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A FORWARD LOOK AT FOREIGN POLICY ADDRESS BY THE HONORABLE GEORGE P. SHULTZ SECRETARY OF STATE BEFORE THE LOS ANGELES WORLD AFFAIRS COUNCIL LOS ANGELES, CALIFORNIA October 19, 1984.

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United States Department of State

PUBLICATION DATE: 841018

Department of State Press Release; No. 231

THIS DOCUMENT TEMPORARILY TRUNCATED

My message today is simple and straightforward: The next four years have the potential to be an era of unparalleled opportunity, creativity, and achievement in American foreign policy.

There are two fundamental reasons why: First, I see a new national consensus emerging here at home; and second, the agenda before us holds great promise for positive accomplishments abroad.

A New National Consensus

For much of the last fifteen years, American society has been deeply divided over foreign policy. This period of bitter division, I believe, is coming to an end.

We all know that Vietnam took its toll on what used to be called the postwar consensus on foreign policy. Our two political parties still express very divergent views on international issues. But the American people no longer are as divided as that suggests -- or as they once were.

Just as President Reagan has reshaped the national discussion of government's role in our economic life, so too in foreign policy, there is a growing majority behind some basic truths: realism about the Soviet Union, appreciation of the need for a strong defense, solidarity with allies and friends, and willingness to engage our adversaries in serious efforts to solve political problems, reduce arms, and lessen the risk of war. Most important, there is a new patriotism, a new pride in our country, a new faith in its capacity to do good.

Restoring the people's confidence in American leadership has been perhaps the President's most important goal in foreign policy. Yes, we have rebuilt our military strength; yes, we have put our economy back on the path of sustained growth without inflation; yes, we have conducted a vigorous diplomacy to help solve international problems. But these achievements reflect and reinforce something even more fundamental: our people's renewed self-confidence about their country's role and future in the world. The United States is a very different country than it was five or ten years ago -- and our allies and our adversaries both know it.

And we are engaged for the long term. Foreign policy is not just a day-to-day enterprise.

The headlines provide a daily drama, but effective policy requires a vision of the future, a sense of strategy, consistency, and perseverance, and the results can only be judged over time. Our well-being as a country depends not on this or that episode or meeting or agreement. It depends rather on the structural conditions of the international system that help determine whether we are fundamentally secure, whether the world economy is sound, and whether the forces of freedom and democracy are gaining ground.

In the last four years, this country has been rebuilding and restoring its strategic position in the world for the long term. And we have launched a patient and realistic diplomacy that promises long-term results. That is why I believe the foreign policy agenda for the coming years is filled with opportunities. It is an agenda on which the American people can unite, because it accords with our highest ideals. It is an agenda that can reinforce the national unity that is itself my most important reason for optimism about the future.

It is an agenda that starts in our own neighborhood. Some say good fences make good neighbors. I say: To have good friends, one must be a good friend. That accounts for the unprecedented attention we have devoted to our relations with Canada and Mexico.

I spent the first two days of this week in Toronto meeting with Canadian External Affairs Minister Joe Clark, in accord with our agreement with Canada to hold at least four such meetings each year. With Mexican Foreign Minister Sepulveda I have met twelve times in the past eighteen months, most recently in Mexico just last week. Mexico and Canada were the first countries on our agenda when we came into office and we will continue these regular encounters with firm friends. They have strengthened our relations.

Let me now review our global agenda for the coming years: the great issues of global security; the need to resolve regional conflicts; the task of reinvigorating the international economy; and a new range of critical challenges that the headlines rarely mention.

East-West Relations and Arms Control

I will start with East-West relations because of their obvious importance. There can be little satisfaction or comfort in foreign policy progress on other issues unless the U.S.-Soviet relationship is soundly managed. The meetings with First Deputy Prime Minister Gromyko last month indicated a Soviet willingness to consider a renewed dialogue aimed at easing tensions.

For our part, the United States is ready for a major effort in the coming months and years. And the last four years have put the building blocks in place for a promising and productive second Reagan term.

The Reagan Administration, with Congressional support, has launched a major effort to rebuild our military defenses. For too long, there had been the perception -- and the reality -- of a global military balance shifting in favor of the Soviet Union. This trend weakened our foreign policy. Our modernization programs still have a long way to go, but today we face the future stronger and more secure. We are better able to deter challenges, or to meet them. Future Presidents, facing a potential crisis anywhere in the world, will thank their lucky stars that Ronald Reagan has given them the tools to defend American interests.

Clearly the Soviet leaders were more comfortable with the earlier trend, confident that the "correlation of forces" was shifting in their favor. A more vigorous and self-confident American posture in the world poses problems for them. The democracies are politically united and recovering economically, and the Soviets have suffered a number of setbacks: Their political warfare against NATO deployment of intermediate-range nuclear forces in Europe was a failure.

Their attack on the Korean airliner brought universal condemnation.

Their Afghanistan invasion has met with tough, unyielding resistance. Poland has raised ominous questions about the viability of their Eastern European empire. Their attempt to repair relations with China has gone flat. In Southern Africa and in the Caribbean basin, their clients are on the defensive. At home, they face deep economic difficulties and leadership uncertainties.

The Soviets' recent reluctance to engage with us is perhaps a symptom of these frustrations. But inevitably there will be an adjustment to the new⁷*xre willing to work seriously toward a more constructive relationship with the Soviet Union. We are patient, and we are prepared.

Arms reduction is a top priority on our agenda. As the President put it, we are "determined to achieve real arms control -- reliable agreements that will stand the test of time, not cosmetic agreements that raise expectations only to have hopes cruelly dashed." Therefore, we do not seek merely to freeze the present level of military competition with all its imbalances and instabilities. We are determined to achieve real, substantial, verifiable reductions in the most destabilizing strategic systems as well as in intermediate-range nuclear forces.

Because the strategic forces of the two sides are differently structured, we are prepared to be flexible and to negotiate tradeoffs between areas of differing interest and advantage.

When the Soviets last June invited us to begin talks on limiting what they call the "militarization of space," we quickly accepted. We were ready, without preconditions, to talk about what they wanted to talk about. Unfortunately, they then sought to extract concessions from us before the talks began. These issues are important and they deserve a US-Soviet dialogue. Both offensive and defensive weapons can go through space; and our priority has been to get the competition in offensive strategic weapons under control. There is no shortage of important new issues to address. We stand ready to go to Vienna or elsewhere anytime the Soviets are ready, and to do so without any preconditions about the substance of the agenda.

Beyond the issue of space, our agenda includes a range of other vital arms control initiatives: a ban on chemical weapons; negotiations on mutual and balanced reduction of conventional forces in Europe; nuclear non-proliferation; and the measures of confidence-building and non-use of force being discussed at the Stockholm Conference on Disarmament in Europe.

We prefer the path of negotiation and we are capable of defending our interests. All across the agenda, the Soviets will find us a serious interlocutor. If the Soviets are ready to reciprocate, the coming years could be a most productive period in US-Soviet relations and see a positive contribution to security and stability for everyone.

Strengthening Our Alliances and Friendships

We are well positioned for a new phase of East-West diplomacy because our strength is buttressed by a new sense of vitality and common purpose among the industrial democracies.

The failure of the Soviet campaign against NATO missile deployments was a tribute to Alliance solidarity. So too was the unprecedented joint statement on security issued last year at the Williamsburg Economic Summit, which saw Japan, for the first time, join as a partner in the security deliberations of the democratic world. This past June, the harmony of views

among the London Summit partners extended beyond economic and financial issues to East-West relations, terrorism, and other global security concerns.

The agenda for the future is to address, in the same spirit, the problems that remain in Alliance relations. We can look forward to a new and creative period in NATO under the guidance of Lord Carrington, the new Secretary-General. It is time for our Alliance to look again at the task of modernizing conventional defenses, for this can raise the nuclear threshold and reduce reliance on nuclear weapons. As sovereign nations, we allies have our differences on economic issues, East-West trade, levels of defense spending, and some problems outside the NATO area. But we are bound together by our overriding common interest in resolving these differences and strengthening our cooperation.

There is one striking success of the past couple of years that gets little publicity and therefore may be virtually unknown to the American people. We have begun to build a network of new ties with our friends in Asia -- relationships that could well prove to be one of the most important building blocks of global prosperity and progress in the next century. Only a decade after Vietnam, the United States has more than restored its position in Asia. Our alliances in East Asia are strong, and our friendships there are remarkably promising. This is a major, lasting accomplishment.

In the past four years, our total trade with Asia and the Pacific region has been greater than with any other region and is expanding at an accelerating rate.

With Japan, we have made progress in resolving tough economic issues, largely because both countries recognize the overriding political importance of our partnership. ASEAN -- the Association of Southeast Asian Nations -- has become one of the world's most impressive examples of economic development and regional cooperation. Chinese Premier Zhao's visit to Washington and the President's trip to Beijing have put our relationship with China on a smoother, more pragmatic track. Our China policy shows that the United States can maintain mutually beneficial relations with a society that is ideologically very different from ours. It is an attitude we would be happy to apply to the Soviet attitudes and policy permit it.

Our ties to Asia are not at the expense of our ties to Europe or the Americas, but they do offer, in my view, a unique and attractive vision of the future. The free economies of East and Southeast Asia are a model of economic progress from which other developing nations can learn.

Today a sense of Pacific community is emerging, with the potential for greater collaboration among many nations with an extraordinary diversity of cultures, races, and political systems.

Certainly this is not as institutionalized as our ties with Europe, but there is an expanding practice of consultation, a developing sense of common interest, and an exciting vision of the future. We may well be at the threshold of a new era in international relations in the Pacific Basin.

Promoting Peaceful Settlement of Regional Conflicts

If the past is any guide, world peace in future years is likely to be challenged by local and regional conflicts in the Third World -- conflicts that take innocent lives, sap economic development, and retard human progress. The democracies have a strategic interest in not allowing such conflicts to be exploited by our adversaries. We have the same interest in helping resolve or contain these conflicts and in helping build a durable

foundation for regional peace and economic advance.

The nuclear equilibrium has successfully deterred World War III, but it also tends to free our adversaries to take risks in local challenges to our interests around the globe. In the wake of Vietnam, as America looked mostly inward, the Soviet Union and its surrogates exploited many local conflicts to expand their influence. Today, Soviet adventurism no longer goes unchallenged. There have been no new Afghanistans, Angolas, or Nicaraguas on this Administration's watch. It is up to us to be vigilant and strong to ensure that this remains the case.

Freedom is still in the balance in much of the world. But today the prospects for long-term political independence and regional stability in the developing world may be better than at any time since the end of the colonial era.

Central America is a critical testing ground. Following generations of oligarchic rule, the future will belong either to the advocates of peaceful democratic change or to the forces of revolutionary violence. The outcome will directly affect our own national security and the peace and progress of the hemisphere.

Those people today who claim that the United States is relying on a policy of military pressure while refusing to negotiate do not know -- or do not want to know -- what is really going on in Central America. Our policy has been to promote democracy, reform, and freedom; to support economic development; to help provide a security shield against those who seek to spread tyranny by force; and to support dialogue and negotiation both within and among the countries of the region.

The United States has played and is playing a key role in all these most significant efforts. We have provided critical military and economic help to the forces of democracy in El Salvador. We admire the democratic elements in Nicaragua who cannot accept the Sandinistas' betrayal of their revolution and export of violence. By giving heart to those who want freedom and justice, we have helped build the stable foundation from which negotiations have become possible.

Our policy is beginning to work. It will succeed if we stick with it.

I have just returned from Central America and I can tell you that some far-reaching developments are underway. President Duarte of El Salvador took a bold step toward national reconciliation with his dramatic journey, unarmed, to talk with guerrilla leaders about peace. The Joint Communique agreed to at La Palma on Monday inaugurated a process that gives the Salvadoran people their first hope in years that peace could prove possible in a democratic framework. President Duarte's drive for peace and his election last spring set standards that Nicaragua's Sandinistas, who are refusing to allow open and competitive elections, would do well to follow.

Some progress is also being made in the wider regional negotiations. The latest Contadora draft treaty represents a step forward; the Central American countries most directly affected are working intensively to perfect it, to ensure that it fulfills its promise as a framework for regional peace. My trip to Nicaragua last June was followed by Ambassador Harry Shlaudeman's continuing negotiations with the Nicaraguans to advance the Contadora process. And most recently we have intensified our diplomacy with our friends in Mexico, Central America and Europe.

We have no illusions about Communist aims or methods, and we must show staying power if these diplomatic efforts are to succeed. If we succeed --

and today there is fresh hope -- Central America will enjoy a future of peace, security, economic advance, reconciliation, and spreading democracy. Today, Central America presents one of the most promising areas for significant progress in the period ahead.

In Southern Africa, justice and stability require that apartheid -- which, as President Reagan said, is "repugnant" to us and our values -- must be replaced by an equitable political and economic system that truly represents all the people of South Africa.

The key to peace in southern Africa more generally is a settlement that will bring independence to Africa's last colony, Namibia, and remove Cuban troops from Angola.

Working with our key allies, with the key neighboring states in the region, and with South Africa, our patient diplomacy has helped resolve most of the contentious issues that stand in the way of a Namibia solution under United Nations auspices. Such an achievement will end an ugly colonial war, reduce opportunities for Soviet penetration, and enhance African and international security. Here again, a long-festering conflict now shows a glimmer of hope, thanks in considerable part to our diplomatic efforts.

In Southeast Asia, we have supported the proposal put forward by ASEAN for a negotiated solution to the Cambodian problem. That proposal is based on the restoration of Cambodia's sovereignty and the right of its people to choose their own government, free of Vietnamese occupation. It is the only sound and realistic framework for a solution, and we will continue to support it. On the Korean peninsula, we strongly back the confidence-building measures proposed by the Republic of Korea and the United Nations Command. We also endorse and encourage the active diplomacy led by the UN Secretary-General to find a diplomatic solution in Afghanistan and Cyprus.

The area of regional tension to which the United States has devoted the most attention over the years in the Arab-Israeli conflict. Our commitment to Israel's security and well-being is ironclad. So is our commitment to the pursuit of peace. The history of the past decade shows that

negotiations work. The parties in the area must realize there are no short-cuts: Ill-prepared international conferences, empty UN resolutions, "litmus tests," military solutions -- these will never substitute for direct negotiation between the parties, which is the only way that lasting progress will ever be achieved. Nor is the status quo consistent with peace. The positions President Reagan set forth in his initiative of September 1, 1982, remain the most practical and workable approach. It is a lasting contribution to the settlement of this tragic conflict and to the effort to gain true peace and security for Israel.

The Iran-Iraq war shows that the Arab-Israeli problem is not the only source of tension in the Middle East. Far from it. While avoiding direct American involvement in the Gulf war, we have worked successfully with other countries to prevent that war from escalating to threaten the overall stability of the region and to harm the free world's oil lifeline.

In Lebanon, we negotiated the removal of 11,000 Palestinian terrorists from Beirut in 1982, and in 1983 we negotiated an agreement that would have ensured the security of Israel's northern border, Israeli withdrawal from Lebanon, and a restoration of Lebanon's sovereignty. We re proud of that achievement, and whatever setbacks may come, we will not let up our efforts.

And we will not be driven out of the vital region of the Middle East by acts of terrorism. The United States will continue to prove itself a reliable security partner to all our friends in the area -- including our many friends in the Arab world -- against the forces of extremism and state-supported terrorism.

Today, many cry that terrorist attacks against us are our fault; that America must change its ways and change its policies. I can tell you that we will never waver in our support for Israel. We will never cease to defend our values. And we will never abandon the cause that terrorists seek to destroy: America's commitment to peace, freedom, and security around the world.

As President Regan told the UN General Assembly, "in every part of the world, the United States is similarly engaged in peace diplomacy as an active player or a strong supporter."

Reinvigorating the International Economic System

The issues of war and peace, of global security and of regional conflict, represent the traditional agenda of foreign policy. But there are important additional tasks -- none more important than seeing to the health of the world economy.

There is no force in the world today doing more to invigorate the global economic system than the powerful economic recovery we see now in the United States. The impact of our expansion is both direct and indirect.

Directly, we are importing large amounts from other countries, both the developed and the developing countries. Those purchases are spreading our expansion throughout the world by pumping tremendous new resources into the international economy. U.S. merchandise imports will grow by about 30 percent this year.

Indirectly, we may be contributing even more to the world economy by the example we have set in shaping up our own economic policies. We have revised our tax system to create real incentives to work, to save, to invest, to take risks, to be efficient. We have reduced government regulation, intervention, and control.

We have opened opportunities for freer competition in transportation, finance, communication, manufacturing, and distribution. Most important, we have spread the benefits of our recovery to the working population by creating new and better job opportunities, reducing inflation to one-third of its level four years ago, and reducing unemployment by one-third in less than two years.

This is a dramatic change from the state of the American economy four years ago. It has captured the attention of the world, and the policies that have brought it about are becoming understood. It is widely noted that similar policies are pursued in those parts of the world that have been enjoying the best economic growth -- most strikingly in the Pacific Basin, but in other countries as well.

Success inspires emulation. We now find, almost everywhere in the world, movements to decentralize, to deregulate, to denationalize, to reduce

rigidity, and to enlarge the scope for individual producers and consumers to cooperate through markets rather than only through government dictates. The indirect benefits that may come to the world's economies by following this example are likely in the long run to surpass by far the direct benefits they gain in the short run from our own expansion.

Two central issues which have been the focus of our attention, and which loom prominently among the opportunities for further progress, are: managing the international debt problem and reinvigorating the global economy through a more open trading system.

Much progress has been made in managing the debt problem. A lasting solution lies in three areas: restoring growth in the world economy, maintaining open trade and investment markets in both developed and developing countries, and pursuing sound economic policies in the developing countries so they are in a competitive position to benefit from the global recovery.

The United States is doing its part. We import about one-third of all the manufactured goods of the developing countries, and about half of all their manufactured exports to the industrialized world. In 1982, we provided more than 35 percent of the nearly \$84 billion in financial resources, public and private, that flowed to developing countries. With new resources available to the International Monetary Fund, its role as a catalyst for change and new private debt financing has been strengthened.

The current account deficits of non-OPEC developing countries in 1984 should be about \$28 billion, less than half the 1982 high -- largely reflecting the \$26 billion improvement in their trade balance with the United States.

But there are no short-cuts. Stable long-term expansion in the developing world will require sound economic policies, freeing up the market and encouraging private investment. If a country does not pursue sound economic policies, no amount of outside assistance, and no reform of the international trading and financial systems, can assure its prosperity. But if a country manages its own policies wisely, the benefits of those policies can be increased by well-designed outside assistance and by effective systems of international trade and finance.

It will be absolutely essential, at the same time, that we maintain and enhance the openness of the world trading system. Trade is the transmission belt of prosperity, and attempts to choke off trade by protectionism can only retard the general recovery and exacerbate the debt problem.

The United States has the most open market in the world, and we have a President who is philosophically committed to an open trading system.

His recent decision on copper imports was an important step in this regard; in the steel case he chose a course designed to focus on the removal of unfair trade practices rather than protectionism. He worked hard at the London Summit to ensure that the Summit declaration urged formal movement toward a new round of multilateral negotiations to liberalize trade. The only effective way to prevent protectionism from destroying a healthy world recovery is to move rapidly to negotiate a fairer and more open trading system for all countries.

As global recovery spreads, the benefits for our foreign policy will be enormous. A restoration of non-inflationary economic expansion will advance all our political objectives. It will strengthen our allies and friends; it

will facilitate the strengthening of our collective defenses; it will help fend off protectionism and ease economic disputes; it will reinforce our bargaining position in East-West negotiations; it will stimulate progress in the Third World, denying our adversaries new problem areas to exploit. It will improve the climate for international cooperation and spread new confidence in the future of democracy.

New Dimensions of International Cooperation

The agenda for the future also includes new dimensions of international concern.

A few moments ago, I mentioned terrorism. Terrorism is a threat to which democratic societies, open and free, are particularly vulnerable. The growing phenomenon of state support of terrorism is a political weapon deliberately wielded by despotic and fanatical regimes and their henchmen against the basic values of the Western democracies. The bombing of our Embassy in Beirut last month, and the many attacks on other Western and pro-Western targets in Beirut, show that the threat is ever-present. And last week's cowardly bomb attack in Brighton, England, against Prime Minister Thatcher and members of her cabinet shows again that the danger is not confined to the Middle East. Those who wage terrorist warfare against us are seeking to shake our commitment to our principles, and to alter our policies of promoting peace, prosperity, and democracy. We will not yield to blackmail.

It is time for this country to make a broad national commitment to meet this threat. Congress must give us the resources and the legislative tools to do the job. We need, and we are getting, the resources to protect our facilities and personnel abroad. We need new tools of law enforcement. Sanctions, when exercised in concert with other nations, can help to isolate, weaken, or punish states that sponsor terrorism against us.

Our law enforcement agencies must continue to perfect their counter-terrorism techniques and to work with the agencies of friendly countries, for terrorism is truly an international problem. Our military and intelligence agencies must be given the capability, the mandate, the support, and the flexibility to develop the techniques of detection, deterrence -- and response.

All too often, we find terrorism linked to another problem of great concern: narcotics. We all know the domestic dimension of the drug problem, but there is a growing awareness in other countries that it is truly an international problem to which few are immune. Not only is drug abuse increasing in other countries, but the corrupting effect of drug trafficking on political and economic institutions is more and more widely recognized. Beyond the disturbing links between drug traffickers and international terrorism, we see certain Communist governments, Cuba and Nicaragua in our own Hemisphere, using the narcotics trade as a source of funds to support insurgencies and subversion.

The drug problem is a major concern of our foreign policy. Our strategy addresses the problem in its international dimension, including controls on the cultivation, production, and distribution of drugs, curbs on the flow of profits and the laundering of money, and relief against the impact on

other countries as well as our own. We have reached important agreements with other countries on crop control, eradication, and interdiction. We have provided assistance to implement these control agreements, as well as aid for development and training in law enforcement.

But it is clear that more needs to be done, on an international as well as national basis. Worldwide crop production still provides a surplus of narcotics that greatly exceeds not only American but worldwide demand. Some countries have not done enough to reduce crop levels. We must promote cooperation to reduce cultivation further in all producer nations. But we must also wage a determined campaign against drug use here at home, thereby sending the message to people in other countries, as well as to their governments, that we intend to control our own drug abuse problem.

Nuclear non-proliferation is another challenge on our agenda. Like the story of our prospering relations with Asia and the Pacific, the steady progress we have been making does not make the headlines.

Today the number of states that have acquired the means to produce nuclear explosives is far lower than doomsayers predicted twenty years ago, though the potential dangers to world stability remain exactly as predicted. The United States is vigorously leading the international effort to establish a regime of institutional arrangements, legal commitments, and technological safeguards to control the spread of nuclear weapons capabilities.

The Reagan Administration has approached the problem with a sophisticated understanding of its complexities. We see the growing reliance on peaceful nuclear energy, the security concerns that give rise to the incentive to seek weapons, and the need for broad multilateral collaboration among nuclear suppliers. We have made progress in restoring a relationship of confidence and a reputation for reliability with our nuclear trading partners; w

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