruptcy.

Our obvious approach should be to support the Senate version and seek additional outlays from outside Function 150 to cover Inman, USIA, and BIB. Because this would entail a functional total higher then either of the two versions, however, it is not realistic.

Senate Budget Committee staffers are proposing a compromise which would shift $100 million in outlays from the Senate's security assistance total to the Inman total. This would require a reduction in BA for security assistance of $200 to $300 million and would allow for a modified Inman program along the lines of that recommended by the Senate Foreign Relations Committee (i.e., a two-year $1.1 billion package). If House conferees agreed, the compromise would also accept the Senate aggregate of $17,856 million for Function 150.

The SIG recommends that we (support/do not support) this approach. (Further text to be supplied once the decision is made.)

The SIG recommends a legislative strategy for the budget conference which would involve:

(1) <u>A Presidential letter to Chairmen Domenici and Gray</u> to be delivered as the conference gets underway, which would attract considerable press and public attention to the foreign policy implications of further reductions in the 150 function.

(2) <u>A Secretary Shultz phone call to Chairman Domenici</u> which would undersocre the importance of not reducing the Senate aggregate in conference. The Secretary would also convey our view on the proposed compromise offered by Senate Budget Committee staff.

(3) <u>A Secretary Baker phone call to Chairman Gray</u> to encourage the House to accede to Senate level for Function 150.

<u>The 302(b) Allocation Process</u>

If there is an overall settlement on the budget, we will have to move quickly to ascertain what the exact 302(b) divisions of the budget resolution should be for our three subcommittees (Foreign Operations; Commerce; State and Justice; and Agriculture). At that point, our immediate task will be to

Miller

ensure a fair allocation of those amounts, given the traditional propensity to poach from Function 150 accounts to benefit other programs. The key action will be for the President to call House Appropriations Committee Chairman Jamie Whitten to encourage him to allocate the full amount to each subcommittee. At the appropriate time, talking points for the President's use would be provided.

The SIG recommends that Secretary Shultz call Senate Appropriations Committee Chairman Mark Hatfield with the same message. We do not anticipate as much difficulty in the 302(b) process on the Senate side, but feel it is important to touch base with the Chairman.

Finally, appropriate senior Administration officials should call Appropriations subcommittee Chairmen Obey, Smith, Kasten and Rudman to encourage them to seek a fair 302(b) process in full committee.

WORK WITH GOPS NOW

Alternative Scenario

The SIG recognizes that the differences between the House and Senate on defense, taxes and other issues may make a settlement of the budget resolution impossible. If the conference bogs down, the Appropriations subcommittees will begin marking up based on their separate budget resolutions' notional 302(b) allocations. In the 150 area, the first likely subcommittee to do so will be the Obey subcommittee (House Foreign Operations), perhaps as early as next week. In that event, the SIG will reconvene to recommend an Administration posture for the mark-up and beyond.

Nicholas Platt

Executive Secretary

* Activate outside groups

MSG FROM: NSLSS --CPUA TO: NSBLP --CPUA 06/16/86 13:08
To: NSBLP --CPUA

*** Resending note of 06/03/86 18:47
To: NSJMP --CPUA JOHN M. POINDEXTER
please print
NOTE FROM: Peter Rodman
SUBJECT: Second SIG on Function 150 Budget

Steve Farrar, Lynn Sachs and I attended the second meeting of the SIG, this one to review a State draft of the report to the NSC which is due tomorrow. Highlights were as follows:

-- The Budget Committee staffs are having trouble agreeing on a conference outcome, raising the possibility that the Appropriations Committees of the houses may proceed separately on the basis of different budget resolutions. Obey has postponed his Foreign Ops Subcommittee mark-up until next week.

-- There was wide agreement that all agencies should continue to fight hard against the devastating cuts and for the President's initial request. Each will send Whitehead by tomorrow a list of horror stories that would be inflicted by the proposed cuts.

-- There also was agreement -- in principle -- that we need to become "engaged" in the Congressional process. Unfortunately there were conflictin views on what this means. To some, it just meant fighting hard for as large aggregate as possible. The tougher question is what priorities to fight for The immediate issue is whether the Administration should support moving $10 million in outlays from foreign aid to fully fund an Inman package of $1.1 billion over 1986-87. (The Senate resolution short-changes Inman on outlays State had no position at the meeting, but Whitehead was to meet with Shultz 5:00 today to get his view.

-- All agreed that the Presidential letter (already signed) should be sent Domenici and Gray as soon as possible. (We're following up.) There was also continued loud call for active Presidential involvement.

In my view, the process is still mushy, with little consensus on when and h to join the issue of prioritizing within the inter- national affairs functi That issue will have to be faced soon -- probably in the next week or so.

You may want to ask Secretary Shultz for his views at the next opportunity particularly on the foreign aid vs. Inman trade- off. So far he has been refusing to choose, on the ground that both are vital. But, as I say, at so point we will have to choose -- or else the Congress will choose for us. Personally, I think Inman is the lower priority, especially since the forei aid cut would probably be taken out of security assistance.

cc: NSSPF --CPUA
NSLSS --CPUA
NSRBM --CPUA
NSRKS --CPUA
NSSID --CPUA
NSWRP --CPUA

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THE WHITE HOUSE

WASHINGTON

June 4, 1986

Dear Bill:

I am writing to underscore Secretary Shultz's recent statements on the grave implications of Congressional budget actions in the International Affairs (150) function. As conferees begin to work on a final budget resolution for FY 1987, I hope you will take into account my concern that the funding levels under consideration risk jeopardizing all the progress we have made in the past five years. Today, we have a strong, effective foreign policy, due in large measure to the increased resources we have devoted -- with bipartisan Congressional support -- to international affairs. We must not reverse this situation through unwise budgetary action.

The request for the International Affairs function represents less than 2.3 percent of the entire federal budget. Out of this small fraction, we fund not only our entire foreign assistance program and the State Department's operations, but also numerous smaller programs dealing with the conduct of foreign affairs and international communications and cultural exchanges. For this relatively small share of the budget, we receive enormous dividends, chief among which is a renewed position of influence and respect internationally.

Yet, the Congress has taken this tiny fraction and cut it by as much as twenty-five percent. Moreover, as Secretary Shultz has pointed out, after funding our highest priority commitments to Israel and Egypt, the base rights countries, Pakistan, and Central America, and after allowing for the Congress' addition of over a billion dollars for the Export-Import Bank, the shortfall in the bulk of our foreign affairs programs is more on the order of fifty percent.

Bill, the implications of these reductions are severe. Our efforts in the fragile Caribbean countries of Haiti, Jamaica and Grenada would be undercut. Aid to the Andean countries could not continue, and our efforts to halt the production and illegal export of narcotics from this region would be undermined. Key security assistance programs with vital strategic partners such as Korea and Thailand would probably have to be terminated. Successful humanitarian assistance programs throughout Sub-Saharan Africa and south Asia could not be funded. We would be unable to continue providing adequate assistance to moderate Arab states such as Tunisia, Morocco, Jordan and Oman, thus putting at risk our continuing efforts toward a Middle East peace. That part of our assistance which goes through the international financial and development institutions would also be severely circumscribed, calling into question our reliability in meeting commitments in multilateral fora.

The problem is not limited to foreign aid alone. In the wake of increasing threats to our diplomats living and working abroad, I have requested a major Embassy security enhancement initiative. We must be able to protect American lives and property abroad against terrorist activity directed at the United States.

Meanwhile, the ongoing operations of the State Department, USIA and the Board for International Broadcasting must also be funded. Reductions of the kind being discussed could result in substantial reductions in our diplomatic presence overseas which would give the impression of a United States in retreat. This is hardly the sort of posture we should be adopting in the wake of the foreign policy successes we have achieved over the past few years.

Such cutbacks in foreign affairs programs would send a signal to the world that we are retrenching just as an era of new opportunity is dawning. It would be tragic if we were to send such a signal.

In your deliberations on the budget, I ask that you bear in mind the consequences of your decisions for the policies which we have worked so hard together to implement. There must be no further cuts; to the extent possible, I ask you to explore means to reverse or at least minimize the reductions which you have already made. We must continue to pay the relatively small cost of a vital, active foreign policy which tells the world that we stand for peace, freedom and security.

Sincerely,

Ronald Reagan

The Honorable William H. Gray, III
Chairman, Committee on Budget
U. S. House of Representatives
Washington, D. C.