U.S. Policy and the Dynamism of the Pacific

by George P. Shultz
United States Secretary of State

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U.S. Policy and the Dynamism of the Pacific: Sharing the Challenges of Success

The Honorable George P. Shultz
United States Secretary of State

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Victor Hao Li
President
George P. Shultz was sworn in as the sixtieth U.S. Secretary of State in July 1982. Prior to his appointment, he chaired President Reagan's Economic Policy Advisory Board, meeting with leaders from Europe, Japan and Canada to prepare for the Versailles Economic Summit.

A 1942 graduate of Princeton University, Shultz earned a B.A. in economics. From 1942 to 1945 he served in the U.S. Marine Corps. In 1949 he earned a Ph.D. in industrial economics from the Massachusetts Institute of Technology, where he taught from 1948 to 1957, taking a one-year leave of absence in 1955 to serve as a senior staff economist on President Eisenhower's Council of Economic Advisors. In 1957, Shultz joined the industrial relations faculty at the University of Chicago School of Business and in 1962 was named dean. From 1968 to 1969 he was a fellow at Stanford's Center for Advanced Study in the Behavioral Sciences.

During the Nixon administration, Shultz served eighteen months as secretary of labor and then was appointed director of the Office of Management and Budget. In May 1972 he was named secretary of the treasury, a position he held until 1974. During that time, he also chaired the Council on Economic Policy. As chairman of the East-West Trade Policy Committee, Shultz traveled to Moscow in 1972 and negotiated a series of trade protocols with the Soviet Union. He also represented the United States at the Tokyo meeting of the General Agreement on Tariffs and Trade.

Until his appointment as secretary of state, Shultz was president and a director of the Bechtel Group, Inc., and a part-time faculty member at Stanford. Shultz's publications deal primarily with economic policy and labor policy.
I conclude my travels in Asia as secretary of state here in Hawaii—a symbol, if ever there was one, that America is a nation of the Pacific and a nation of the future. This nine-stop trip covered Southeast, East and Northeast Asia, as well as Oceania. I am more impressed than ever with Asia’s diversity, with its dynamism, and with the region’s potential. And I am more convinced than ever of how critical America’s ties to Asia will be for our own prosperity, freedom and security in the years ahead. But if we, the free nations of the Asia-Pacific region, are to continue to advance in the next century, we all must learn to meet the challenges arising from the very successes that we have achieved together.

The story of the Asia-Pacific region in the postwar period is one of profound success—for the United States, and for the other countries in the region that have cast their fates with us.

The accomplishments of the countries of East Asia have become so prominent a feature of the global landscape that it is getting hard to remember the time in the years just after World War II when their survival—let alone their success—was not at all assured.

The Pacific region, with its long history of national rivalries and warfare, has enjoyed a remarkable period of stability and economic advance, especially in the past two decades. In the years since World War II, long-time adversaries have become allies, friends and trading partners. Once poor countries have become prosperous. Nations once divided are working together pragmatically to realize shared interests and concerns. And authoritarian political orders of the past have given way to the give-and-take of democratic politics.

Among the reasons for this extended period of reconciliation and constructive growth is the fact that for more than forty years the United States has pursued farsighted and effective policies toward the region—as it has toward the world as a whole.

The Fundamentals of U.S. Policy

What are those policies and on what precepts are they based?

First, collective security. Our leaders in the postwar years rightly
sensed that our world had become a place where no nation could pro-
tect its security interests in isolation. Therefore, we and other nations 
of the free world joined together in a global web of alliances and secu-
urity ties, to which each of us has contributed our individual strengths. 
This structure of collective security has maintained the peace in the 
face of four decades of unremitting challenges from the Communist 
world.

Second, regional conflict resolution. In today’s more integrated 
world, age-old conflicts and regional conflagrations pose ever greater 
threats to the global community. Therefore, we and our partners have 
sought to use our collective strength to ensure that violence does not 
spread and to further the prospects for negotiated settlements of disputes.

Third, open economies. Despite our strong defenses, we know that 
it is not possible for any country to ensure its security through military 
means alone. Economic vitality is the essential foundation of national 
strength. Thus, we have actively promoted economic recovery and de-
velopment. Moreover, economic development has been spurred by an 
open and competitive global trading system. Therefore, the United States 
has pursued policies designed to strengthen open markets and facili-
tate the flow of technology and capital that can accelerate global growth.

Fourth, democratic values. Development places a high premium 
on creativity, on advanced levels of education, entrepreneurship, the 
decentralization of responsibility and the free flow of ideas and people— 
all hallmarks of open and democratic societies. Therefore, for reasons 
of political commitment as well as practical effect, the United States 
has encouraged processes of democratic institution-building. We and 
our allies have supported those around the world who are struggling 
for their freedom against the authoritarian right as well as the totalitarian 
left.

Collective security. Regional conflict resolution. Open markets. And 
democratic values. For four decades these policies have been a power-
ful formula for national development, security and regional stability 
in the world and in the Asia-Pacific region. And it is no coincidence 
that countries that have joined with the United States in the postwar 
coalition of free nations have turned out to be the most productive, 
the most stable and the greatest contributors to a secure global en-
vironment.

Today, the Communist powers—first China, and now the Soviet 
Union—seem to have begun to realize the power of these policies. We 
encourage them to recognize the need to settle draining and dangerous
regional conflicts, to end confrontations with the United States and its allies, to decentralize their economies and open up to the world. And they are giving indications of doing so.

The Challenges of Success

So, the trends are going our way—toward peace, toward a lessening of tensions, toward free markets and democratic values. The United States has helped the region's countries ride the waves and solve the problems associated with economic growth and political maturation. Now, we and our partners are facing another set of challenges, but of a qualitatively different kind—we must learn to cope with the problems created by our own successes.

As we have seen, America helped powerfully to create an environment that enabled many of the nations of Asia to come into their own. As a result, our world is no longer dominated by one or two "superpowers." There are increasingly numerous national centers of economic strength and political power. Peoples once accustomed to American preeminence and protection are ever more determined to shape their own futures. From the Philippines to Korea, long-established security arrangements are being reassessed, and throughout the region domestic economic policies are being reviewed in the context of pressures for more open markets, currency revaluations and the new requirements of an age of information-based innovation and production. Into the bargain, we have China's reorientation toward economic reform and more constructive interchange with its neighbors. And we see a new Soviet activism toward the Pacific.

All these developments present challenges. We and our partners will be equal to them if we hold fast to the primary source of our achievements: the coalition of free nations that has served us all so well.

Let's take a closer look at how the elements of our policy have shaped U.S. relations with the Asia-Pacific region and at some of the challenges we now face.

Security. The U.S.-Japan alliance remains the cornerstone of our policy in the region, enhancing the security of other friends and allies as well. While maintaining its fundamental commitment to remain a non-military power, Japan has steadily improved its self-defense capabilities in recent years and has broadened bilateral defense cooperation with the United States.

In the Republic of Korea, with American help, Korean troops have held the front line for more than three decades against a formidable northern adversary. At the same time, the stability that the U.S. presence
has lent to this strategic peninsula has boosted the Republic of Korea's economic and political development.

In the Philippines, another area of strategic significance, the United States has helped a struggling democracy beat back a Communist insurgency and promote economic growth. And, by supporting an important U.S. military presence, the Philippines—like Korea—has made a major contribution to its own and to regional and global security.

Thailand has been an ally for over thirty years and today remains the front-line state resisting Vietnamese aggression in Cambodia. In turn, America has supported Thailand diplomatically, militarily and politically against security threats. The presence, even as I speak, of U.S. ground, naval and air units on bilateral exercises in Thailand demonstrates that our commitment to Thailand's security remains firm.

Our ally Australia has devoted the resources necessary to modernizing its military forces; and, by its steadfast support for defense cooperation through our joint facilities, has made important contributions to effective deterrence.

Just as the United States and our allies benefit from the strong web of security ties we have formed in the Asia-Pacific region, each of us also draws strength from the constancy and resolve of free nations elsewhere in the world. The successful way the United States and our allies in Europe handled the Soviet SS-20 threat demonstrated that our commitment to NATO would not be at the expense of security in Asia. At every step in the negotiation of the INF treaty we consulted with our friends and allies in this part of the world as well as in Europe. Their views were reflected in our positions at the table. From the outset, we made it plain that we would insist on the elimination of the Soviet missiles in this range aimed at Asia as well as Europe. The treaty had to be global in scope, just as the structure of our security ties is global in scope.

The clear lesson of this experience is that the ties among the world's free nations are interdependent and indivisible. For four decades our collective strengths have reinforced the structure of peace nationally, regionally and internationally. The Asia-Pacific region is more secure and stable today than ever before. But keeping it so requires commitment and hard work on the part of all countries. We cannot take the framework of peace we have built together for granted. The postwar generation understood this; yet today complacency is perhaps the greatest threat we face. Our challenge is to help new generations see the fundamental importance of keeping that framework strong and suited to the times.
Some of our allies in Asia are now reviewing whether the components of our security presence—port and air facilities, and naval access—are really necessary to their security. Some wonder whether it might not be better to go it alone. Their reassessment is appropriate; it is the essence of a voluntary alliance of free nations. But they should not forget that our collective efforts have kept the peace for forty years, and that our combined strength has brought our adversaries to the bargaining table, making possible the stabilizing reductions in armaments that we all seek.

Likewise, we cannot be complacent in the face of new challenges to regional and global security. Terrorism requires a collective response. And the increasing proliferation of high-technology weaponry—aircraft, missiles, nuclear material and chemical weapons—into areas of regional conflict requires restraint or collective controls on the part of all weapons-exporting states, as well as the effort to resolve the sources of conflict themselves.

Resolution of conflicts and reduction of tension. The success of our collective security efforts has furthered prospects for reduction of tension and negotiated settlements in Asia, and hence, for a more stable world. The United States, the ASEAN countries and other interested nations have long pressed for the withdrawal of Vietnamese troops from Cambodia, and for the start of a genuine process of national reconciliation in that tortured country. To that end, we have supported Prince Sihanouk as the genuine leader of an independent Cambodian government. The United States will continue to support measures which could be implemented in the context of a settlement that rejects a return to control by the Khmer Rouge.

During my recent meetings with the leaders of ASEAN countries, China and Japan, we reaffirmed our shared objective of an independent Cambodia free of both Vietnamese troops and the danger of Khmer Rouge control. We advanced our dialogue on specific ways to achieve those goals and found more common ground than ever before. I should also tell you that our efforts have not been limited to the Asian region alone. The Soviet Union, as Vietnam’s principal supporter, has a clear responsibility to help bring this tragic conflict to an end. Therefore, I have had increasingly frequent exchanges with the Soviet foreign minister in order to encourage a constructive stance on their part. I am encouraged by the tone and content of these contacts. As the Jakarta Informal Meeting unfolds next week, I hope we will see the beginnings of a process that will lead to the end of Cambodia’s tragedy.

When I addressed the ASEAN Post Ministerial Conference two
weeks ago, I stressed the need to keep diplomatic and economic pressure on Hanoi. This stance does not arise from malice or bitterness. Rather, the United States, together with our allies and friends in Asia, looks forward to Vietnam's rejoining the community of nations. The United States will unequivocally welcome normalized relations with Vietnam in the context of an acceptable Cambodian settlement and a resolution of the POW/MIA issue which, if left unsettled, will continue to divide our peoples. While we are somewhat encouraged by recent progress, Hanoi must understand that our commitment to a free and independent Cambodia and to our POW/MIAs is unshakable.

The United States has welcomed the Republic of Korea's increased contact with China and the Soviet Union; and President Roh's recent statesmanlike initiative to encourage North Korea to reduce its isolation has our respect and support. Pyongyang's initial reaction has been to brush aside Seoul's sincere offer to reduce tensions and promote a North-South dialogue. We hope the North will reconsider its position. It should not squander this important opportunity. Today's positive atmosphere is a valuable asset for national reconciliation; and time is not on the side of those who obstruct dialogue. In the meanwhile, we remain solidly in support of the Republic of Korea's security.

The United States has responded positively to China's steps toward greater and more constructive interchange with its neighbors. We have remained firm in our One China policy and have welcomed developments on both sides of the Taiwan Straits that contribute to a relaxation of tensions. Consistent with our long-standing interest in a peaceful resolution of the Taiwan question, we have sought to foster an environment within which such developments can continue. We have urged China to join with us in an international effort to staunch the alarming traffic in ballistic missiles to strife-ridden areas of the world. We also believe that elimination of the remaining obstacles in the way of Sino-Soviet relations could be constructive to the extent that this strengthens an environment of security and stability for all the countries of Asia.

By the same token, we have noted Mr. Gorbachev's heightened interest in Asia and his declared willingness to improve relations in the region. Thus far, while we view as encouraging the restoration of some contacts with China, we have not seen any significant reduction of Soviet troops on the Sino-Soviet border. The Soviets still seek to undercut America's naval presence in the Asia-Pacific region through one-sided proposals for naval arms restrictions. Moscow still underwrites the Vietnamese occupation of Cambodia—I might say to the tune of about two
billion dollars worth of arms a year—and operates naval and air forces out of Cam Ranh Bay. And the Soviets continue to enhance arms supplies to North Korea at a time when Pyongyang remains Asia's primary exporter of subversion, aggression and terrorism. Finally, Moscow must agree to discuss Japan's Northern Territories, a matter that remains a fundamental obstacle to normalized relations.

The United States repeatedly has sent the message to Moscow that the greatest contribution the Soviet Union can make to reducing tensions and building confidence in Asia would be to end its support for Vietnam's occupation of Cambodia and to encourage Pyongyang to respond positively to constructive proposals such as those put forward by President Roh.

Thus, the peaceful resolution of conflicts and the reduction of tensions in Asia remains a high priority and a continuing concern for the United States and our partners in the region. Each situation presents a different set of barriers to peace; a different set of problems to confront and resolve. In each instance we are searching for solutions that will advance independence, freedom and security for the peoples directly affected. Together with our allies, we will insist on settlements that involve the withdrawal of foreign troops, a cessation of hostilities and the resolution of humanitarian problems caused by the conflicts.

**Open economies.** Asia's economic dynamism is the most powerful argument for decentralized, market-based economic growth, and for an open international trading system. The region's emergence as a world-class performer in manufacturing, trade and finance could not have occurred without an open international economy. Japan and the newly industrialized economies of the region have demonstrated how knowledge, adaptability, innovation and openness can achieve high growth rates and advanced industrial power in a world of globalized sourcing, production and manufacturing.

Japan is now the world's second largest economy. Korea, Taiwan, Singapore and Hong Kong have enjoyed some of the highest growth rates anywhere; last year their real GNP growth rates, expressed in local currency, ranged between 8 and almost 14 percent. By the turn of the century, Thailand and Malaysia could be major success stories as well. And the Philippines and Indonesia have economic reforms underway which, if sustained, will enable them to capitalize on their impressive potential.

Yet, Asian nations have in the past relied on export-led growth fueled by the U.S. deficit and our vast investment market. But the deficit
that has characterized the climate of our trading relationship has started to shift. U.S. exports have begun to surge, particularly manufactures. Our market is thus not likely to absorb rapid growth in exports of Asia's manufactures to the extent that it did earlier in this decade.

Thus, another challenge of success that we and our Asian partners must meet is adjustment to a more balanced trading environment. Unless each of us pursues domestic and international policies which strengthen the role of the market and unleash forces that promote growth, all of us will face great strains in the years ahead.

That is why the United States has emphasized structural reform and domestic growth in all our international discussions, including on my recent travels in Asia. Since Asian nations have depended on export-led growth and the American market, they must plan now in order to ease the adjustments they will have to make as our deficit continues to decline. Our market will still be huge, it will still be expanding. But the deficit, that is the ability to absorb more imports into the United States than we have exports, is shrinking.

The rewards and challenges of participating in the world market are apparent to all in Asia—including China and the Soviet Union.

In China, Deng Xiaoping's far-reaching economic reforms of the past ten years have dramatically raised productivity and positioned China to participate in the world trading system. By opening up her doors to international commerce, China has gained recognition as a country capable of world-class economic performance. The impact of these policies is already evident in China's impressive rate of growth—on the average nearly 10 percent per year over the past decade—and in the rapid expansion of trade with the United States.

The Soviet Union is displaying a growing interest in sharing in Asia's economic boom. Its access to the region remains constrained by its political and military activities and by its own economic limitations. Vladivostok, the Soviet's one major port on the Pacific, remains a city closed to commerce and foreign travel. The Soviet Union will be able to participate in the economic dynamism of Asia as it makes the structural adjustments necessary for successful interaction with free markets and open societies.

Building democracy. Nowhere in the world is the relationship between political and economic development clearer than in East Asia. The region's economic miracles are now being matched by political miracles. It was in postwar Japan that our policy of encouraging democracy had its earliest and most spectacular success in the region. Today's
world-wide trend toward democracy has had its most recent break­throughs in Korea and the Philippines. We have welcomed the democratic process in Thailand and are impressed with the political reforms now advancing in Taiwan.

But the advance of democracy is not guaranteed. Societies mak­ing the transition to open political systems are vulnerable to assault from the authoritarian right and the totalitarian left. The challenge for other democracies of the world is to remain engaged with all democratically-oriented political forces and support their goals. We cannot dictate events, but we should offer ideas, assistance and understand­ing in order to support the processes of democratic change.

So these trends of success all come together in Asia. Security, sta­bility, prosperity, freedom. They are all interlinked. Throughout the region we find countries that, in distinctive ways and to varying degrees, are building modern, market-oriented economies increasingly integrated into a global trading system. They are opening up their political sys­tems to popular participation, seeking to heal the wounds of national division and to bridge the chasm of military confrontation through dia­logue and political accommodation.

The countries of the Asia-Pacific region are models for other na­tions to follow into the future. And along with the United States, they are especially well-positioned to meet the challenges and grasp the op­portunities of the coming century. Let me explain why.

A New Age of U.S. Leadership

American leadership remains crucial to continuing success. But our leadership must be of a different cast than that of the postwar period. It must be a leadership suited to the times.

The Asia-Pacific region remains an area of high strategic impor­tance and competing interests among powerful nations. Since the Sec­ond World War, the United States has been the stabilizing influence in the region. We are—and for the foreseeable future will remain—the fundamental guarantor of the balance of power in this vital area that spans fully one-half of the globe. Our active engagement in the region ensures that countries great and small, developed and developing alike, can continue to advance economically and politically within a secure environment. U.S. security capabilities remain second to none; and we continue to provide to our friends and allies the most flexible and divers­ified military support available in the world.

Our economy is innovative; it is open. As a result, it is expanding. Our economic strength will continue to increase. Our trade deficit is
declining as our exports continue to rise. We are becoming more productive as we eliminate obstructions to domestic growth. America continues to be the largest source of investment capital and opportunity, high technology and manufacturing capability in the world; and our service sector is poised for an ever greater role in Asian markets.

And, last, but not least, America's deeply held democratic values remain our greatest asset. They are a universal beacon to peoples of all cultures and backgrounds, and they make profound practical sense in a world where individual initiative, ingenuity and the free flow of information and people are keys to progress.

Our strengths and our vision ensure that the United States will remain a leader in the Asia-Pacific region in the years ahead, just as it was in the immediate postwar era. In the next century, America's engagement with Asia must intensify because, and not despite of, the fact that there is an ever-growing number of capable countries coming on to the world scene. Our engagement must be more active than ever because the socialist powers are seeking to be more actively involved in the region as well.

Today's transformations in our relationships with allies, friends and adversaries alike are leading to a healthy reexamination and renewal of our ties with the nations of the region. And, I am confident, our relations with our partners will be the stronger for it. The national interests at stake—our own, and theirs—are too weighty to jeopardize; the alternatives too troublesome in their implications.

As we all engage in a collective reassessment of the relations among us, let me suggest some guidelines for shaping our future dealings.

We are better together than apart; we can do much more collectively than separately. One nation's strategic location may prove advantageous to basing arrangements; another nation may possess a strategic capability; still another's thriving economy may permit it to exert influence in world affairs in order to achieve shared objectives. We must maintain our collective strength and vigilance in matters of defense, even as we seek opportunities for national reconciliation and the reduction of tensions with adversaries.

We must seek to be inclusive, not exclusive, in our dealings with each other. The national or regional policies and institutional arrangements we adopt must not run counter to global trends toward integrated markets and collective security. Furthermore, we should welcome the participation of those socialist countries whose domestic reforms and foreign policies enable them to meet the security concerns and economic requirements of the market-oriented democracies.
We must strive for ever-greater openness. This is openness to markets, to the flow of people and ideas, to change itself. We and our Asian trading partners face the common challenge of keeping the international economy open.

We must support democratic reforms as they develop naturally in each country. There is no set pattern for democracy and no standard or assured outcome to the processes of political reform. But there is the common commitment to the value of the individual, even as the citizen makes a contribution to collective efforts.

Which brings me back to the beginning. The freedoms, the prosperity and the security we and our Asian allies and friends have come to enjoy are possible only because of the relationships we have built together.

Like the multitiered roofs of a pagoda, each country in the coalition of free nations adds its support to a worldwide structure. When one part of the edifice is weakened, the entire structure is weakened. When each element carries its share of the load, the entire structure is firm.

Thus, the ties America has formed with the other free nations of the Asia-Pacific region are ties of mutual interest, of shared responsibility, of partnership. They are ties of individual strength and common commitment. They are the building blocks of our foreign policy. They have been dramatically effective for more than forty years in meeting our national interests, and they remain the most effective means for meeting the future challenges of our shared success.

Question and Answer Session

Mr. Gerald Sumida (president, Board of Governors, Pacific and Asian Affairs Council): The first question deals with the Soviet Union and the Asia-Pacific area. Given perestroika, glasnost and all of the other changes that are taking place within the Soviet Union under Gorbachev's leadership—does this signify an inward turning by the Soviet Union that could lead to less emphasis upon external efforts at military and political power projection, and if this is or is not so are there more opportunities for the U.S. in the Asia-Pacific region vis-a-vis the Soviet Union than might have existed under Gorbachev's predecessors?

Secretary Shultz: We have to wait and see. The words are fine. We have seen some actions. President Reagan, through his efforts and his interaction with Mr. Gorbachev, has managed to establish a more constructive atmosphere. There's no doubt about it. And I think it's a very positive development.
Now, there are things to be done in the Asia-Pacific region by the Soviet Union. We need to get Vietnam out of Cambodia. They must have some influence with the huge amount of armaments they send to Vietnam.

We need to reduce tensions on the Korean Peninsula. I hope that they will want to cooperate in that regard. I don't quite see why, right now, it's the time for the Soviets to supply North Korea with new surface-to-air missiles and with the most advanced fighter aircraft—what's the message?

So I think there are things for them to do and to think about. And we're ready to engage with them, as others are, to see if we can put constructive deeds into place. If so, and if their economy opens up as I think Mr. Gorbachev wants it to, then there is more room for interaction and we'll all welcome that. So we want to watch and see, have a sense of realism, look to our strengths, but in the environment created by that, be ready for constructive dialogue if it's there to be had. That's been the President's approach and it has worked well. We need to continue pursuing it and if there is an opportunity out of this for a better world, we'll all be very happy to see it.

Mr. Sumida: Thank you Mr. Secretary. A second set of questions centers on the Philippines and can be synthesized as follows: How do you expect the base negotiations to go forward and be concluded, and within what time frame; and then, secondly, what or how would you assess the prospects for successful economic development and political stability within the Philippines, especially in light of the very recent news reports about potential new arms shipments to the NPA?

Secretary Shultz: I think the bases, as I said in my talk, are very important to the Philippines and to the United States. So we have to reflect on them, the new government in the Philippines has to reflect on that, and that's the process we're going through as we are now in the base negotiation review. I believe that it will come to a successful outcome, but we are still in the process so I can't say that for sure. But the discussions that I had and the negotiations that have gone on since I was there have all, I think, suggested that we're getting somewhere.

As to the outlook in the Philippines, I think it's good. I said a couple of years ago, I'm bullish on the Philippines. I said it again in the Philippines and I'll say it here now, I'm bullish on the Philippines. What we see is a country that has a good resource base, has very energetic people who are good workers, intelligent, and it has now a kind of legitimacy in its democratically elected governments, not only the national
government but the regional governments, that should give more coherence to its governmental and political structure. In the meantime, its economy—having declined for the last years of the Marcos period—has begun to expand. Last year its real growth rate was about 5.5 percent. So far this year it’s running a little better than 7 percent. That’s pretty good even by ASEAN standards, let alone world standards.

Now there’s lots to be done in the Philippines. There are great development opportunities and important ways in which we think we and others can and should help. Of course, the basic job has to be done by the Philippines, and at least in my judgment, there are a great many structural impediments built into their bureaucratic processes that inhibit investment and growth. I think they’re quite well aware of them and want to deal with them.

Insofar as the insurgency is concerned, there are pluses and minuses there but on the whole what we see is a military that’s much more professional than it was when Mrs. Aquino became president and much more able to deal aggressively on behalf of stability and law and order. I think we are beginning to see some results, although it’s a real concern. I might say that among the reasons the American bases are important is that they give not only a kind of strategic presence that helps the Philippines, but they give outside investors a sense of confidence that that strong security link is there. And I have no doubt that the Philippines’ military forces derive a considerable benefit from the presence of and professional associations with the American military. So it’s a good thing on both sides, and I think by continuing to work with patience we will see the Philippines come to grips with their problems with increasing success. So as I said, I’m bullish on the Philippines.

Mr. Sumida: Our next question deals with the nuclear-free zone movement in the Asia-Pacific area. Specifically, how do you assess the nuclear-free zone movements in the Asia and Pacific areas, what implications, negative or positive, do they have for the United States, and what would be the national security interest challenges resulting from those movements in the next several years?

Secretary Shultz: I don’t particularly like the nuclear-free zone efforts and the reasons are these:

First, we live in a world where there are nuclear weapons. The Soviets and we have the bulk of them. As long as the Soviets have them, we must have them. Our ability to have our nuclear weapons is a principal source of deterrence against aggression. It’s a principal reason why we have seen, broadly speaking, an era of stability. If we don’t have
them and they do have them, it will be a very destabilizing thing. So we have to remember that first of all.

Second, we have to remember, as I tried to bring out in my talk, that there is a very real sense in which the security of the free nations is a worldwide web of relationships. The fact that in Iceland we have an important presence in military capability, as Iceland is a member of NATO, helps the stability of the Asian region just as it goes vice versa. You have to look upon these things as a collective matter. Therefore, when there come to be proposals that would have the effect if they were fully implemented of meaning that U.S. naval presence would be eliminated from the area, I think it would be a very destabilizing thing. And that's what it would mean.

We have nuclear weapons on many of our vessels. As a matter of policy and of intelligence, we do not confirm or deny their presence on any particular vessel. There's no point in telling potential adversaries, giving them unnecessary intelligence. So that is a firm policy—it is a worldwide policy—and we must pursue it in every part of the world. So when New Zealand, a friendly democratic country, decided, I think, in an ill-considered action, in effect to ban our ships from using their port we had to say to New Zealand we part as friends, but we part. And they have left the web of security arrangements. I don't think it helps any. But if that spreads, if that disease spreads, and the Asia-Pacific nations try to leave that web of security arrangements, then I think that's a bad thing.

That is why we think that the way to go about it is the way we are going about it. We don't like the possibility of a nuclear explosion any more than anybody else does. So we think the way to deal with this matter is to try to get control of the increasing numbers of nuclear warheads in the world. That is why President Reagan, right from the beginning, said that treaties such as the early SALT treaties that limited the rate of increase in nuclear weapons were not a good idea. A much better idea is to reduce them. So on strategic arms we are working to get them cut in half and we've made a lot of headway. And on the intermediate range nuclear armed ballistic missiles we sought and obtained a treaty with the Soviet Union that would eliminate that class of weapons. So the way to do it is to bring this down in a way that maintains stability and parity, not in effect to have a form of unilateral disarmament which will not serve our strategic interests.

We have been understanding of the emotive power behind this but also we have said, understandable though it might be, it's not a good idea to push this idea too far, too fast, for the reasons that I have given.
Mr. Sumida: Thank you Mr. Secretary. Our next, and regretfully last, question shifts the geographic focus to the Middle East. A question with two parts, if you will: The broader question essentially is, given the improvement in relations between the United States and the U.S.S.R., what are the prospects for a firmer international approach to resolution of Middle Eastern tensions and, from the U.S. standpoint, is an international approach involving the U.S.S.R. a good thing? And then, more specifically, how do you anticipate the playing out of recent developments in the Iran-Iraq war, and do you anticipate a lessening of the U.S. naval presence there as a result of what appears to be a potential ceasefire?

Secretary Shultz: First, on the peace process, as it involves Israel and Israel's neighbors, it is our view that peace between those in the region has to be made in direct negotiations between the parties concerned. It cannot be imposed by an international consortium no matter how powerful that consortium may be. It has to be done by the people immediately involved. So we have felt, and continue to believe, that direct negotiations between Israel and Jordan with Palestinian heavy participation, direct negotiations between Israel and Syria, for that matter direct negotiations between Israel and Lebanon, is the way to go just as peace was obtained between Israel and Egypt by direct negotiations between those two countries.

Now, how do you get there? It's not so easy. If it were easy it would have been done a long time ago. And no doubt the biggest set of problems involves the fate of the Palestinian people, the Palestinian Arabs who reside on the West Bank in Gaza. The U.S. has put forward ideas periodically and most recently we've put forward an initiative that has attracted a lot of support and a lot of attention. It's the only game in town right now, and while people haven't agreed with it at least it is something to argue about. It keeps the idea of a peace process in motion. And the lack of that, a vacuum with respect to a peace process, is very bad. So nobody says no. Everybody says keep coming, keep working, for that very reason.

Now a part of our initiative is to be ready to go to an international conference if it is constructed right. We think that an international conference which has the effect of sponsoring these direct negotiations can make a contribution, can use the touchstone of Security Council Resolutions 242 and 338 as sort of a base for negotiations. Under the right circumstances, as a sponsor of direct negotiations and ultimately perhaps as a conference that can deal with issues such as refugees and regional economic problems, we think that's a way to go. Others have
proposed, and at times the Soviets have proposed in what we think is an extreme form, an international conference that would have the function of telling the parties what to do. That is it would be a forum where people would express themselves and then it would pass resolutions of recommendations. But we don't think that would work because no country is going to put its vital security interests into the hands of others. It's going to need to deal with them itself.

So we have worked with the Soviets and talked with them about this, and I think we can fairly say that these discussions have been worthwhile in that we understand each other's views better. There does seem to be in all areas of tension around the world a certain ripple effect from the fact that the U.S. and the Soviet Union seem to be having a little more constructive relationship. We have evidence that we are able to resolve large problems and small problems. In the last three years particularly, we've worked out a huge number of problems between our two countries. So I think that tends to have a good influence. We'll continue to talk with our Soviet counterparts—we'll be doing that again shortly on Middle East issues—and [with] the Soviet Union and China, along with the other countries that rotate on the Security Council.

I also believe that our naval presence in the Gulf, our ability to project that capability in a non-confrontational way designed to protect American shipping against clear threats and to see that international waterways were not mined or otherwise made unsafe—that the ability of the United States to do that, our readiness to do it, our stick-to-itiveness, our steadiness in the face of a lot of criticism, wound up with people supporting what the President did. When the President made this decision, there was a lot of criticism of him for doing it, now it's pretty well supported throughout our country and it's supported around the world. And I suppose evidence of that is that when we had this very tragic accident, for which we expressed our regret immediately and [which we are] investigating thoroughly, nevertheless there continues to be widespread support for what we're doing there.

All of these things, the steadiness involved, the ability to do the job when called upon, have been helpful. Now I hope that the Secretary-General of the United Nations, who's following up aggressively and who is a very talented and effective man, will be able to sort of wrestle this problem to the ground and get Resolution 598 accepted so that there will be an effective ceasefire, so that there will be a withdrawal to international borders, so that there will be the follow-on effort to find their way to peace and do the assessment that is committed to in 598 of assessing the sources of this war, how it came into being and
who is to blame for what. [I hope] all of these things can get going so that we can see the situation in the Iran-Iraq war stabilized and the fighting stopped and this bleeding of people—over a million casualties, the use of chemical weapons—all of these things that have been so debilitating on the world scene can be brought to an end. And the United States, I can assure you, will do all that it can to help to bring that to an end.

Let me just finish by calling your attention to the great seal of our republic as a way of expressing the strategic philosophy of the United States and its staying power. As you know, our great seal has as its centerpiece the eagle with a burst of thirteen stars over the eagle's head. In one claw the eagle is holding an olive branch, in the other claw, arrows. If you look at the old furniture we've collected in the diplomatic reception rooms of the State Department, you'll see these wonderful old pieces of woodwork with the great seal on them. The eagle is always looking at the arrows. I suppose that was understandable when the British were burning the White House and we were fighting for our lives. But at the end of World War II, President Truman noticed in the White House a seal that way. And he said henceforth, in any official rendering of our seal, the eagle would always look at the olive branch to show that the United States would always seek peace. But the eagle would also always hold on to the arrows to show that the United States understands that if you're going to be effective in supporting your interests and in seeking peace, you have to have strength. So peace through strength—it's been a watchword of our country forever. I think it's a very good formula and we should continue to work for peace and we should do so knowing that we have to maintain our strength if we're going to be successful. Thank you.