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Last Updated: 8/8/2025

9/15/86

Foreign Assistance Appropriations Bill

Basic Problem

Under the budget resolution and the 302 allocations the amounts assigned to the Foreign Operations appropriations subcommittees -- \$13.0 billion in BA and \$10.8 billion in outlays (\$10.6 billion in the House) -- are far below the sums needed to carry out the administrations' foreign policy. Thus, no subcommittee markup within the 302 allocations can be considered adequate.

Secondary Problem

In setting the outlay ceiling for the international affairs function, CBO calculated outlays that are too low for the BA provided. This has been termed the "outlay mismatch".

Obey Subcommittee markup (Accepted by the full committee.)

Obey made cuts in most major programs to hit the 302 ceiling for BA, notably

- foreign military sales (FMS) credit at \$4 billion from Obey is \$1 billion below 1986 (and \$1.7 billion below the request),
- grant military assistance at \$.7 billion is \$.1 billion below 1986, and
- security related economic aid under the economic support fund at \$3.2 billion is \$.4 billion below 1986.

To remedy the outlay mismatch, Obey would legislate an outlay ceiling at \$10.6 billion requiring the executive branch to control obligations to limit outlays from new appropriations at \$4.8 billion. Moreover, budget accounts totalling nearly half of new BA would be exempted from control requiring impossibly deep cuts in non-exempt programs.

Administration Position on Obey Bill

The Administration position letter, citing inadequate funding and the unworkable outlay ceiling envisioned a veto. The subsequent position statement for the Rules Committee called on members to vote against the bill. It was not acted on by the Rules Committee.

Kasten Subcommittee Markup

Kasten has done about as well for foreign aid as could be done within the 302 allocation, assuming that security assistance is accorded highest priority. Specifically

- FMS credit and grant military assistance are combined in a single account totalling the same amount as Obey provided for the two but with Presidential flexibility to provide all of the funds as grants,
- some \$2 billion plus of past FMS credits which are obligated but undisbursed may be converted to grants,
- the economic support fund is increased from \$3.2 billion to \$3.5 billion with \$.4 billion more appropriated for 1988,
- all accounts are made two year (1987-88) money, and
- many earmarkings of funds are eliminated but not the large earmarks for Israel and Egypt,
- finally, through various technical changes the Kasten bill eliminates the outlay mismatch.

On the downside, Kasten cuts funds for the multilateral development banks (MDBs) to \$.8 billion from \$1 billion provided by Obey and \$1.4 billion requested to meet prior international commitments.

Full Senate Committee Markup

The full committee will markup the foreign operations bill in late afternoon Tuesday, September 16th.

Administration Position on Kasten Bill

State has not taken a final position but is leaning toward "supporting passage" of the Kasten bill.

Treasury, because of the MDB cut does not want support expressed.

NSC staff are still considering the issue.

FORM. ASST. & REL. PROGRAMS APPROP. BILL, FY87 HR 5339, 99th Congress, 2nd Session (1986) BUDGET AUTHORITY (in thousands of dollars) (All accounts are function 150.)	FY 1986	FY 1987				DIFFERENCE								09/12/86
	POST-G-R-H	PRES.	CONG.	H. APPROP.	S. APPROP.	H. CITEE./	H. CITEE./	H. CITEE./	S. SUBCITEE./	S. SUBCITEE./	S. SUBCITEE./	S. SUBCITEE./	S. SUBCITEE./	H. APPROP.
	W/SUPPS	BUD. REQ.	BUD. RES.	CITEE.	SUBCITEE.	POST-G-R-H	PRES.	CONG.	POST-G-R-H	PRES.	CONG.	POST-G-R-H	PRES.	CITEE.
	7/2/86	2/5/86	6/26/86	7/31/86	9/11/86	W/SUPPS	BUD. REQ.	BUD. RES.	W/SUPPS	BUD. REQ.	BUD. RES.	W/SUPPS	BUD. REQ.	CITEE.
	A	B	C	D	E	F = D-A	G = D-B	H = D-C	I = E-A	J = E-B	K = E-C	L = E-D		
TITLE I, MULTILATERAL ECONOMIC ASSISTANCE	1,368,723	1,578,002	1,541,452	1,260,444	1,043,658	(108,279)	(317,558)	(281,008)	(325,066)	(534,345)	(497,795)	(216,787)		
Int'l Bank for Reconstruction & Development..	105,003	182,846	182,847	94,805	0	(10,198)	(88,041)	(88,042)	(105,003)	(182,846)	(182,847)	(94,805)		
International Development Association.....	669,900	750,000	750,000	604,844	622,623	(65,056)	(145,156)	(145,156)	(47,277)	(127,377)	(127,377)	17,779		
International Finance Corporation.....	27,827	35,033	35,032	25,125	0	(2,702)	(9,908)	(9,907)	(27,827)	(35,033)	(35,032)	(25,125)		
Special Facility for Sub Saharan Africa.....	71,775	0	0	64,805	0	(6,970)	64,805	64,805	(71,775)	0	0	(64,805)		
Inter-American Development Bank.....	85,844	143,501	143,501	67,397	0	(18,447)	(76,104)	(76,104)	(85,844)	(143,501)	(143,501)	(67,397)		
Asian Development Bank.....	107,097	143,233	143,233	96,697	122,133	(10,800)	(46,536)	(46,536)	15,036	(21,100)	(21,100)	25,436		
African Development Fund.....	59,573	75,000	75,000	53,788	62,827	(5,785)	(21,212)	(21,212)	3,254	(12,173)	(12,173)	9,839		
African Development Bank.....	15,493	17,986	0	13,988	0	(1,505)	(3,998)	13,988	(15,493)	(17,986)	0	(13,988)		
Multilateral Investment Guarantee Agency....	0	44,403	0	0	0	0	(44,403)	0	0	(44,403)	0	0		
Int'l organizations and programs.....	226,211	186,000	211,839	238,995	236,074	12,784	52,995	27,156	9,863	50,074	24,235	(2,921)		
TITLE II, BILATERAL ECONOMIC ASSISTANCE	6,230,690	6,840,752	5,727,540	5,820,873	6,560,783	(409,817)	(1,019,079)	93,333	330,093	(279,969)	833,243	739,910		
Functional development assistance program....	1,447,863	1,613,500	1,314,327	1,374,441	1,424,500	(17,422)	(239,059)	60,114	(23,363)	(189,000)	110,173	50,059		
Private sector revolving fund.....	17,226	13,500	15,503	(15,553)	(13,500)	(17,226)	(13,500)	(13,503)	(17,226)	(13,500)	(13,503)	0		
American schools & hospitals abroad.....	33,495	10,000	15,000	33,495	35,000	0	23,495	18,495	1,505	25,000	20,000	1,505		
International disaster assistance.....	21,532	25,000	19,380	19,441	20,000	(2,091)	(5,559)	61	(1,532)	(5,000)	629	559		
Sahel development program.....	77,038	0	69,335	69,557	70,000	(7,481)	69,557	222	(7,038)	70,000	665	443		
Payment to FS retirement & disability fund..	43,122	33,992	45,492	45,492	45,492	2,370	11,500	0	2,370	11,500	0	0		
AID deobligate/reobligate reappropriation....	0	0	0	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	0		
Operating expenses of AID.....	360,167	388,900	324,150	340,600	340,600	(19,567)	(48,300)	16,450	(19,567)	(48,300)	16,450	0		
Operating expenses of the IG of AID.....	20,145	21,750	18,131	18,189	21,750	(1,956)	(3,561)	58	1,605	0	3,619	3,561		
Housing and other credit guaranty programs...	0	10,000	0	0	0	0	(10,000)	0	0	(10,000)	0	0		
Economic support fund.....	3,646,642	4,093,800	3,310,000	3,196,798	3,900,000	(449,844)	(897,002)	(113,202)	253,358	(193,800)	590,000	703,202		
Overseas Private Investment Corporation.....	0	0	0	0	0	0	0	0	0	0	0	0		
African Development Foundation.....	3,706	6,500	3,335	3,872	6,500	166	(2,628)	537	2,794	0	3,165	2,628		
Inter-American Foundation.....	11,454	10,800	10,309	11,800	10,800	346	1,000	1,491	(654)	0	491	(1,000)		
Humanitarian assistance for Nicaragua.....	0	0	85,000	0	0	0	0	(85,000)	0	0	(85,000)	0		
Peace Corps operating expenses.....	124,410	126,200	111,969	130,000	130,000	5,590	3,800	18,031	5,590	3,800	18,031	0		
International narcotics control assistance...	55,055	65,445	54,050	65,445	65,445	10,390	0	11,395	10,390	0	11,395	0		
Migration and refugee assistance.....	324,356	347,525	291,920	347,525	346,856	23,169	0	55,605	22,500	(669)	54,936	(669)		
US emergency migration & refugee assist. fund	0	25,000	0	25,000	0	25,000	0	25,000	0	(25,000)	0	(25,000)		
Anti-terrorism assistance.....	11,941	9,840	7,101	9,840	9,840	(2,101)	0	2,739	(2,101)	0	2,739	0		
Peacekeeping operations.....	32,538	39,000	32,538	29,378	34,000	(3,160)	(9,622)	(3,160)	1,462	(5,000)	1,462	4,622		
TITLE III, MILITARY ASSISTANCE	5,817,351	6,726,280	4,721,830	4,987,523	4,987,523	(829,828)	(1,738,757)	265,693	(829,828)	(1,738,757)	265,693	0		
Military Assistance (MAP).....	798,374	996,450	706,000	675,697	0	(122,677)	(320,753)	(30,303)	(798,374)	(996,450)	(706,000)	(675,697)		
International military education & training..	52,147	68,830	49,000	47,082	65,000	(5,065)	(21,748)	(1,918)	12,853	(3,830)	16,000	17,918		
Foreign military sales credit.....	4,966,830	5,661,000	3,966,830	4,264,744	4,922,523	(702,084)	(1,396,256)	297,914	(44,307)	(738,477)	955,693	657,779		
TITLE IV, EXPORT ASSISTANCE	18,087	310,000	1,078,548	916,331	458,000	898,244	598,331	(162,217)	439,913	140,000	(620,548)	(458,331)		
Trade and development program.....	18,087	18,000	16,278	16,331	20,000	(1,756)	(1,669)	53	1,913	2,000	3,722	3,669		
Fair export financing program.....	0	300,000	0	0	0	0	(300,000)	0	0	(300,000)	0	0		
Export-Import Bank of the United States.....	0	0	1,062,270	900,000	438,000	900,000	960,000	(162,270)	438,000	438,000	(624,270)	(462,000)		
(limitation on direct loans).....	(1,062,270)	(0)	(1,062,270)	(900,000)	(900,000)	(-162,270)	(900,000)	(-162,270)	(-162,270)	(900,000)	(-162,270)	(0)		
(limitation on guaranteed loans).....	(11,484,000)	(12,000,000)	(11,400,000)	(11,400,000)	(12,000,000)	(84,000)	(-600,000)	(0)	(516,000)	(0)	(600,000)	(600,000)		
(limitation on administrative expenses).....	(17,568)	(19,175)	(17,568)	(17,568)	(19,175)	(0)	(-1,607)	(0)	(1,607)	(0)	(1,607)	(1,607)		
UNSPECIFIED BUDGET COMMITTEE CHANGES	0	0	(38,000)	0	0	0	0	38,000	0	0	38,000	0		



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

JUL 31 1986

Honorable Silvio Conte
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

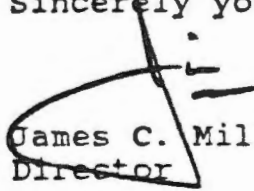
Dear Sil:

The Administration objects strongly to the 1987 Foreign Assistance Appropriation bill in its present form. The Subcommittee has adopted inadequate funding levels in security assistance and other programs, numerous earmarks and transfers, and substantial reporting and certification requirements that, together, severely limit the President's ability to achieve U.S. foreign policy objectives. The major funding problems are the severe reductions in the security assistance accounts. Economic Support Fund (ESF), Military Assistance (MAP), and Foreign Military Sales Credit (FMSCR) funding have been reduced by over \$2.6 billion from the President's request. This reduction, as well as the earmarks, will force the President to cut assistance very severely.

In addition, the House Subcommittee has included a particularly troublesome provision (Section 556) limiting expenditures for FY 1987 at \$10,641 million. This section must be deleted. The Administration opposes the provision because it would cause micro-managing of outlays, would be utterly unworkable, and would cause further program disruption.

Unless the changes noted above are made, I will recommend veto of the bill.

Sincerely yours,


James C. Miller III
Director

cc: [unclear]
[unclear]

IDENTICAL LETTERS SENT TO HONORABLE JAMIE L. WHITTEN,
HONORABLE DAVID OBEY, AND HONORABLE JACK KEMP

Statement of Administration Position
for House Rules Committee

H.R. 5339, Foreign Assistance Appropriations Bill, 1987
(Sponsors: Whitten (D), Mississippi;
Obey (D), Wisconsin)

The Administration opposes enactment of the Foreign Assistance and Related Agencies Appropriation Act for 1987, as reported by the House Committee on Appropriations. While the bill does contain numerous positive components, its negative elements render the legislation as a whole counterproductive to our short-term and long-term foreign policy interests. Accordingly, the Administration recommends that the bill be defeated. If the bill is passed in its present form, the President's senior advisors will recommend that he veto it.

Possible State Department Positions

Position Number one:

*5/11/75
Preference*

The Administration supports passage of the foreign assistance appropriations bill that was adopted by the Senate Appropriations Subcommittee on Foreign Operations. The bill would provide the President with greater flexibility to pursue critical foreign policy objectives within the constraints of the reduced resource levels that have resulted from the congressional budget resolution. Although aggregate funding levels contained in the bill are still inadequate to meet the full range of the President's foreign policy priorities, many of the new concepts contained in the bill will provide an excellent basis for moving the foreign aid bill to conference.

Position Number 2:

The Administration supports adoption by the Senate Appropriations Committee of the foreign assistance appropriations bill recently reported out of the Foreign Operations Subcommittee. This bill, constrained by the congressional budget resolution, is still inadequate to meet the full range of the President's foreign policy objectives. Nevertheless, it provides the President with greater flexibility to pursue those objectives with severely reduced resources. [Objectionable provisions in the bill, including inadequate levels of funding for the multilateral development banks, can be addressed in the conference.]

NOTE: Last sentence is final fallback if there is insistance on citing MDB funding.

*We remain deeply concerned
about the inadequate level of funding
in security assistance & MDBs.*

Pam

Tentative Treasury Proposal, 9/15/86, 2:00 pm

The Administration supports adoption by the Senate Appropriations Committee of the foreign assistance appropriation bill recently reported out of the Foreign Operations Subcommittee. It provides the President with greater flexibility to pursue those objectives with severely reduced resources. However, this bill, constrained by the congressional budget resolution, is still inadequate to meet the full range of the President's foreign policy objectives.

(In particular, the Administration opposes the inadequate funding levels for the MDBs and will seek to increase MDB funding in conference.)

In particular, the Adminⁿ
remains deeply concerned about
the inadequate ^{level of} funding for security
assistance + MDBs.

Keep PROPS.

September 16, 1986

INFORMATION MEMORANDUM FOR THE ADMINISTRATOR

FROM : LEG, Kelly C. Kammerer

SUBJECT: LEG Daily Report

Kelly

Senate Appropriations Committee Reports Out Foreign Assistance
Appropriations Bill

The full Senate Appropriations Committee (SAC) today marked up and reported by voice vote the FY 1987 foreign assistance appropriations bill. The bill, as reported by the SAC, ratified the levels agreed to by the Kasten Subcommittee on September 11 and incorporated a few changes in bill and report language.

In summarizing his Subcommittee bill, Senator Kasten emphasized that they had remained within the 302(b) allocations (\$13 billion in BA and \$10.8 billion in outlays) and had restructured the legislation to give the Administration "policy equivalents" to alleviate the funding cuts dictated by Gramm-Rudman.

Senate Budget Committee Chairman Pete Domenici congratulated the Kasten Subcommittee on its "creativity" in meeting its 302(b) allocations by "doing more with less". He noted that the Foreign Operations Subcommittee's budget allocation [302(b)] had been reduced proportionately more than any of the thirteen SAC Subcommittees.

The following changes were agreed to today by the SAC:

- Inouye amendment, on behalf of Senator Bumpers, incorporating the existing Bumpers Amendment to the FY 1986 supplemental limiting DA funds from being used to improve or increase LDC production of foreign agricultural commodities for export, if in competition with U.S. commodities. (Committee staff indicate that report language accompanying this amendment will track the report language from the Conference Report on the FY 1986 Urgent Supplemental);
- Inouye amendment, on behalf of Senator Lautenberg, limiting the use of funds in this act for feasibility studies on, or the establishment of facilities for, the manufacture of textiles or footwear designed for export to the U.S. or to third countries in direct competition with U.S. exports. The amendment specifically excludes Section 807 CBI programs from its jurisdiction.

The SAC also agreed to the following report language:

- Kasten language urging the Administration to give Ecuador up to \$20 million in ESF in FY 1987;
- D'Amato language urging AID to fund project ORBIS, an ASHA recipient;

- D'Amato language urging a resolution to the Cyprus situation and a withdrawal of Turkish troops from Cyprus;
- DeConcini language commending UNSO on their good work on the Africa famine situation and urging the UNDP to fund UNSO's operations in the Sahel;
- Domenici language recommending continuing support for higher education programs in Latin America;
- Domenici language noting that Subcommittee report language earmarking \$5 million from Section 106 for the Central American Rural Electrification Support project (597-0010) not prejudice additional AID funding for energy related activities in Central America;
- Kasten language, on behalf of Senators Wilson and Helms, urging AID to work closely with USDA in soliciting funds from CBI countries to help eradicate the Med fly in Central America.

The following table compares the funding levels reported today by the SAC with the FY 1986 freeze levels and the FY 1987 recommendations of the House Appropriations Committee.

MULTILATERAL AND BILATERAL ASSISTANCE

(\$ Thousands)

	FY 1986 POST <u>GRAMM-RUDMAN</u>	FY 1987 HAC <u>MARKUP</u>	FY 1987 SAC <u>MARKUP</u>
FOREIGN OPERATIONS			
MULTILATERAL ASSISTANCE			
Inter-American Dev. Bank			
Paid in capital	36,367	32,835	
Fund for Spec. Op.	38,280	34,562	
Inter-Amer. Invest. Corp.	11,197	---	
World Bank (IBRD)	105,003	94,805	
Int'l Finance Corp.	27,827	25,125	
Int'l Dev. Assn. (IDA VI)	669,900	604,844	622,623
Asian Dev. Bank	11,397	10,291	13,233
Asian Dev. Fund	95,700	86,406	108,901
African Dev. Fund	59,573	53,788	62,827
African Dev. Bank	15,493	13,988	
Special Facility for Sub-Saharan Africa	71,775	64,805	
IO&P (Voluntary Contrib.)	265,971	238,995	236,074*
IFAD	---	(28,710)	(28,710)
BILATERAL ASSISTANCE - AID			
Ag. Rural Dev. & Nut.	669,895	619,839	649,500
Population	239,250	239,250	230,000

	FY 1986 POST <u>GRAMM-RUDMAN</u>	FY 1987 HAC <u>MARKUP</u>	FY 1987 SAC <u>MARKUP</u>
Health	192,189	173,525	160,000
Child Survival Fund	23,925	50,000	75,000
Education & Hum. Res.	162,642	146,847	155,000
Selected Dev. Act.	166,862	135,657	145,000
Science & Technology	10,326	9,323	10,000
Sahel Dev. Program	77,038	69,557	70,000
Private Sector Revolving Fund	(17,226)	(15,553)	(13,500)
ASHA	33,495	33,495	35,000
Disaster Assistance	21,532	19,441	20,000
Housing Guaranties (Limitation on Guaranteed Loans)	(145,464)	(145,464)	(145,464)
Housing Guaranty Reserves	---	---	---
For. Serv. Ret. & Dis.	43,122	45,492	45,492
Trade Credit Insurance Program	(250,000)	(250,000)	(300,000)
AID Operating Expenses	360,167 (376,400)	340,600	340,600
Oper. Expen. - AID Inspector General	20,145	18,189	21,750
Deob/Reob Reappropriation	5,000	100,000	100,000
Economic Support Fund	3,540,642	3,196,798	3,900,000
Trade & Development Program	18,087	16,331	20,000
Peacekeeping Operations	32,538	29,378	34,000
Int'l Narcotic Control	55,055	65,445	65,445
Inter-American Foundation	11,454	11,800	10,800
African Dev. Foundation	3,706	3,872	6,500
Peace Corps	124,410	130,000	130,000
Migration & Refugee Ass't	324,356	347,525	346,856
Emergency MRA Fund	---	25,000	---
Anti-Terrorism Assistance	7,101	9,840	9,840
Overseas Priv. Invest. Corp. (OPIC)	---	---	---
(Limitation on dir. loans)	(13,637)	(23,000)	(15,000)
(Limitation on guar. loans)	(136,372)	(200,000)	(150,000)
MILITARY ASSISTANCE	---	---	---
Military Assistance Programs	748,374	675,697	---
IMET	52,147	47,082	65,000
For. Mil. Credit Sales	4,966,830	4,264,744	4,922,523
EXPORT-IMPORT BANK	---	---	---
(Limit on Direct Loans)	(1,062,270)	(900,000)	(900,000)
(Limit on Guaranteed Loans)	(11,484,000)	(11,350,000)	(12,000,000)
(Limit on Admin. Expenses)	(17,568)	(17,568)	(19,175)
Export Financing	---	---	---

1/ Also included bill language permitting use of DA and ESF program funds to pay certain overseas OE costs. HAC Report says total FY 87 OE appropriation should equal \$370.4 million.

2/ SAC bill contains identical language permitting use of DA and ESF to pay for program-related overseas operating costs. SAC report permits the total FY 87 OE level (i.e., combination of appropriated and program funds) to be up to \$388.9 million.

*Details on IO&P Voluntary Contributions attached.

AID Related Provisions:

The following is a summary of the major AID-related legislative provisions agreed to by the SAC for FY 1987.

Development Assistance

- Agriculture:
 - Provides up to \$5 million for new development projects of private entities and cooperatives using surplus daily products. This is identical language to the HAC bill.
 - Earmarks \$6 million for the Vitamin A deficiency program. This is identical to language in the HAC bill.
 - Provides that up to \$10 million may be provided to the Catholic Church in Poland for agricultural activities.
- Population Planning: Continues the existing prohibitions against funding for abortions and abortion-related activities. Also includes the current "informed consent" language and the "Kemp/Inouye/Helms" amendment prohibiting funding of programs that participate in the management of coercive abortion programs..
- Education: Earmarks not less than \$6 million for the International Student Exchange Program.
- Selected Development Activities:
 - Earmarks not less than \$5 million for cooperative projects among the United States, Israel and developing countries. This is the same as the HAC provision.
 - Earmarks not less than \$5 million for the Central American Rural Electrification Support project.
- Africa: Provides that DA and Disaster Assistance for Sub-Saharan Africa are to be administered in accordance with provisions of the Kennedy-Kasten bill (S. 2208).

- Operating Expenses (OE):
 - Provides a \$15 million ceiling for contributions to the Foreign Affairs Administrative Support (FAAS).
 - Allows AID to charge certain program-related overseas operating costs to program funds. Report language permits a total of \$388.9 million to be available for FY 1987 OE.
 - Continues to earmark at least 10% of DA funds for minority enterprises. This earmark for minority contracts is identical to the HAC provision sponsored by Rep. Bill Gray.
- AID's Inspector General (IG):
 - Allows up to 3% of AID's OE to be transferred to the IG OE. This is identical to the HAC position.
 - Permits AID program funds to be used for overseas operations of the IG.
 - Provides that the full time equivalent staff years (FTEs) for the AID IG be at least 193 in FY 1987.
 - Provides that no funds may be used to relocate the overseas Regional Offices of the Inspector General to other countries, except for emergency evacuations.
 - Stipulates that no more than \$1.6 million of the IG's OE can be used to reimburse AID for its administrative support.
- Housing: Provides authority to borrow from the Treasury sufficient funds to maintain an adequate level of housing guarantee contingency reserves in FY 1987. This provision is identical to the HAC bill. Mandates the use of \$145 million in loan guarantees to carry out the HG program in FY 1987. Also identical to the HAC bill.

ESF

- Israel: Earmarks \$1.2 billion for Israel as a cash transfer to be disbursed within 30 days of enactment of this legislation or by October 31, 1986, whichever is later. This provision is identical to that contained in the HAC bill.
- Egypt: Earmarks \$815 million grant assistance for Egypt, of which at least \$115 million shall be provided as a cash transfer and not less than \$200 million of which shall be provided as a commodity import program (CIP). Also authorizes AID to increase the amount of Egypt's cash transfer for the implementation by the GOE of a comprehensive

structural economic reform program. Any increase in cash transfer beyond \$115 million is subject to Congressional notification and a description of the economic reforms undertaken by the GOE.

- Administration of Justice: Earmarks up to \$20 million for this program.
- El Salvador:
 - Retains the current requirement that ESF funds deposited in El Salvador's Central Reserve Bank be maintained in a separate account.
 - Provides up to \$1 million for the Special Investigative Unit of the GOES investigating the murders of U.S. citizens in El Salvador. Also requires that a report of the investigation be provided to the Congress.
- Tied Aid Credits: Provides a ceiling of \$5 million from ESF for tied aid credits, unless the President determines that it is in the U.S. national interest to provide more and so notifies Congress.
- DA for Cash Transfers: Provides that DA funds may be used as a cash transfer if the President determines that such grant assistance will promote the long-term development objectives of the U.S.
- Cyprus: Provides at least \$15 million in ESF for Cyprus.
- Mozambique: Provides that ESF can only be used in support of the private sector.
- Jordan: Provides up to \$15 million in additional ESF to Jordan (for the West Bank).
- Afghanistan: Earmarks \$30 million from the DA and ESF accounts for humanitarian assistance to the Afghan people. (Report language states the Committee's intention that \$20 million be from DA and \$10 million from ESF.)
- Cambodia: Earmarks at least \$5 million from ESF and MAP for the Cambodian Non-Communist resistance forces.
- Obligation Cap: Provides that not more than \$3.5 billion of the \$3.9 billion appropriated for ESF can be obligated during FY 1987.

General Provisions:

- Two Year Money (Sec. 516): All funds are available for obligation through September 30, 1988.

- Development Assistance Availability: All FY 1987 DA funds must be obligated by September 30, 1988. Once obligated, these DA funds will remain available until expended.
- Deob-Reob Authority (Sec. 514): Expands this authority to allow deobligated funds to be reobligated between countries and accounts, subject to Congressional notification.
- Narcotics Control (Sec. 535):
 - Provides that not more than 50% of funds for Jamaica and Peru can be obligated until it is determined that each country is responsive to the drug control concerns of the USG. This provision is identical to that in the HAC bill.
 - Provides that any ESF, MAP, IMET or FMS to Bolivia be subject to the provision of Sec. 611 of the International Security and Development Cooperation Act of 1985. This provision is identical to that contained in the HAC bill.
- Environmental Concerns (Sec. 538): Provides that AID and U.S. embassies prepare, to the extent feasible, environmental analyses of multilateral development bank projects, based on available information. Further provides that AID consider establishing an advisory committee on Health and the Environment regarding industrial chemicals.
- Universal Immunization (Sec. 546): Encourages AID to set a goal for the immunization by 1990 of 80% of the children in AID-recipient countries. Language is identical to that contained in the HAC bill.
- Ethiopia (Sec. 547): Prohibits funding activities associated with the GOE's forced resettlement or villagization programs.
- Budget and Impoundment Act (Sec. 548): Defines "Program, Project and Activity" ((PPA) as the aggregate of funds provided for each title in this bill and reduces PPA's by the percentage each title is reduced.
- Philippines Ceiling (Sec. 553): Repeals existing statutory ceilings on aid to the Philippines.
- Report Requirements (Sect. 550): Stipulates that no funds can be obligated or disbursed if a report (required by law or the SAC report) to be sent to the Congress or the Appropriations Committees is late.

The foreign assistance appropriation bill reported today by the SAC will be folded into the FY 1987 Continuing Resolution (CR) when that measure is marked up next week by the SAC.

House Appropriations Committee Reports CR

The House Appropriations Committee (HAC) today marked up and reported out the FY 1987 Continuing Resolution (CR).

By a voice vote the Committee approved a Whitten-Conte substitute which provides funds for revenue sharing funds and funds for the Omnibus Drug Bill. Chairman Whitten had planned to make an across-the-board cut of 1.25% to each program to offset the funding increases required for the federal revenue sharing and the anti-drug provisions. But, by voice vote, the Committee adopted an amendment by Conte to the Whitten-Conte substitute to report the CR out without across-the-board reductions. An amendment to the Conte amendment by Rep. Yates to require the appropriate committees to pass legislation to raise revenues to pay for the funding increases required for the federal revenue sharing and the anti-drug section failed by a vote of 28 to 24. The only foreign aid amendment was a technical amendment by Obey to adjust the amounts provided for the Inter-American Foundation. The Committee approved language by Rep. Coleman to encourage AID to provide scholarships for Mexican students under AID's Education program.

Rep. Murtha, who had been expected to offer an amendment to provide additional aid for the Philippines, did not.

At tomorrow's Rules Committee hearing, Rep. Fascell is expected to ask for a rule to allow him to offer an amendment to the CR to provide authorizations for additional aid for the Philippines, Haiti, Child Survival and Biological Diversity. The CR is expected to go to the House floor on Thursday.

Senate Action on CR

Senator Hatfield said today that the full SAC will mark up the FY 1987 CR next Tuesday, September 23. Hatfield indicated that he would meet this week with OMB to ascertain what the Administration is seeking in the government-wide CR in order to recommend that the President sign this measure. Hatfield indicated that he would hold all appropriations within the CR to their 302(b) allocations. The FY 1987 CR is expected to include twelve of the regular thirteen appropriation bills.

Under Hatfield's proposed schedule, the CR could go to the Senate floor as early as Thursday, September 25, with the hope of completing the CR conference by Monday, September 29. However, it is possible that the first CR could be vetoed, especially if it significantly increases funding for certain (domestic) programs beyond the request level. The possibility of a Presidential veto of the CR was heightened today when the HAC reported a measure that is almost \$5 billion above the Gramm-Rudman target in outlays.

HFAC International Operations Hearing on EEO in the Foreign Service


Jay Morris will testify tomorrow afternoon at 2:00 before the House Foreign Affairs Subcommittee on International Operations concerning equal employment opportunity in the Foreign Service. Other witnesses are George Vest (State), Woodward Kingham (USIA), and Congressmen George Crockett and Robert Garcia.

Congressional Notifications

Following an exchange of letters between the HFAC Africa Subcommittee and Mark Edelman confirming the agreement reached in discussions on the Zaire AEPRP program, the HFAC released its hold today on the Structural Adjustment Support project (660-0121).

cc:
Jay Morris
Marshall Brown
Richard Bissell
Dick Meyer
Tom Blank

LEG:MOSullivan/JDuncan:7-8441:4449G



VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS

(Dollars in thousands)

	Fiscal Year 1987 Request	House Recommendation	Kasten/Inouye Recommendation
U.N. Development Program (UNDP).....	\$102,500	\$107,500	\$112,50
U.N.D.P. Trust Fund to Combat Poverty and Hunger in Africa.....	.....	1,368	.....
U.N. Children's Fund (UNICEF).....	34,200	51,080	51,00
International Atomic Energy Agency.....	20,500	20,500	20,50
U.N. Environment Program (UNEP).....	6,800	8,613	.....
World Meteorological Organization.....	2,000	1,978	2,00
Center on Human Settlements.....	.....	383	40
International Convention and Scientific Organization			
Contributions (ICSOC).....	2,300	1,125	2,30
U.N. Capital Development Fund (UNCDF)...	1,800	861	8
U.N. Educational and Training Program for Southern Africa (UNETPSA).....	900	789	7
U.N. Development Fund for Women (UNIFEM).....	450	219	2
UNIDO Investment Promotion Service	300	.....	30
Convention on International Trade in Endangered Species (CITES).....	200	172	1
U.N. Voluntary Fund for Victims of Torture (UNVFVT).....	100	86	8
World Food Program (WFP).....	.....	1,818	1,8
U.N. Trust Fund for South Africa (UNTFSA).....	.....	250	25
U.N. Fellowship Program.....	.....	197	.....
U.N. Institute for Namibia (UNIN).....	.....	219	
International Fund for Agricultural Development (IFAD).....	(24,500)	28,710	28,71
--IFAD Special Facility for Africa....	.....	(10,000)	(10,00
World Heritage Foundation.....	.....	219	21
OAS Development Assistance Programs.....	13,950	12,908	13,95
TOTAL	186,000	238,995	236,07

Administration Puts Fresh Focus on World Bank

As members of Congress and the Reagan administration search for ways to cut the nation's record trade deficit, the White House is considering how to use some of its least-favored policy tools: the international development banks.

A more prominent role for the development banks appears to mark a major shift in President Reagan's policy. In the past, the administration has cut funding for the World Bank and other multilateral lending institutions, preferring direct-aid programs.

But with many nations saddled by enormous international debts, U.S. businesses face declining purchase orders from foreign customers who no longer can afford American products.

To help financially strapped countries, the administration is drawing up proposals that would more closely coordinate the long-term activities of the World Bank with the emergency rescue goals of the International Monetary Fund. Plans may be outlined when the bank and IMF hold their annual meeting in Seoul, South Korea, Oct. 8-11.

The administration's fresh interest in the banks, however, has met with caution in Congress. It remains unclear whether Reagan is prepared to seek more funding for the banks, and Democrats are skeptical of the administration's intentions. "The administration ... has been hostile" toward the multilateral development banks, says Rep. Stan Lundine, D-N.Y.

Republicans, such as Jack F. Kemp of New York, are waiting to see for an opposite reason: They want the administration to prod the banks to spur private enterprise more aggressively.

And most members of Congress, unfamiliar with the banks, are suspicious of boosting foreign aid at a time when Reagan is asking members to cut domestic programs.

The development banks — especially the giant World Bank — long have been controversial in Washington. They have poured billions of dollars into Third World development projects — roads, dams, power plants and schools — earning them the sup-

Reagan Policy Shift Prompts Skepticism

port of many in Congress who believe in an international approach to easing world poverty. (*Chart*, p. 2000)

But many conservatives have criticized the banks for promoting government programs and ignoring private industry. Kemp and a handful of his allies have escalated those attacks in recent years, arguing that bank programs have led to high-tax, big-spending policies that contributed to the debt problems of developing countries. (*Box*, p. 2003)

Background

The administration's new activism on international debt comes after Reagan and key allies announced steps aimed at reducing the U.S. trade deficit, estimated at \$150 billion this year. On Sept. 22, the United States and four other nations announced they would work to reduce the value of the dollar against other currencies. The next day, Reagan unveiled a package of administrative and legisla-

tive trade proposals aimed at combating "unfair" trade practices in world markets. (*Weekly Report* pp. 1907, 1908)

The triple focus on trade, the dollar and international debt is likely to lend credence to calls by members, including Kemp, Lundine and Sen. Gary Hart, D-Colo., to link those issues.

These members argue that a major cause of the trade deficit is the collapse of U.S. markets in Latin America, Africa and Asia.

Developing nations in Latin America, Africa and Asia have accumulated a debt burden of between \$800 billion and \$900 billion, according to the World Bank. Many of these countries have little chance of repaying that money.

"Third World nations represent the strongest potential market for expanding U.S. exports," said Hart.

But nations encumbered by debt have slashed their purchases of U.S. goods.

"There is a little awareness, but not a lot," about the links between the trade imbalance and the debt crisis, Lundine said.

"We have to do a better job of educating our colleagues," about in-



World Bank programs, such as an irrigation system at a rice paddy in Sri Lanka, have helped Third World countries develop their economies.

—By Nancy Green

Major International Banks: What They Are . . .

	INSTITUTIONS	MEMBER NATIONS	GOALS
WORLD BANK	International Bank for Reconstruction and Development (IBRD)	148	Provides financial and technical aid, primarily agriculture, utilities, telecommunications, water supply and sewerage; also transportation, health, population programs.
	International Development Association (IDA)	133	Gives monetary and technical aid to the poorest nations, mainly in Asia and sub-Saharan Africa. Concentrates on agriculture, rural development.
	International Finance Corporation (IFC)	127	Promotes private enterprise in developing countries through projects that expand or diversify business.
REGIONAL BANKS	Inter-American Development Bank (IDB)	43	Gives loans and technical aid for investment of public and private capital in Latin America and the Caribbean. Focuses on energy, industrial, transportation and health projects.
	Fund for Special Operations (FSO)	43	IDB arm that provides very-low-interest loans for the less-developed Latin American countries. Focuses on health, education, energy, transportation.
	Inter-American Investment Corporation (IIC) ¹	—	Created on recommendation of Kissinger commission. Helps Latin American and Caribbean private enterprises, especially small and medium-sized businesses.
	Asian Development Bank (AsDB)	45	Aids Asian-Pacific nations, among them Bangladesh and Western Samoa. Focuses on food, rural development, energy, transportation, communications.
	Asian Development Fund (AsDF)	45	Provides the poorest nations in the region with long-term, no interest loans.
	African Development Bank (AfDB)	75	Supervises and funds food, water, transportation and other projects in Africa.
	African Development Fund (AfDF)	75	Helps the poorest African nations develop agriculture, transportation, utility and other projects.

¹ IIC Approved but not operating.

* Under planned payment schedule for most current capital increase/replenishment.

ternational economic problems and the role that the World Bank and other multilateral banks can play to solve them, said Rep. Matthew F. McHugh, D-N.Y., a strong supporter of the banks.

According to the Commerce Department, the U.S. trade deficit was \$123 billion in 1984. Of that imbalance, \$52.5 billion was with developing countries, many of which are served by the World Bank and other lending institutions. Japanese trade accounted

for \$36.8 billion of the shortfall.

And, the Overseas Development Council estimates, the United States has lost nearly 1.4 million jobs due to economic decline within lesser-developed and newly industrialized nations.

Administration Plan

The heart of the White House plan is a proposal to coordinate the development programs of the World Bank more closely with the emergency rescue operations of the IMF.

The IMF is a lender of last resort. It lends small amounts of money to nations to help them repay their foreign debt. It also requires countries to take steps, including cutting government spending and trimming imports, to stabilize their economies and attract loans from private banks.

Such austerity programs are widely resented in the Third World, especially when private banks have not boosted their lending.

Senior administration officials,

... And How They Help Developing Countries

YEAR ESTABLISHED, HEADQUARTERS	TERMS OF LOANS	MAJOR SOURCE OF FUNDS	AMT. LENT LAST YEAR (\$ mil.)	U.S. SHARE CURRENT CAPITAL	CURRENT U.S. FUNDING EXPIRES ^{2/}
1945 Washington, D.C.	15-20 yrs. 8.82%	Borrowings on international capital markets	11,358	20.0%	1987
1960 Washington, D.C.	50 yrs. 0.75% service charge	Contributions from donor members	3,028	25.0%	1987
1956 Washington, D.C.	6-12 yrs. commercial fixed rates	Paid-in capital, borrowings	609	26.9%	1990*
1959 Washington, D.C.	15-25 yrs. 9.5%	Borrowings on int'l capital markets	3,215	34.7%	1987
1959 Washington, D.C.	25-40 yrs. 2-4%	Contributions from donor members	307	41.3%	1987
Washington, D.C.	—	Paid-in capital	—	—	1988
1966 Manila, Philippines	10-30 yrs. 9.65%	Borrowings on int'l capital markets	1,551	16.3%	1988
1966 Manila, Philippines	40 yrs. 1% service charge	Contributions from donor members	684	16.2%	1987
1963 Abidjan, Ivory Coast	12-20 yrs. 10.55%	Borrowings on int'l capital markets	495	7.4%	1987
1973 Abidjan, Ivory Coast	50 yrs. 0.75% service charge	Contributions from donor members	369	15.4%	1988*

* New capital increase/replenishment for which authorization is being sought.

SOURCE: Treasury Department and development banks

including Secretary of the Treasury James A. Baker III and Secretary of State George P. Shultz, fear that political and financial pressures in debtor nations could intensify, dangerously straining their governments and the world banking system.

To ease those pressures, the administration is weighing several potential strategies for the World Bank:

- Using some bank resources to expand an IMF trust fund. The fund would be earmarked to aid the poorest

nations, particularly those in drought-stricken Africa, for five years.

- Increasing bank lending. The bank lent only about \$11.4 billion last year because many nations rejected the strict conditions that the bank places on its loans. The White House would like to see the World Bank lend up to its current limit of about \$13.5 billion. At the same time, it wants the bank to keep up pressure on debtor nations to streamline their economies and promote economic growth.

- Increasing the bank's use of structural adjustment loans, which are designed to help recipient countries make major changes in the basic structure of their economies, such as switching from agriculture to manufacturing.

- Boosting the bank's loan guarantees, with the aim of inducing private banks to increase their lending.

These proposals amount to shifts in the World Bank's and IMF's roles and priorities. The big question re-

mains how much new money will be needed and whether the White House will request it from Congress.

The administration has opposed a major new increase in the World Bank's lending power. White House officials argue that the bank has money to spare, and should first loan up to its current limit.

The administration also is refusing to make long-term commitments to fund the other banks, saying it wants to examine each bank's needs.

The administration may try to induce the World Bank and IMF to share resources or redirect existing funds or future earnings toward easing the debt crisis, congressional aides predict.

Rep. David R. Obey, D-Wis., and other supporters of the banks, however, remain wary of the administration's intentions. They point out that the administration:

- Refused earlier this year to participate in a new program run by an arm of the World Bank aimed at weaning drought-stricken African nations from emergency aid.

The White House argued that existing multilateral programs and direct aid would work better than the World Bank-administered program.

- Opposed in 1984 a major increase in the International Development Association, a World Bank branch that lends to the world's poorest nations.

The White House argued that two large recipients — India and China — should "graduate" from the program, freeing up money for African and other needy countries. U.S. opposition resulted in a \$3 billion reduction in IDA's lending pool.

- Pushed direct U.S. foreign assistance rather than multilateral programs, and military instead of economic aid. Multilateral aid made up 8 percent of Reagan's \$16.7 billion fiscal 1986 foreign aid budget request, while 23 percent was directed toward direct aid and 65 percent was earmarked for "security" aid, former World Bank President Robert S. McNamara told the House Banking Subcommittee on International Development Institutions and Finance in September.

The White House probably will continue to pressure the multilateral development banks to target more aid to nations' private sectors. Reagan officials argue that development banks in the past have helped government bureaucracies and costly and inefficient state-run enterprises at the expense of private business.

Congressional Strategies

The administration's plan to change the banks' role faces potentially conflicting pressures on Capitol Hill. Conservative Republicans are likely to insist that the administration continue to emphasize private-sector development.

The four Republican members of the House Appropriations Foreign Operations Subcommittee — Kemp, Jerry Lewis, Calif.; Mickey Edwards, Okla.; and John Edward Porter, Ill. — say they will not back new funds for the development banks unless the institutions urge Third World nations to adopt policies — such as cutting taxes, liberalizing trade and curbing government spending — that those members believe are vital to economic growth.

"I want to wait and see" what steps the administration takes to encourage the banks to aid private-sector development, Kemp said on Sept. 30.

"I'm not going to make a wholesale onslaught on the multilateral institutions" added Kemp, who has tried several times to transfer funds intended for the multilateral banks to

foreign aid programs run directly by the United States.

"I would like to keep them modestly funded," Kemp said.

Other members of Congress can be expected to encourage the administration to increase the World Bank role in the international debt problem.

Longtime Democratic backers of the World Bank, such as Lundine, argue that the banks can offer expert advice to debtor nations. Moreover, that advice, because it comes from many donor nations, has the advantage of "protecting [the United States] from political feedback that sometimes is generated from reforms," McHugh argued.

Bank programs are also more cost-effective than direct U.S. aid, bank backers claim, because multilateral banks can bolster U.S. contributions with funds from other nations, private banks, and bank earnings.

The Link to Trade

The administration plan is likely to generate interest from Hart and other members who link the U.S. trade deficit to international debt.

Developing and newly industrialized nations "have historically absorbed 40 percent of our exports," Hart said on Sept. 17, while outlining a trade bill that he plans to introduce during the week of Oct. 7.

Yet many of those nations are using money they would otherwise spend on U.S. goods to repay their foreign debts. Furthermore, the IMF directs debtor nations to restrict their purchase of imported goods until they can stabilize their economies. This requirement is blocking sales of U.S. goods abroad.

Hart's bill may call for an international conference to examine the effects of IMF austerity programs, which pose a conflict with U.S. efforts to promote American exports.

Hart's measure also may suggest that new U.S. contributions to development banks be linked to debtor nations' steps to lift import barriers, boost exports and take other steps to help private businesses grow.

House Republicans take a similar tack in a trade measure they are drafting.

That bill may direct U.S. representatives to the World Bank and other multilateral banks to encourage debtor nations to end import restraints.

In addition, the measure may instruct those U.S. representatives to



"We have to do a better job of educating our colleagues" about international economic problems and the role that World Bank and other multilateral banks can play to solve them.

—Rep. Matthew F. McHugh,
D-N.Y.

Kemp, Allies: Filling in a Policy Vacuum

The intellectual tone for the Reagan administration's re-examination of the World Bank has been set by conservative Republicans, including Rep. Jack F. Kemp, N.Y., who long have been pressing for a reordering of the bank's priorities.

Kemp and fellow Republicans on the House Appropriations Subcommittee on Foreign Operations — Jerry Lewis, Calif.; Mickey Edwards, Okla.; and John Edward Porter, Ill. — want the World Bank and other multilateral development banks to promote in other nations the sort of tax cuts and economic growth policies the Reagan administration has pursued in the United States.

"We're trying to encourage the [administration] to do in foreign policy what we're doing in domestic economic policy — or at least more of it," Kemp said in a Sept. 30 interview. "I just keep reminding them what caused America's growth."

That approach has prompted some Democrats to complain that the White House is listening too closely to Kemp, to the detriment of the banks.

"The administration consulted with Kemp and perhaps a few others" about how much money the United States should give the International Development Association (IDA), said Matthew F. McHugh, D-N.Y., a strong defender of the banks. The IDA is a World Bank branch that aids the world's poorest nations.

The administration used Kemp's opposition to justify cuts, particularly to other donor countries, he said. "Some of us feel that the administration has not dealt entirely straightforwardly on this matter. Jack Kemp does not represent all of Congress," McHugh added.

In 1983 and 1984, Kemp and his allies successfully urged the administration to make a substantial cut in U.S. funding for the IDA. (1984 Almanac p. 124)

Last May, David R. Obey, D-Wis., chairman of the House Foreign Operations panel and a staunch ally of



Rep. Jack F. Kemp

the development banks, demanded that the White House garner support for its budget requests for the banks from Kemp and other Republicans. Otherwise, Obey said, he would not defend the administration budget for the banks. (Weekly Report p. 1007)

After sparring with Obey, all four Republican subcommittee members told the Treasury Department that they would tie support for bank funding to the banks' steps to adopt economic policies more to their liking.

Last summer, following a pattern of earlier years, Kemp offered several amendments in committee to the fiscal 1986 foreign aid appropriations bill (HR 3228) to shift foreign aid from multilateral to direct aid programs and from development aid to security assistance. His amendments to HR 3228 were not adopted. (Weekly Report p. 1575)

Conservative Republicans have been aided in their efforts to shape administration policy by the banks' relatively low political profile. "We've been all but invisible the last few years," said a World Bank official.

Few senators in recent years have actively pursued development bank issues. One who has is Bob Kasten, R-Wis., who, like conservative Republicans in the House, has prodded the administration to trim World Bank funding.

Another key to the House Republicans' influence on the banks has been the role of congressional staffers. A former Kemp aide, Joe O'Neal Rogers, heads the Asian Development Bank, which the White House considers among the best-managed of multilateral development banks and an innovator of new programs.

A Treasury Department aide who oversees the banks, James W. Conrow, is a former aide to Rep. C. W. Bill Young, R-Fla., a vocal critic of the banks while ranking minority member of the House Foreign Operations panel before Kemp.

Kemp and his allies now have to work with a new set of administration officials, as senior staff members of the State and Treasury departments and other agencies focus their attention on the banks.

It remains to be seen how well congressional conservatives will work with those officials. But their success so far seems to bear out a World Bank official's light-hearted assessment: "If you have two dedicated people, you can take over the Hill."

—By Nancy Green

block bank aid to developing nations that put "unfair" restrictions on U.S. imports or investment.

Several other members have acknowledged the link between the trade crisis and international debt.

Senate backers of a bill to curb textile imports redrafted the measure to drop restrictions against Brazil, a major debtor nation. (Weekly Report p. 1755)

And Rep. Richard A. Gephardt, D-Mo., a main sponsor of a bill (HR

3035) to place a surcharge on imports, told the Ways and Means Committee on Sept. 17 that he would consider exempting Brazil from that measure. (Weekly Report p. 1855)

While an awareness of the connections between international debt and trade is beginning to spread in Congress, it will not be easy to sell members on the White House plan to use the banks to ease the debt crisis.

Many members must be convinced that the plan is not a bailout of

large private banks that have lent billions of dollars to developing countries. That suspicion nearly sank administration efforts to increase IMF funding in 1983. (1983 Almanac p. 241)

Convincing members to support any boost for the development banks "will take a strong push from the administration," a World Bank official said, adding: "There are only about five people on Capitol Hill who follow the banks."

MSG FROM: NSLSS --CPUA TO: NSBLP --CPUA
To: NSBLP --CPUA

10/21/86 12:31

*** Resending note of 10/14/86 20:30
To: NSAGK --CPUA ALTON G. KEEL
please print and file: foreign assistance FY87
NOTE FROM: BOB PEARSON

Subject: Foreign Operations

*** Forwarding note from NSLSS --CPUA 10/14/86 19:18 ***
To: NSRBM --CPUA ALTON G. KEEL NSWRP --CPUA ALTON G. KEEL

NOTE FROM: Lynn S. Sachs

SUBJECT: Foreign Operations

Seems like we finally have a deal between Kasten and Obey. To the best of our collective knowledge (NSC/OMB/State) it appears that the parts add up to a sum larger than the 302(b) allocation -- but nobody is worried about this. There is an unspoken understanding that "room will be made" when all the pieces of the CR puzzle are put back together. We have ended up with 3,550 for ESF (including the 200m for the Philippines, and with a slight reduction of the Pakistan earmark by 27.5m); 4,400 for FMS; 950 for MDB's (this fulfills Treasury's request for a minimal addition of 150 to the Kast mark); 50m for disaster assistance for El Salvador (appears not to have come at the expense of anything else in the 150 account). Overall, it is probably the best we could possibly have expected. It is also very fortunate that some agreement was reached because we would have paid a very dear price if foreign ops portion of the CR had been brought back in disagreement for floor debate and separate votes. We will have greater detail in the a.m.

cc: NSSPF --CPUA NSRKS --CPUA
NSPWR --CPUA NSMBD --CPUA

cc: NSDFP --CPUA NSLSS --CPUA

Under Secretary Spiers

Current
Policy
No. 877

The Fiscal Threat to U.S. Foreign Policy



United States Department of State
Bureau of Public Affairs
Washington, D.C.

Following is an address by Ronald I. Spiers, Under Secretary for Management, before the National Council on World Affairs Organizations, Washington, D.C., October 15, 1986.

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

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

I have worked in the diplomatic vineyard for over 35 years, and I believe the United States has consistently underinvested in the resources it devotes to its diplomacy and to its relations with the rest of the world. A continental power, secure behind two oceans for most of its history, preoccupied with the taming of a continent, putting its energies into molding waves of immigrants into Americans, protected for years by the military power of friendly countries, America has not had a strong national tradition in foreign affairs. World Wars I and II shook us into a realization that we were not an island unto ourselves. After World War II, we began to reach for a world role commensurate with our power and our interests.

We made mistakes along the way, which raised questions about the wisdom of the way we played this role. But the public interest did not turn inward or retreat into isolation. Our self-confidence was shaken, public trust in government authority stumbled but did not falter. But funds for defense, foreign assistance, diplomacy, and intelligence—the four great national security “accounts”—were, for the most part, supported by American public opinion. And public support is the oxygen of government policy. What could be interpreted as a historic course correction had taken place.

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

- We were in the forefront in rebuilding a world devastated by war.
- We have stood clearly as a beacon for political freedom and individual liberty around the world. People from all over the world still try to come to this country.
- We have built alliances with like-minded nations, necessary components of a stable peace.
- We have managed a potentially dangerous relationship with our principal adversary—the Soviet Union—without war and without relinquishing principle.
- We have applied our skills successfully to keep regional crises and conflicts from escalating to global confrontation. It is sobering to contemplate that warfare is now going on between or within 43 countries.

• We have contributed significantly to the economic development of poorer nations and to the self-defense capabilities of our friends and allies.

• We have focused world attention on the importance of human rights and have spotlighted abuses.

• We have made increasingly effective common cause with others in combating the scourges of narcotics and terrorism, which transcend the ability of single nations to vanquish.

• Our example has brought ever more people and nations to the realization that free market economics offers more efficient, more productive answers to human needs—and are more compatible with political freedom.

These achievements do not come cheaply—except in comparison to the costs of their alternatives.

U.S. Foreign Policy and the Foreign Affairs Budget

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

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

But our nation's economic prosperity, its democratic freedoms, its military strength conspire to lull

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

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

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

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

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

Many Congressmen feel little pressure to spare the foreign affairs budget because most of their constituents are far more interested in

domestic issues. Also, many Americans have the mistaken impression that our foreign affairs budget swallows up a large portion of the tax dollar. If we in the Department of State have a natural constituency, it is groups such as yours. We hope you continue your active interest.

The Department of State, which is the oldest and surely one of the most important departments of the government, is also one of the smallest. The funds for the State Department's operations at home and abroad cost only four-tenths of 1% of the Federal budget. I contend that's the bargain of the century.

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

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

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

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

Effects of Congressional Budget Cuts

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

As of September 30 of this year, we hauled down the flag at seven of our consulates overseas. This year, in response to budget cuts, we may permanently close the doors of another 11 posts overseas. These consulates are the capillaries of our system, and they enhance our ability to gather information, to expand our contacts and influence, and to provide service to Americans abroad.

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

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

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

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

Security Assistance. But it has not been the State Department's budget alone that has been affected by these deep budgetary cuts. Our foreign economic and military assistance

programs have been gutted by the Congress. By reducing this portion of the Federal budget by over \$3 billion and earmarking security assistance programs for several key countries, Congress has forced us to cut some important foreign aid programs by 50%-60%.

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

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

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

payments may now become the issue, rather than UN reform. Our critics will blame us when and if UN fiscal reform fails.

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

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

Diplomatic Security Programs. Two years ago the Secretary of State appointed a special panel—headed by retired Admiral Bobby Inman—to conduct an objective review of the state of security of our embassies and personnel overseas. The panel reported last year and recommended a massive infusion of resources. Over 60 of our embassies and more than 300 of our buildings needed total replacement if we were to meet minimum security standards. Some months ago, the Congress authorized a \$4.4-billion, 5-year program to bring our security abroad and at home up to the level recommended by Inman. However, Congress has balked at actually appropriating the funds it has authorized at a level necessary to meet the Inman recommendations.

It makes little sense to cut funds for our overseas security programs just when events over the past few years have shown that our diplomats and our diplomatic facilities are especially vulnerable to terrorist attacks. The public's memory of the bombings of our embassies in Beirut and Kuwait has faded. Many have forgotten the over-running of our embassy in Tehran and the destruction of our embassies in

Tripoli and Islamabad. Many of our embassies still front onto busy city streets. Many of our offices overseas are housed in highrise buildings where we cannot control who are our neighbors.

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

Conclusion

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

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

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

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COMMERCE, JUSTICE, & STATE DEPTS. APPROPRIATIONS BILL, FY 1987

10/16/86

HR 5161. 99th Congress, 2nd Session (1986)

International Affairs Division accounts

BUDGET AUTHORITY (in thousands of dollars)

(All accounts are 150 except where indicated.)

	FY 1986	FY 1987					C. R. CONF. REPORT	CONF. REPT./CONF. REPT./CONF. REPT./CONF. REPT./			
	POST-G-R-H	PRES.	CONG.	BUD. REQ.	HOUSE	S. APPROP.		FY 1986	PRES.	CONG.	BUD. REQ.
	W/SUPPS 7/2/86	BUD. REQ. 2/5/86	BUD. RES. 6/26/86	MIDSESSION 8/6/86	7/17/86	COMMITTEE 8/14/86		W/SUPPS	BUD. REQ.	BUD. RES.	MIDSESSION
	A	B	C	D	E	F	G	H = 6-A	I = 6-B	J = 6-C	K = 6-D
TABLE III - DEPARTMENT OF STATE											
Salaries and expenses.....	1,675,466	1,841,559	1,392,435	1,841,559	1,590,748	1,400,000	1,527,000	(148,466)	(314,559)	134,565	(314,559)
Reopening consulates.....	1,700	0	0	0	1,425	0	0	(1,700)	0	0	0
Representation allowances.....	4,498	4,897	4,498	4,897	4,464	4,460	4,460	(38)	(437)	(38)	(437)
Protection of foreign missions and officials...	9,091	10,300	9,092	10,300	9,022	9,500	9,100	9	(1,200)	8	(1,200)
Foreign buildings operations.....	731,509	1,362,120	720,405	1,362,120	474,850	273,000	440,000	(291,509)	(922,120)	(280,405)	(922,120)
Counterterrorism research and development.....	10,000	20,000	0	20,000	9,497	0	0	(10,000)	(20,000)	0	(20,000)
Emergencies in the diplo. & consular services..	4,211	4,400	4,211	4,400	4,179	4,000	4,000	(211)	(400)	(211)	(400)
American Institute in Taiwan.....	9,379	11,100	9,379	11,100	9,307	9,379	9,379	0	(1,721)	0	(1,721)
Payment to Foreign Service retirement fund.....	118,174	9,298	127,398	9,298	127,398	127,398	127,398	9,224	118,100	0	118,100
Subtotal, Administration of Foreign Affairs.	2,564,028	3,263,674	2,267,418	3,263,674	2,230,890	1,827,737	2,121,337	(442,691)	(1,142,337)	(146,081)	(1,142,337)
Contributions to international organizations...	443,091	432,930	432,930	432,930	385,037	385,000	385,000*	(58,091)	(47,930)	(47,930)	(47,930)
Contrib. for int'l peacekeeping activities.....	28,136	53,900	28,136	53,900	27,921	29,400	29,400	1,264	(24,500)	1,264	(24,500)
International conferences & contingencies.....	5,742	6,391	5,742	6,391	5,461	5,460	5,460	(282)	(931)	(282)	(931)
Subtotal, Int'l Organizations & Conferences.	476,969	493,221	466,808	493,221	418,419	419,860	419,860	(57,109)	(73,361)	(46,948)	(73,361)
Int'l Boundary and Water Comm., US/Mexico											
Salaries and expenses (301).....	10,814	10,600	10,814	10,600	10,447	10,600	10,800	(14)	200	(14)	200
Construction (301).....	2,160	4,200	2,160	4,200	3,894	4,100	3,900	1,740	(300)	1,740	(300)
American sections of int'l commissions (301)...	3,594	3,900	3,594	3,900	3,514	3,700	3,700	106	(200)	106	(200)
International fisheries commissions (302).....	10,814	11,000	10,814	11,000	10,447	11,000	10,800	(14)	(200)	(14)	(200)
Subtotal, International Commissions.....	27,382	29,700	27,382	29,700	28,302	29,400	29,200	1,818	(500)	1,818	(500)
US bilateral science and technology agreements.	1,914	2,000	1,914	2,000	1,899	1,900	1,900	(14)	(100)	(14)	(100)
The Asia Foundation.....	11,570	9,500	9,570	9,500	8,547	9,000	8,800	(2,770)	(700)	(770)	(700)
Soviet - East European research fund.....	4,594	4,000	4,000	4,000	4,559	4,000	4,600	6	600	600	600
Fishermen's guaranty fund (376).....	0	3,000	0	3,000	0	0	0	0	(3,000)	0	(3,000)
Subtotal, Other.....	18,078	18,500	15,484	18,500	15,005	14,900	15,300	(2,778)	(3,200)	(184)	(3,200)
Total, Department of State.....	3,086,457	3,805,095	2,777,092	3,805,095	2,692,616	2,291,897	2,585,697	(500,760)	(1,219,398)	(191,395)	(1,219,398)

* 150 million only \$255 million may be spent in 1987

(130 withdrawn)

COMMERCE, JUSTICE, & STATE DEPTS. APPROPRIATIONS BILL, FY 1987

10/16/86

HR 5161, 99th Congress, 2nd Session (1986)

International Affairs Division accounts

BUDGET AUTHORITY (in thousands of dollars)

(All accounts are 150 except where indicated.)

	FY 1986 POST-G-R-H W/SUPPS 7/2/86	FY 1987 PRES. BUD. REQ. 2/5/86	CONG. BUD. RES. 6/26/86	BUD. REQ. MIDSESSION 8/6/86	HOUSE 7/17/86	S. APPROP. COMMITTEE 8/14/86	C. R. CONF. REPORT 10/15/86	CONF. REPT./CONF. FY 1986 W/SUPPS	CONF. REPT./CONF. PRES. BUD. REQ.	CONF. REPT./CONF. CONG. BUD. RES.	CONF. REPT./CONF. BUD. REQ. MIDSESSION
	A	B	C	D	E	F	G	H = G-A	I = G-B	J = G-C	K = G-D
TITLE V - RELATED AGENCIES											
Arms Control and Disarmament Agency.....	24,738	31,000	24,738	31,000	28,491	30,000	29,000	4,262	(2,000)	4,262	(2,000)
Board for International Broadcasting.....	117,084	167,509	113,000	167,509	132,958	125,000	140,000 *	22,916	(27,509)	27,000	(27,509)
Commission on the Ukraine Famine.....	383	0	0	0	0	0	0	(383)	0	0	0
International Trade Commission.....	27,370	29,700	28,000	33,700	32,385	33,700	33,900	6,530	4,200	5,900	200
Japan - United States Friendship Commission....	742	1,550	668	1,550	1,408	1,483	1,408	666	(142)	740	(142)
Office of the U.S. Trade Representative (802)..	12,592	12,216	13,592	12,216	13,296	12,216	13,300	708	1,084	(292)	1,084
United States Information Agency.....	(837,327)	(959,195)	(748,826)	(959,195)	(807,721)	(726,500)	(807,250)	(-30,077)	(-151,945)	(58,424)	(-151,945)
Salaries and expenses.....	550,347	608,883	491,802	608,883	564,597	560,000	570,000	19,653	(38,883)	78,198	(38,883)
Exchange program.....	134,458	166,566	124,433	166,566	144,354	120,000	145,000	10,542	(21,566)	20,567	(21,566)
Radio construction.....	105,198	131,708	90,000	131,708	52,234	0	46,000 **	(59,198)	(85,708)	(44,000)	(85,708)
Radio Marti.....	10,240	11,639	9,216	11,639	10,922	11,500	11,250	1,010	(389)	2,034	(389)
East-West Center.....	19,858	20,288	17,872	20,288	18,994	20,000	20,000	142	(288)	2,128	(288)
National Endowment for Democracy.....	17,226	20,111	15,503	20,111	16,620	15,000	15,000	(2,226)	(5,111)	(503)	(5,111)
Total, Related Agencies.....	1,020,236	1,201,170	928,824	1,205,170	1,016,259	928,899	1,024,858	4,622	(176,312)	96,034	(180,312)
150 reductions in CJS accounts.....	0	0	0	(955,562)	0	0	0	0	0	0	0
Total, IAD accounts - CJS BILL.....	4,106,693	5,006,265	3,705,916	4,054,703	3,708,875	3,220,796	3,610,555	(496,138)	(1,395,710)	(95,361)	(1,399,710)
Subtotal, non-150 accounts.....	39,974	44,916	40,974	44,916	41,598	41,616	42,500	2,526	(2,416)	1,526	(2,416)
150 accounts not examined by IAD.....	670	596	670	596	566	564	564	(106)	(32)	(106)	(32)
Total, 150 accounts - CJS BILL.....	4,067,389	4,961,945	3,665,612	4,010,383	3,667,843	3,179,744	3,568,619	(498,770)	(1,393,326)	(96,993)	(1,397,326)

* of which only \$125 may be spent in 1987

** of which none may be spent in 1987

20
October

	FY 1987 Executive request	FY 1987 Authori- zations	FY 1986 Approp. after 4.3% cut	COMMITTEE CHANGES TO 87 AUTH. (S. 1917)	HOUSE APPROP. COMMITTEE FY 1987	SENATE APPROP. COMMITTEE FY 1987	CONFERENCE AGREEMENT
PROGRAMS WITHIN THE SOLE JURISDICTION OF HFAC							
Foreign economic and financial aid							
Total (151)	2,864,870	3,047,350	2,783,388		2,669,691	2,727,525	2,775,454
IOs (voluntary)	186,000	270,000	265,972	236,084	238,995	236,074	237,264
Bilateral DA	1,547,000	1,667,000	1,447,824		1,374,441	1,424,500	1,420,989
(Agriculture)	709,900	760,000	669,895		619,839	649,500	639,613
(Population)	250,000	290,000	239,250		239,250	230,000	234,625
(Health)	150,843	205,000	192,189	180,000	173,525	160,000	166,762
(Child Survival F.	25,000	25,000	36,425	75,000	50,000	75,000	75,000
(Education)	179,789	180,000	162,642		146,847	155,000	155,000
(SDA/Sci. & Tech.)	245,726	207,000	177,188		144,980	155,000	149,989
Afr. Devt. F.	6,500	3,872	3,706		3,872	6,500	6,500
Sahel	80,000	87,750	77,039		69,557	70,000	70,000
AID Op. Expenses	410,650	387,000	380,312		340,600	340,600	340,600
AID IG	21,750		20,145	21,750	18,189	21,750	21,000
Disaster aid	25,000	25,000	21,533		19,441	20,000	70,000
HIG Reserves	10,000	0	0		0		
Private sec. rev.	(13,500)	(18,000)	(17,226)		(15,553)	(13,500)	(15,553)
TDP	18,000	20,000	18,087		16,331	20,000	20,000
ASHA	10,000	35,000	33,495		33,495	35,000	35,000
IAF	10,800	11,969	11,454	12,969	11,800	10,800	11,800
Peace Corps	126,200	137,500	124,410		130,000	130,000	130,000
MRA	347,525	344,730	324,356		347,525	346,856	346,856
Narcotics Control	65,445	57,529	55,055	65,445	65,445	65,445	65,445
Security aid,							
Total (152)	10,918,920	10,114,161	9,353,631		8,223,539	8,931,363	8,587,970
Anti-terrorism	9,840	9,840	7,101		9,840	9,840	9,840
Peacekeeping	39,000	37,000	32,538		29,378	34,000	31,689
MAP	1,046,450	805,100	748,374		675,697	0	900,000
IMET	68,830	56,221	52,146		47,082	65,000	56,000
FMS	5,661,000	5,371,000	4,966,830		4,264,744	4,922,523	4,040,441
GRF	0	0	0		0	0	
ESF	4,093,800	3,835,000	3,546,642		3,196,798	3,900,000	3,550,000
TOTAL, FOREIGN AID	13,783,790	13,161,511	12,137,019		10,893,230	11,658,888	11,363,424
P.L. 480	1,164,400	1,299,158	1,243,294		1,182,718	983,424	1,463,071
Multilaterals	1,392,002	1,400,000	1,142,512		1,021,449	807,583	949,327
Conduct of foreign affairs (153)	3,926,335	2,934,528	2,963,536	(+5% cut)	2,701,280	2,165,099	2,431,999
Adm. of For. Aff.	3,386,614	2,357,540	2,445,751		2,214,900	1,700,339	1,993,939
IO's (assessed)	493,221	534,074	476,969		440,580	419,860	419,860
Sci. & Tech.	2,000	2,000	1,914		2,000	1,900	1,900
Asia Foundation	9,500	10,500	9,570		9,000	9,000	8,800
Sov.-E. Europe	4,000	4,800	4,594		4,800	4,000	4,600
ACDA	31,000	25,614	24,738		30,000	30,000	2,900
Foreign information & exchange (154)	1,128,059	1,012,900	937,838		991,983	852,983	948,658
US-Japan F.C.	1,550		742		1,483	1,483	1,408
USIA	959,000	887,900	838,812		850,500	726,500	807,250
BIB	167,509	125,000	98,284		140,000	125,000	140,000
TOTAL OF ABOVE	21,394,586	19,808,097	18,424,199		16,790,660	16,467,977	17,156,479

TIME STAMP

file: frag assignment 9

NATIONAL SECURITY COUNCIL
EXECUTIVE SECRETARY REFERRAL

SYSTEM I LOG NUMBER: 7610

☐ (FIRST DRAFT OF REMARKS)

ACTION OFFICER: Danzansky

DUE: Today 21 Oct.

- ☒ Prepare Memo McDaniel to Chew
☐ Prepare Memo McDaniel to Dolan
☐ Prepare Memo McDaniel to Speakes
☐ Prepare Memo _____ to _____

*** PUT RESPECTIVE STAFF OFFICER'S NAME IN MARGIN BESIDE CHANGES.

CONCURRENCES/COMMENTS*

DUE: IMMEDIATE

*PHONE to action officer at ext. 3622

☐ Brooks
☐ Burghardt
☐ Burns
☐ Cannistraro
☐ Childress
☐ Cobb
☐ Danzansky
☐ deGraffenreid
☐ Dobriansky
☐ Donley
☐ Douglass
☒ Farrar
☐ Grimes
☐ Hanley
☐ Kelly
☐ Kissell
☐ Kraemer
☐ Laux

☐ Lavin
☐ Linhard
☐ Lenczowski
☐ Levine
☐ Mahley
☐ Major
☐ Mandel
☐ Matlock
☐ May
☐ Mingle
☐ Morton
☐ Murdock
☒ North
☒ Perry
☒ Platt
☐ Pugliaresi
☐ Raymond
☐ Reger

☐ Ross
☒ Sable
☐ Sachs
☐ Saunders
☐ Sestanovich
☐ Small
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☒ Exec. Sec. Desk

7610

WHITE HOUSE STAFFING MEMORANDUM

DATE: 10/20/86 ACTION/CONCURRENCE/COMMENT DUE BY: October 21st

SUBJECT: S. 1917 -- SPECIAL FOREIGN ASSISTANCE ACT OF 1986

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	MILLER - ADMIN.	<input type="checkbox"/>	<input type="checkbox"/>
REGAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	POINDEXTER	<input checked="" type="checkbox"/>	<input type="checkbox"/>
MILLER - OMB	<input type="checkbox"/>	<input type="checkbox"/>	RYAN	<input type="checkbox"/>	<input type="checkbox"/>
BALL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPEAKES	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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CHEW	<input type="checkbox"/>	<input checked="" type="checkbox"/>	THOMAS	<input type="checkbox"/>	<input type="checkbox"/>
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REMARKS:

Please provide any comments/recommendations directly to my office by October 21st. Thank you.

RESPONSE:

David L. Chew
Staff Secretary
Ext. 2702



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OCT 20 1986

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Enrolled Bill S. 1917 - Special Foreign Assistance Act
of 1986
Sponsors - Sen. Bradley (D) New Jersey and 61 others

Last Day for Action

October 25, 1986 - Saturday

Purpose

(1) Increases the fiscal year 1987 authorization for the Child Survival Fund from \$25 million to \$75 million; (2) earmarks for immunizations \$50 million of the aggregate amounts appropriated in fiscal year 1987 for the Child Survival Fund and health related development assistance; (3) earmarks for economic assistance to Haiti \$108 million of the aggregate amounts appropriated in fiscal year 1987 for development assistance, the Economic Support Fund and the Food for Peace Program; (4) allows the use of \$4 million of the aggregate amounts appropriated in fiscal year 1987 for grant military assistance, international military education and training, and foreign military sales assistance for military training and other nonlethal assistance for Haiti; (5) provides for expanded and diversified assistance for the conservation and management of tropical forests; (6) earmarks for the conservation of biological diversity \$2.5 million of development assistance funding appropriated for fiscal year 1987; and (7) contains miscellaneous provisions relating to foreign assistance programs.

Agency Recommendations

Office of Management and Budget	Approval
Agency for International Development	No objection
Department of State	No objection
National Security Council	No objection
Environmental Protection Agency	No comment
Department of Agriculture	Disapproval (But does not recommend veto)

Discussion

S. 1917 includes a number of unrelated provisions affecting foreign assistance programs, most of which were originally contained in other freestanding bills. The most significant of the provisions are discussed below.

Immunization in Developing Countries

S. 1917 contains a number of congressional findings delineating the scope of the world-wide immunization problem. These findings specifically note that Congress has already expressed its expectation that the Agency for International Development (AID) will set as a goal the immunization by 1990 of at least 80 percent of the children in the countries in which AID operates. In view of its findings, Congress urges the President to (1) direct AID to work with other domestic and international agencies to achieve that immunization goal and (2) appeal to the private sector and the American people to support public and private efforts to provide the resources necessary to meet the target of universal access to childhood immunization by 1990. S. 1917 would also raise the authorization for the Child Survival Fund from \$25 million to \$75 million and earmark for immunization \$50 million of the aggregate amounts appropriated in fiscal year 1987 for the Child Survival Fund and AID's health-related development assistance funds.

Haiti

The provisions of S. 1917 related to Haiti include:

- congressional findings that it is in the U.S. interest to provide appropriate development support for Haiti;
- the earmarking for economic assistance to Hawaii of \$108 million of the aggregate amounts appropriated in fiscal year 1987 for development assistance, the Economic Support Fund, and the Food for Peace Program;
- a requirement that any development assistance provided to Haiti be used to support a transition to democracy, and be distributed more equitably among the various regions in Haiti;
- a requirement that economic support funds be maintained by the Government of Haiti in a separate account and not be commingled with other funds;
- conditioning of the obligation of the economic support and development assistance funds on a Presidential determination that the interim Government of Haiti is improving the human rights situation in that country and making other specified reforms;
- an increase in the fiscal year 1987 authorization for the Inter-American Foundation from \$11,969,000 to \$12,969,000 and an earmark of the increase for Haiti;

- a statement that a Foreign Commercial Service officer should be assigned to the U.S. embassy in Haiti to assist Haiti's economic development;
- an allowance of \$4 million of the aggregate amounts appropriated in fiscal year 1987 for grant military assistance, international military education and training, and foreign military sale assistance to be used for military education, training and other nonlethal assistance (such as transportation and communication equipment) to Haiti;
- conditioning of the obligation of the military education, training and other nonlethal assistance funds for Haiti on a number of Presidential certifications regarding reform of the Haitian armed forces consistent with a transition to democracy;
- a requirement that the President report to the Congress every three months on the extent of the progress made by the Haitian Government in meeting the objectives of the reform of the Haitian armed forces;
- a requirement that half of the military education, training, and nonlethal assistance be withheld from delivery until the President submits the first report described above; and
- a requirement that the President use his authorities under the International Emergency Economic Powers Act to assist the Government of Haiti in its efforts to recover assets allegedly stolen by former President-for-Life Jean Claude Duvalier and other individuals associated with his regime.

Protecting Tropical Forests and Biological Diversity in Developing Countries

S. 1917 contains a number of policy directives for AID activities to protect tropical forests and biological diversity in developing countries. For the most part, these directives codify current AID guidance in these areas. In addition, S. 1917 contains a \$2.5 million earmark of fiscal year 1987 development assistance funds for new biological diversity activities.

Miscellaneous Provisions

The most significant of the miscellaneous provisions of S. 1917 are:

- an increase from \$57,529,000 to \$65,445,000, as the Administration requested, in the fiscal year 1987 authorization for the International Narcotics Control Program of the Department of State;

- a line item authorization of \$21,750,000 for fiscal year 1987, the amount the Administration requested, for AID's Office of the Inspector General;
- a reduction of fiscal year 1987 authorized levels for AID's Health account and the International Organizations and Programs account to offset increases in authorization levels contained elsewhere in the bill for other programs;
- a new schedule of inspections and audits which would be imposed on the Department of State's Inspector General; and
- an increase from seven to nine, in the number of Presidentially-appointed members of the Board of the Inter-American Foundation with an increase from four to six of the members to be appointed from private life.

S. 1917 Legislative History

S. 1917 as originally introduced and passed by the Senate contained only the immunization provisions, which were objectionable to the Administration because they earmarked foreign assistance appropriations, limiting AID's ability to target resources to the highest priority areas in different countries.

The provisions on Haiti, protection of tropical forests and biological diversity in developing countries, and international narcotics control were added on the House floor the day the bill originally passed the House. The Administration had objected to enactment of the tropical forest and biological diversity measures when they were contained in free-standing bills, and did not have an opportunity to comment on the provisions for assistance to Haiti.

S. 1917 passed the House by unanimous consent and the Senate by voice vote.

Agency Views

In its enrolled bill views letter AID points out that the extensive earmarkings in S. 1917 are highly objectionable because the prospect of reduced overall levels of foreign aid appropriations, coupled with an inordinately large number of statutorily imposed earmarks, will mean substantially lower levels of assistance for unearmarked programs. AID concludes, however, that despite the serious problems posed by S. 1917, these problems are not significant enough to warrant disapproval of the

bill. Primarily to address the earmarking problem, AID has prepared material, attached to its views letter, for inclusion in a signing statement if one is to be issued. We do not believe such a statement is needed.

In its views letter, the Department of State identifies a number of concerns with S. 1917, but has no objection to approval. Specifically, State objects both to the extensive earmarking of foreign assistance accounts and continuation of the prohibition on providing lethal military assistance to Haiti. In addition, State continues to object to the restrictive schedule of inspections and audits placed on its Inspector General, as duplicative of existing management efforts. Finally, State notes its support for the \$8 million increase in the authorization level for the International Narcotics Control Program.

In its enrolled bill views letter, the Department of Agriculture recommends veto of S. 1917 because the congressional earmarkings of the Food for Peace Program [P.L. 480] would greatly complicate the implementation of that program, limit the Administration's flexibility to meet needs of other countries, and could result in reduced agricultural exports under the program.

Conclusion

S. 1917 continues the objectionable congressional practice of extensively earmarking foreign affairs funds. Nevertheless, we agree with the Department of State and the Agency for International Development that these earmarkings do not warrant disapproval of the bill.

Enclosures


James C. Miller III
Director

TIME STAMP

NATIONAL SECURITY COUNCIL EXECUTIVE SECRETARIAT STAFFING DOCUMENT

SYSTEM LOG NUMBER:

7949

ACTION OFFICER:

Rodman

DUE:

10:00 AM 11/3

☐ Prepare Memo For President☐ Prepare Memo McDaniel to Chew☐ Prepare Memo For Poindexter / Keel☐ Prepare Memo McDaniel to Dolan☐ Prepare Memo _____

to _____

CONCURRENCES/COMMENTS*

PHONE* to action officer at ext. _____

FYI

- ☐ Brooks
☐ Burghardt
☐ Burns
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☐ Cobb
☒ Danzansky
☐ deGraffenreid
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INFORMATION

☒ McDaniel☒ Pearson☒ Secretariat☐ Rodman☐ Cockell☐ _____☒ Poindexter (advance) com☒ Keel (advance)☐ _____

COMMENTS

Return to Secretariat

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

November 4, 1986

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ACTION

MEMORANDUM FOR JOHN M. POINDEXTER

FROM: RICHARD M. SAUNDERS ^{RMS}

SUBJECT: Security Assistance Allocation and Supplemental,
Breakfast Item

BACKGROUND

State has placed security assistance allocation and supplemental request issues on the agenda for Wednesday's breakfast. In addition, Secretary Weinberger sent Secretary Shultz a letter last week calling for a Shultz-Weinberger-Baker-Poindexter meeting to resolve outstanding allocation issues, set the size of the supplemental request, and decide how to explain our current funding and future plans to our friends and allies. Unfortunately, these issues cannot be decided until the entire allocation process is complete, since the proposed allocation of all assistance programs must serve as the basis for the broader decisions.

At tomorrow's breakfast, you should argue for a rapid culmination of the allocation process to be followed by a high level meeting next week to bless the allocation, establish a position on an FY87 supplemental and other emergency measures, and frame a diplomatic approach to aid recipients who must weather substantial cuts. If this matter is not discussed at breakfast, we will recommend that you send a letter to Secretary Shultz seconding Cap's concerns and calling for a meeting.

POINTS TO BE RAISED

The following should be brought up at the breakfast:

- The FY87 allocations have not been reviewed across the board. Although John Whitehead has made some preliminary decisions on security assistance, these cannot become final until we get a chance to review them as a package that includes AID's developmental assistance and food aid allocations.

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Declassify on: OADR

DECLASSIFIED

Sec.34(b), E.O. 12958, as amended
White House Guidelines, Sept. 11, 2006
BY NARA ^{LM} DATE 7/1/25

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- Only after we have reviewed the entire allocation can we:
 - Determine the need for and impact of alternative allocation schemes and decide whether to break earmarks,
 - Make informed choices on the size, timing, and allocation of an FY87 supplemental, and
 - Explain our current funding levels and future plans to our friends and allies.
- We must agree now to meet next week at the latest to review the complete allocation package and to decide these other issues. AID must finish its allocation process before we meet. This is the only way that we can send the allocation to Congress by November 17 as well as resolve the other major questions we face.

Not Available

Howard Teicher, Ron *Sable* and *SPF* Steve Farrar concur.

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File: In. Assistant

MSG FROM: NSLSS --CPUA TO: NSBLP --CPUA
To: NSBLP --CPUA

11/12/86 13:48

*** Resending note of 11/05/86 09:20

To: NSLSS --CPUA

please print

*** Resending note of 11/05/86 09:15

To: NSJMP --CPUA JOHN M. POINDEXTER

NOTE FROM: William A. Cockell

SUBJECT: S-W-R Breakfast 11-5-86: Supplemental

John Whitehead indicated security assistance allocation had been completed (by State) and that State is now thinking in terms of "a \$1B target" for the supplemental. Cap noted that the election results might actually create a situation more conducive to Congressional support for a supplemental. "There was a time when the Democrats were sympathetic to foreign aid." Cap inquired whether the idea of a joint DOD-State supplemental had been given up. Whitehead said it had been. The feeling was that it would be better to separate the two. Each has its own case, its own committees, and its own constituencies. Moreover, State needs the dollars quickly, whereas Defense's requirement is for longer term commitments, i.e. authorizations rather than outlays. Cap pointed out that there is, of course, a conceptual linkage between the Defense and the State requirements in the sense that security assistance is an efficient way to get more defense. Whitehead said he hoped OMB would be successful in finding enough offsets to support the \$1B figure. Cap noted it was possible that we might be able to get away from the emphasis on offsets with the new Senate. Mike Armacost observed that we should start Congressional consultations early -- see what the traffic will bear. Whitehead said State would be working a consultation plan with the NSC -- hope to have it completed by the end of the week. Cap noted that defense is still building its supplemental.

NSMBD

cc: NSPWR --CPUA

NSSPF --CPUA

NSRMS --CPUA

NSPBT --CPUA

NSAGK --CPUA

NSRKS --CPUA

NSHRT --CPUA

NSRBM --CPUA

NSWRP --CPUA

ALTON G. KEEL

WASHFAX RECEIPT
DEPARTMENT OF STATE

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S/S #

UNCLASSIFIED UPON REMOVAL
OF CLASSIFICATION

11/25

MESSAGE NO. 012166 CLASSIFICATION Conf. No. Pages 20

FROM: J COLLINS S/S 8742 7224
(Officer name) (Office symbol) (Extension) (Room number)

MESSAGE DESCRIPTION DRAFT SECRETARY'S SECRETARY SHULTZ
clearance in Philadelphia 11/3

TO: (Agency)	DELIVER TO:	Extension	Room No.
<u>NSC</u>	<u>Mr. McDaniel</u>		
<u>NSC</u>	<u>Mr. PEARSON</u>		
	<u>Metlock</u>		
	<u>Linkrod</u>		
	<u>Cobb</u>		

FOR: CLEARANCE ☐ INFORMATION ☐ PER REQUEST ☒ COMMENT ☐

REMARKS: Latest Draft of Secretary's Philadelphia
Search.

S/S Officer: [Signature]



TO: S - Keith Eddins

S/S - Jim Collins

From: S in Palo Alto - Delia Grease

This is version of Phila (3 Nov) spec
The Secy will work over on the
flight back to Wash. 2 Nov.

Philadelphia Speech

Thank you for honoring me with your performance award. This is an important opportunity to say a few words about some "performing" we all have to do if the United States is to have an effective foreign policy.

I've been giving a lot of speeches lately. Most of them have been about U.S.-Soviet relations and the meaning of Reykjavik, our human rights concerns, and so on. I don't want to downplay these statements. They're important to building support for our foreign policy. But the Soviets and arms control aren't the only issues needing attention right now. Tonight, I'd like to take a breather from them and raise some other issues much closer to home that are just as urgent and just as important to our security.

My message tonight is simple: Right now, the United States has a tremendous number of things going for it around the world; yet, we're on the verge of throwing away recent and potential gains instead of building on them for the future.

That's a double-edged message, I know. But then American foreign policy is not a monolithic enterprise. It has always rested on two pillars, two mutually supporting traditions of political thought -- and on two branches of government, the Executive and the Congress, that formulate and conduct our foreign relations. It started right here in Philadelphia, where our founding fathers set down the documents that ever since have shaped our ways of thinking and our institutions of government.

One of those documents -- the Declaration of Independence -- left us with a tradition of idealism. It set forth a revolutionary statement of human rights. It said that those rights were the sacred trust of all mankind; a legacy for all places and times.

Another document -- the Constitution -- gave us a complementary tradition of pragmatism. It spoke of the limits to human action and political power. It gave us practical ways of resolving competitive interests for the common good. The legacy of the Constitution was political realism.

In our best moments, we've understood how these complementary traditions interact. We've tried to keep our immediate attention focussed down on the possible and our broad vision elevated toward the ideal. The statesmen of the postwar era were masters of that art. They understood that realism and idealism weren't competing forces, but mutually-supporting components of an effective foreign policy. And they used that insight to create the great institutions of the postwar order. They sustained our involvement in a political system of global scope; and they helped to build a global economic system. They said we shouldn't retreat from realities, but turn them to our advantage -- and to the attainment of our ideals. Their creation was both an intellectual effort and an act of learning and vision applied. And it worked!

But we Americans have had our lesser moments as well. Sometimes, when our vision got blurred or lost its focus on reality, we've wavered between a crusading involvement in the world and an isolationist indifference to it. Take the 1930s. What did we learn from the Smoot-Hawley Tariff? What did we learn about the dangers of countries in various parts of the world raising barriers to trade and closing in on themselves? What did we learn by ignoring aggression in supposedly far-away places -- like Europe and Asia?

What we learned was that withdrawal was a recipe for global economic depression and world war. At least, that's what we should have learned. But you have to wonder how well we learned it when you see similar pressures mounting today for contemporary forms of isolationism. We need to watch ourselves when we start divorcing ourselves from that creative tradition of idealism salted with ample doses of reality. And I'm distressed to say that today seems to be one of those times.

The Mismatch of Ends and Means

The warning signs of isolationism are there. We see them in calls for economic protectionism -- which would only bring on retaliation by our trading partners and damage us strategically, politically, and economically. We see them in attempts to substitute moralism for policy towards friendly nations who fall short of our own hard-gained standards. We see them in pressures for maintaining the nuclear status quo rather than exploring negotiated approaches to reducing nuclear arms, and in resistance to investigating new technologies which might give us some protection against nuclear weapons. It's the 1930s all over again! The desire to wash our hands of a troublesome world seems to be a recurrent -- and peculiarly American -- temptation.

That temptation appears most starkly in the unrelenting assault on our foreign affairs budget, which is now under the indiscriminate knife of Congressional surgeons. Last January, President Reagan submitted to Congress an international affairs budget for FY 1987 that we had stripped to the bone. It amounted to less than 2 percent of the total federal budget. That minimal request was cut by the Congress to \$17.5 billion -- a reduction of far greater effect than the 23 percent quartering of the President's proposal. After Congressional earmarkings and other constraints on our spending, the bulk of our foreign affairs operations have been cut, in effect, by more than half.

Let me be clear about the dangers of this misguided economizing. We are not talking about just another bureaucratic battle for funds. The deep cuts in our foreign affairs resources are now dangerously widening the gap between our interests and our capabilities for pursuing them. It has pitted national concerns against parochial political interests; and it threatens to substitute partisan paralysis for our regained bipartisan strength. In effect, we are being asked to play Russian roulette with our interests and our national security.

Here are just a few examples of the dangerous disparity between our increasingly meager resources and our widely supported foreign policy objectives:

In the past few months, we've seen extraordinary concern about the dangers of illegal drugs. That concern is legitimate and long overdue. Illegal narcotics ravage the bodies of their victims and the spirit of society at large. They encourage the kind of lawlessness that reduces civilization to a Hobbesian state of nature, making life all too "nasty, poor, brutish and short" for victims of the traffic.

Nor is our society alone in suffering the effects of the drug trade. Elsewhere, it's even worse. Traffickers thrive on chaos; and their parasitical efforts to intimidate "host" governments destroy political integrity. In Latin America and other crop-producing regions, drug traders collude with terrorists and radical guerrillas against their common enemies: the rule of law and the stability of civilized society.

For all of these reasons, we are witnessing widespread anxiety around the country and around the world about the effects of illegal drugs. There is broad public support of using every available resource against the drug trade at home and abroad. In fact, I can't think of any single issue that has mustered more support among our citizens and public officials than the war on drugs.

But this concern is falling victim to false economizing. Stemming the flow of illegal narcotics into the United States is a costly enterprise. It is a battle that must be waged on two fronts. First, we need funds to enforce the law, to eradicate crops, and to educate people to the dangers of narcotics. And here let me give you the good news: Congress has allotted us generous funds for all of these purposes.

But there is a second side to the drug problem -- one that involves the political and economic realities of crop-producing countries. You can't just force peasants -- many of them poor -- to stop growing their best cash crop without offering some sort of economic alternatives. You can't expect the governments of these nations -- many of them weakened from within by the gangsterism and terror endemic in the trade -- to launch major programs without the economic resources to sustain them.

Yet aid for the Andean countries, in particular -- Bolivia, Columbia, Ecuador and Peru -- will be practically eliminated by the draconian budget cuts recently enacted by Congress.

So we're left with a paradox. America is determined to act against the drug scourge, but unable to translate that determination into programs effective enough to make a difference.

That same paradox can be found in our efforts to thwart another problem that cuts to the heart of American society: terrorism. In the past few years the United States has taken important steps against this barbarism of our age, and we have done so with the clear support of Congress and the American people. Judging by the results of last spring's Tokyo summit, our allies too are more in agreement than ever about the seriousness of the terrorist threat.

The past few weeks, however, have witnessed a most disturbing counter-trend. I'm talking about the fact that Syria was directly involved in an attempt to murder hundreds of innocent travelers by bombing an airliner in mid-flight.

This complicity was confirmed by Great Britain through independent judicial proceedings. Syria was caught red-handed. There's no question about it. Britain responded immediately by breaking diplomatic ties and banning other contacts with Assad's regime. The United States applauds the British move. Together with Canada, we immediately offered meaningful support to Britain's decision. And we will do more!

Some of Britain's other allies have begun to take action. Some have not. We are severely disappointed that not all see the bombing attempt in London for what it is: one of the most dramatic, documented, and outrageous examples of state supported terrorism in recent memory.

Syria -- by this action and other terrorist plots it has mounted -- has moved beyond the pale. It is only right that all civilized nations now shut the door on this outlaw. To do less is appeasement. The free world cannot afford a double standard towards terrorists and the states that support them. The time has come to throw the book at the Syrians.

Yet now, of all times, the United States is having trouble of its own in the battle against terrorism. Our hearts are in the right place; but where are our resources? After years of educating our own citizens and our allies, after years of building a consensus, America's hands seem financially tied.

To fight terrorism, we need accurate and up-to-date reporting on political conditions around the world. We need good operational intelligence, so that planned attacks can be identified and thwarted. Bear in mind that well over half of the foreign analysis used by the United States government comes from Foreign Service officers at embassies around the world. Yet the State Department may have to reduce sharply its full-time work force. And we are likely to have to close another ten consulates, in addition to the seven posts already being closed.

7 { And that's not all. We also need resources to protect these same embassies against our enemies. Yet the probable effect of Congressional action on our foreign affairs budget will be to reduce our proposed diplomatic security program by more than half.

Let me give you a third example of how indiscriminate budget cuts are threatening our most widely-held goals. In the past few years, America's strength and example have boosted the forces of freedom in diverse corners of the globe. We have seen our influence constructively at work in the Philippines, in Haiti, across the continent of Latin America. The democratic re-awakening in these countries has been a source of pride to America and a source of political and strategic gain to the entire free world.

Yet the work that awaits the leaders of a new democratic generation in these countries has only begun. Democratic transitions are fragile. They require careful nurturing and constant vigilance against adversaries both within and without. Many newly democratic governments face Marxist-Leninist insurgencies inside their countries. Others border on Communist nations that are armed to the teeth and in an expansionist mood.

Look at Central America, where three democratic countries -- Costa Rica, Honduras, and El Salvador -- neighbor the Communist police state of Nicaragua. Costa Rica has no army.

The combined forces of Honduras and El Salvador do not match Nicaragua's massive buildup -- a buildup managed and supplied by the Soviet Union and used to orchestrate subversion throughout the Hemisphere. Naturally, these democratic nations are turning to us for support. We simply must come through in support of freedom, democracy, and the rule of law.

People think we should help countries like Haiti. I've been there; I do too. People think we should help the Philippines, and I do too. But help means money; and money is this foreign affairs budget. The Caribbean countries alone may have their aid cut by more than two-thirds.

Even the force of America's example behind the Iron Curtain is shrinking as funds for the USIA -- our primary voice abroad -- are reduced below minimal levels. Our broadcasts to Eastern Europe and the Soviet Union may be cut in half. The many thousands in the Communist countries who look to America for hope, and to our broadcasts for truth, will now turn their radio dials in futility.

For years, the United States has fallen behind the Soviets in telling our own story to the world. Today, instead of catching up -- which we have been doing, and fast -- we are in danger of falling even further behind. And this is at a time when a vigorous leadership in the Kremlin is showing heightened interest and sophistication in using propaganda to undermine public confidence in our policies.

What else will these cuts do to us? I could go on and on, but here are just two more examples:

-- Except for items already earmarked, our economic assistance to many countries around the world will be reduced by more than half. This assistance is not throwing away money for the hell of it. These are countries where we have bases vital to our defense and the security of our allies.

-- Right now we have a plan -- the Baker Plan -- that has caught people's imagination and attention. It's a constructive approach to encouraging growth in the developing countries so they can do more to help themselves and get over their welfare dependency on the West. Obviously, we need money to get the plan in action. But we're supposed to cut a third of our funding for the multilateral banks on which the plan depends. We're cutting ourselves off at the knees.

Bipartisan Gains at Risk

All of these examples point to the same dismal fact. The United States is drifting and stumbling toward a weakened global position. I could at least understand it if this were a purposeful policy; but we're deluding ourselves that we can conduct an effective foreign policy without money.

Ironically, this trend is developing alongside a contrary movement that could increase our influence and our achievement. Maybe our very strength misleads us into thinking we can have influence without applying ourselves. Maybe our isolationist tendencies only surface when we feel strong enough to ignore the rest of the world. Whatever the reason, we need to wake up to all that we are placing in jeopardy by this thoughtless exercise in false economizing.

One of those benefits is the systemic transformation now occurring in the global economy. It's the information revolution. Just as we left the agricultural age a hundred years ago, we're now moving beyond the industrial age. To be sure, we still produce the same proportion of industrial goods -- as a fraction of our GNP -- but more efficiently..

But the cutting edge of change, and our new comparative advantage, is elsewhere. If you look for a symbol of our economy and society today, it isn't the blast furnace, or the smokestack, or the assembly line -- it's the computer, the microchip, the direct broadcast satellite.

From a technological standpoint, from a strategic and political standpoint, what's happening is very much to our potential benefit. Success in the information age depends on openness -- openness to ideas, to innovation, to the free flow of data. Countries which can accomodate this openness will reap its rewards. Those which can't, won't. How are states that keep the Xerox machine under lock and key going to cope? The answer is that the future is already receding for them. For us, it holds out enormous promise -- if we stay open to the world and don't create our own barriers to free trade.

That's one thing we could be throwing away. Here are some others closer to home. Over the past six years, under President Reagan's remarkable leadership, American foreign policy has enjoyed gratifying successes. We have rebuilt our defenses, enhanced our credibility abroad, and strengthened friends and allies and against the threats of common enemies -- whether those threats take the form of terrorism, or the more conventional military sort faced by allies such as South Korea

Along with these gains has come growing domestic consensus about some basic truths about the world: realism about Soviet aims; appreciation of the need for a strong defense; and solidarity with allies and friends. Despite some controversial exceptions, our domestic debate has been marked by common cause toward our policies and goals. You don't hear much these days about the erosion of American power or self-confidence. You don't hear much about political malaise or lack of national purpose.

This new cooperative spirit has sent a message of strength and purpose to friends and adversaries alike. It has strengthened beleaguered and friendly nations -- like El Salvador -- against Communist assault. It has encouraged our allies in Europe to make common cause against terrorists and the states that sponsor them. And without bipartisan unity at home, we would have lacked the strength that brought the Soviets back to the bargaining table in 1985. Without that unity, anti-Communist resistance forces in various regions of the world -- in Afghanistan, Cambodia, Angola and Nicaragua -- might have been broken by now. Instead, they have grown in strength and numbers.

And there are other signs that things are going our way:

-- Our economic message about open markets and individual initiative is reverberating around the world. I can tell you from my own experience in the annual economic summits that the terms of economic debate have changed decisively among the industrialized democracies.

And the economic message of markets and entrepreneurship has gone even further. Last May, at a special session of the United Nations, the African nations issued an extraordinary statement repudiating planned economies and supporting more open economic systems. Essentially, they said: We blew it. Our command economies didn't work; and now we have to do things differently.

-- The attitude toward freedom has changed too. Once it was fashionable to say that the democracies of the world were on the wrong side of history. Not anymore. The freedom fighters have changed all that. The people of the Philippines and Latin America have changed all that. They're showing the world that freedom is not the luxury of a few, or a cultural peculiarity of Western societies. It can work all over the world.

Restoring the Balance

Let me summarize these thoughts with a few words about the strategic dangers of inadequate funding. The serious mismatch between our policies and our resources creates vacuum that others can -- and will -- exploit to their own advantage. And it encourages confusion among friends and adversaries alike about the scope and aims of American policy.

The ironic fact is that we've seen all this before; yet apparently we have forgotten the lessons of the 1930s. But today's pressures for withdrawal add up to isolationism with a dangerous difference. For just as America's power in the postwar world has grown at an exponential rate, so too have the risks of indifference.

For nearly half a century, the United States has shouldered its responsibilities as the leader of the free world and the champion of those struggling to join us. Through our efforts we have made enormous gains in advancing our own interests and our ideals. Our prosperity, our technological dynamism, the vitality of our alliances are all making us a force for progress as never before. We hold the winning hand - if only we persevere.

The force of our example is a mighty reality in the world, but by itself it cannot burn a coca field, thwart a terrorist, or deter a Communist army. We must not permit our capacity for constructive leadership to atrophy for lack of adequate funding.

Over the past six years, Republicans and Democrats have made important strides toward reaching a consensus about the challenges and opportunities before us as this century comes to a close. We must use that consensus to restore the budgetary resources needed to conduct a responsible foreign policy. We must rise above the procedural complexities of Congressional - Executive branch relations to forge a foreign policy that will enable the national interest to prevail.

You are an audience of informed and influential citizens. You can help shape our public debate so that we do not repeat the isolationist mistakes of the past. I urge you to let your elected officials know that there is broad support for an active and properly-funded foreign policy. With your help, we can realize the extraordinary opportunities before us.

Thank you.