

## 9. SUPPORTING AMERICA'S GLOBAL LEADERSHIP

*The challenge before us plainly is two-fold—to seize the opportunities for more people to enjoy peace and freedom, security and prosperity, and to move strongly and swiftly against the dangers that change has produced.*

President Clinton  
September 24, 1996

This budget fully supports America's global leadership and advances our national goals—protecting our vital strategic interests and expanding the reach of democratic governance, ensuring our influence in the international community, promoting sustainable development and the expansion of free markets and American exports, and responding to new international problems and humanitarian emergencies that can undermine our security.

Protecting America's key strategic interests remains a timeless goal of our diplomacy. As we move toward the 21st Century, we

have a great opportunity to expand the scope of democracy, further ensuring that our interests remain unthreatened. Facing the dilemmas of peacekeeping, regional crises, and economic change, the international community needs the United States as a leader and a full partner, meeting its international commitments. Advancing U.S. interests in a global economy brings expanded missions to our diplomacy and trade strategy. A less-orderly world also creates new challenges to our security—from regional and ethnic conflicts, the proliferation of weapons of mass

**Table 9-1. INTERNATIONAL DISCRETIONARY PROGRAMS**

(Budget authority, dollar amounts in millions)

	1993 Actual	1997 Estimate <sup>1</sup>	1998 Proposed	2002 Proposed	Percent Change: 1993 to 1997	Percent Change: 1997 to 2002
International development and humanitarian assistance .....	8,900	6,644	7,712	6,978	-25%	+5%
International security assistance .....	6,148	5,928	5,959	6,041	-4%	+2%
Conduct of foreign affairs .....	4,300	3,890	4,164	4,026	-10%	+3%
Foreign information and exchange activities .....	1,247	1,098	1,087	1,070	-12%	-3%
International financial programs .....	12,662	549	4,052	647	-96%	+18%
IMF programs .....	(12,063)	.....	(3,521)	.....	NA	NA
<b>Total, International discretionary programs .....</b>	<b>33,257</b>	<b>18,109</b>	<b>22,974</b>	<b>18,762</b>	<b>-46%</b>	<b>+4%</b>
<b>Total, excluding IMF programs .....</b>	<b>21,194</b>	<b>18,109</b>	<b>19,453</b>	<b>18,762</b>	<b>-15%</b>	<b>+4%</b>

NA=Not applicable.

<sup>1</sup> Consistent with changes in the 1996 Farm Bill, the P.L. 480 Title I direct credit program has been reclassified from International Affairs programs to Agriculture programs starting in 1996.

destruction, international terrorism and crime, narcotics, and environmental degradation.

With such a broad agenda for leadership, America must not withdraw into isolationism and protectionism or fail to provide the resources required to carry out this mission. The budget proposes \$19.5 billion for ongoing international affairs programs. While this request is seven percent above the 1997 level, it constitutes only slightly over one percent of the budget and 0.25 percent of Gross Domestic Product.

### **Protecting American Security and Promoting Democracy**

The first goal of America's international strategy must be to promote and protect our interests in regions that historically have been critical to our security. The Administration's record is encouraging. Through skilled diplomacy, the judicious use of military force, and carefully targeted bilateral and multilateral economic assistance, the United States has advanced the peace process in Europe and the Middle East, reducing threats to our interests in these key regions. Through diplomatic leadership, economic assistance, and trade negotiations, we have maintained our leadership in Asia. Our goals are to secure these achievements, advance the peace process, and deepen regional cooperation in the future.

Perhaps the most serious national security threat facing the Nation today hinges on the course of events over the next few years in the New Independent States (NIS) of the former Soviet Union. We have made substantial progress in helping encourage the emergence of free markets and democracy in the NIS. In particular, our relations with Russia are strong. The United States has provided unwavering support for the emergence of democracy in Russia, leading this past year to the first free presidential reelection in Russian history. Some other NIS countries are progressing more slowly toward democracy and free markets, but overall regional progress has been remarkable.

Nevertheless, the June 1996 Russian elections represent not only a success but a warning—the latter embodied in the large vote for President Yeltsin's opposition, an

opposition that derived its strength from Russia's severe economic distress. The Administration believes it is absolutely critical, at this turning point, to demonstrate our continuing support for democratic reform and free markets in Russia and throughout the NIS; the ultimate success of this process is vital to our national security. Moreover, we must begin to shape our assistance program in ways that support the mature trade and investment relationship that is starting to emerge between the United States and the countries in this region. Thus, the budget proposes \$900 million for NIS funding, a 44-percent increase over 1997. The increase includes a Partnership for Freedom initiative, designed to initiate a new phase of U.S. engagement with NIS countries focused on trade and investment, long-term cooperative activities, and partnerships.

The region at the heart of the Cold War conflict—Central Europe—has made enormous progress toward institutionalizing free markets and democracy. It is no longer a threat to American and European security; it is starting to be a partner in the transatlantic community. The economies of the Northern tier countries, such as Poland, the Czech Republic, and Hungary, are largely free and privatized; they are moving from direct assistance, which soon they will no longer require, to significant economic integration with the United States and Western Europe. At the same time, countries in this region are reshaping their security relationships with the West as they move toward potential membership in NATO.

Central European countries in the Southern tier also have made great progress. U.S. leadership has been critical in ending the bloody hostilities in Bosnia, establishing new governments through free elections, and beginning economic reconstruction. The pace of reconciliation and recovery remains gradual, and the need for continued American leadership is great. The other countries in the southern part of this region also look to the United States to remain committed to their struggle to create democratic governments and free, open markets.

The budget proposes to increase funding for economic assistance in Central Europe to \$492 million—including the final \$200 million installment on the U.S. commitment to Bosnian reconstruction. While programs for the Northern tier are phasing down, we must continue to support implementation of the Dayton Peace Accords and to sustain the emergence of free market democracies in the Southern tier. In addition, the budget seeks to increase support for foreign military financing for the countries of Central and Eastern Europe through the President's Partnership for Peace initiative, which will facilitate their efforts to meet the conditions for membership in NATO.

Our strategic interest in peace in the Middle East is as strong as ever. The peace process has achieved much already. The need for reconciliation remains urgent, and America continues to play a leadership role in the effort to craft a durable, comprehensive regional peace. The budget proposes \$5.3 billion for military financing grants and economic support to sustain the Middle East peace process. The proposed increase of nearly \$100 million includes \$52.5 million for an initial U.S. contribution for the Bank for Economic Cooperation and Development in the Middle East and North Africa, which will play a key role in promoting regional economic integration. The budget also provides additional security assistance to Jordan, recognizing that country's needs and its important contribution to the peace process.

The rest of our economic and security assistance programs are designed to support peace and democracy in countries and regions where our leadership has helped those processes emerge: consolidating democratic gains in Haiti; supporting reconciliation and peace in Guatemala and Cambodia; and strengthening the capacity of African governments to provide regional peacekeeping on that troubled continent.

### **Ensuring America's Leadership in the International Community**

Following World War II, the United States assumed a unique leadership role in building international institutions to bring the world's nations together to meet mutual security

and economic needs. It took an alliance to win the war, and it clearly would take an alliance to ensure the peace. We sponsored and provided significant funding for the United Nations, the International Monetary Fund, and the World Bank, along with specialized and regional security and financial institutions that became the foundation of international cooperation during the Cold War.

To ensure financial stability for this international community, the members of many of these organizations entered into treaties or similar instruments committing them to pay shares (or "assessments") of the organizations' budgets. Congress ratified these agreements, making them binding on us. For international financial institutions, like the World Bank and its regional partners, the United States has made firm commitments to regular replenishments, subject to the congressional authorization and appropriations processes.

Now, America's leadership in this international institutional network is threatened. In recent years, Congress has not fully appropriated the funds needed to meet the treaty-bound assessments of international organizations or our commitments to the multilateral banks. As a result, U.S. arrears now total over \$1 billion to the United Nations and other organizations, much of it for peacekeeping operations, and over \$850 million to financial institutions. Congress has raised some legitimate concerns about how these organizations operate, but America's failure to meet its obligations has undercut our efforts to achieve reforms on which the Administration and Congress agree. Today, our ability to lead, especially in the process of institutional reform, is being seriously undermined.

The Administration believes that we must end the stalemate this year—and that we can do so consistent with our goal of institutional reform. With new leadership in the United Nations, we have a unique opportunity. The budget proposes to fully fund the 1998 assessments for the United Nations, affiliated organizations, and peacekeeping, and to pay \$100 million of our arrears. It also seeks a one-time, \$921 million advance appropriation for the balance of U.N. and related organiza-

tion arrears, to become available in 1999. The release of these appropriated arrears would depend on the adoption of a series of reforms in the coming year, specific to each organization, that should reduce the annual amount that we must pay these organizations, starting with their next biennial budgets. These reforms would include a reduction in the U.S. share of organizational budgets, management reforms yielding lower organizational budgets, and the elimination of, or U.S. withdrawal from, low-priority programs and organizations.

The Administration wants to work closely with Congress to shape this package, lowering out-year funding requirements while maintaining strong U.S. leadership in organizations and programs important to our national interests. Enacting the advance appropriation is an essential step in achieving these objectives. It would show that we recognize our legal obligations and are determined to maintain the sanctity of our treaty commitments as we press for changes in the organizations. It would give us the leverage to mobilize support from other nations for the reforms we seek and for the lowering of our future assessments. Failure to arrive at an agreed-upon solution this year will put U.S. international leadership at risk in the next century.

We are equally committed to restoring our leadership in, and reforming, the multilateral development banks (MDBs). Our commitments to them represent America's full-faith pledge. Moreover, the MDBs already have undertaken significant reforms in response to Administration and congressional concerns, including cuts in administrative expenses. The budget would eliminate our arrears over the next three years while meeting ongoing commitments that were negotiated down by 40 percent from previous funding agreements. The budget also includes funds to eliminate all arrears to the World Bank's International Development Association affiliate that lends to the world's poorest countries, many of them in Africa. Future budgets would seek to eliminate all of the arrears, while continuing our success in lowering the level of future U.S. commitments.

Our leadership in international institutions also has been critical in preventing inter-

national financial crises. As the Mexican peso crisis demonstrated, the increased interdependence of our trading and monetary systems means that a monetary crisis in any major trading nation affects all nations. Consequently, the G-10 nations and a number of other current and emerging economic powers have negotiated the New Arrangements to Borrow (NAB), in order to provide a credit line for the International Monetary Fund (IMF) in cases when a monetary crisis in any country could threaten the stability of the international monetary system. The budget proposes a one-time appropriation of \$3.5 billion in budget authority for the U.S. share, but it will not count as an outlay or increase the deficit; the United States will receive an increase in its international reserve assets that corresponds to any transfer to the IMF under the NAB.

### **Promoting an Open Trading System**

The Administration remains committed to opening global markets and integrating the global economic system, which has become a key element of continuing economic prosperity here at home. Achieving this goal is increasingly central to our global diplomatic activities.

We are helping to lay the groundwork for sustained, non-inflationary growth into the next century by implementing the North American Free Trade Agreement and the multilateral trade agreements concluded during the Uruguay Round. We are conducting a vigorous follow-up to ensure that we receive the full benefit of these agreements. At the December 1996 World Trade Organization ministerial meeting in Singapore, for example, negotiators reached agreement on lowering many of the remaining barriers to trade in information technology, which will significantly benefit U.S. firms and workers. We are finalizing our anti-dumping and countervailing duty regulations, which implement commitments made in the Uruguay Round.

To promote other, mutually-beneficial trade relationships, the Administration will propose legislation for "fast-track" authority to nego-

tiate greater trade liberalization.<sup>1</sup> It also will propose to extend the authorization of the Generalized System of Preferences for developing countries beyond its current expiration date of May 31, 1997 and to give the eligible countries of the Caribbean Basin Initiative expanded trade benefits.

We are more closely integrating the Government's trade promotion activities through the Trade Promotion Coordinating Committee (TPCC), creating a synergy among agency trade programs that will significantly improve American business' ability to win contracts overseas, and creating export-related jobs at home. The budget puts a high priority on programs that help U.S. exporters meet foreign competition, and TPCC agencies are developing rigorous performance measures to help ensure that programs in this area are effective.

As discussed earlier in this chapter, U.S. assistance is important in encouraging the emergence of free market economies in Central Europe and the NIS, where our programs increasingly focus on facilitating a mature trade and investment relationship with the United States.

Over time, our bilateral development assistance, provided through the U.S. Agency for International Development (USAID), likewise promotes the emergence of growing market economies in developing countries by supporting market-friendly policies and key institutions. Economic growth and market-oriented policy reforms in the developing world create growing demand for U.S. goods and services as well as investment opportunities for U.S. businesses. On a larger scale, the multilateral development banks also promote economic growth and increased demand for our exports. The budget proposes that our bilateral development assistance and contributions to the multilateral development banks grow by 25 percent—from \$2.6 billion to \$3.3 billion.

Three smaller agencies provide U.S. Government financial support for American exports. The Export-Import Bank is a principal source of export assistance, offering loans, loan guarantees, and insurance for exports, primarily of capital goods. To assure that its programs

operate as economically as possible, the Bank is considering raising some fees, thereby lowering net spending in 1998 while maintaining a strong overall level of export support. The Overseas Private Investment Corporation (OPIC) provides political risk insurance for, and finances, U.S. investment in developing countries, leading to greater U.S. exports. The budget proposes to maintain 1998 OPIC funding close to the 1997 level. The Trade and Development Agency (TDA) makes grants for feasibility studies of capital projects abroad; subsequent implementation of these projects can generate exports of U.S. goods and services. The budget increases funding for TDA over the 1997 level. With the new emphasis on trade and investment in the NIS, the Export-Import Bank, OPIC, and TDA may well become important channels for further funding directed at this region.

Along with the Government's financial support for U.S. exports, the Commerce Department's International Trade Administration (ITA) promotes U.S. trade through its network of Export Assistance Centers and overseas offices. These centers and offices provide export counseling to the American sector. The budget proposes a slight increase for ITA compared to 1997.

### **Leading the Response to New International Challenges**

Another fundamental goal of our international leadership, and an increasing focus of our diplomacy, is meeting the new transnational threats to U.S. and global security—the proliferation of weapons of mass destruction, drug trafficking and the spread of crime and terrorism on an international scale, unrestrained population growth, and environmental degradation. We also must sustain our leadership in meeting the continuing challenge of refugee flows and natural and human-made disasters.

In 1997, the Administration will seek Senate ratification of the Comprehensive Test Ban Treaty and the Chemical Weapons Convention, both critical to our long-term security and to preventing the spread of weapons of mass destruction. The budget supports the implementation of these agreements. U.S. diplomacy and law enforcement activities are playing

<sup>1</sup>Fast track is a procedure designed to expedite congressional approval of trade agreements between the United States and other nations.

a key role in preventing the spread of such weapons to outlaw states such as Libya, Iraq, Iran, Syria, and North Korea. The Defense Department's Nunn-Lugar program and the State Department's Nonproliferation and Disarmament Fund help support these efforts. (For more information on the Nunn-Lugar program, see Chapter 10.) In addition, U.S. support for such organizations as the International Atomic Energy Agency and the Korean Peninsula Energy Development Organization is critical to meeting our non-proliferation goals.

U.S. bilateral assistance programs are also critical to tackling other important transnational problems. Our international counter-narcotics efforts are making real progress in drug-producing countries. After several years of deeply cutting the Administration's budget requests for counter-narcotics purposes, Congress provided the full requested amount for 1997, permitting the United States to intensify its efforts to curb cocaine production in the Andean countries by offering growers attractive economic alternatives. The budget proposes \$230 million for the State Department's narcotics and anti-crime programs, eight percent more than in 1997, with most of the increase focussed on programs in Peru.

In addition, USAID development assistance and U.S. contributions to international efforts, such as the Global Environment Facility, support large and successful programs to improve the environment and reduce population growth. The United States is the recognized world leader in promoting safe and effective family planning projects.

Disasters, humanitarian crises, and refugee flows are certain to remain central challenges to our leadership. The budget continues our historically strong commitment to refugee and disaster relief, proposing \$1.7 billion, which sustains these programs at the 1997 level. This assistance, which reflects the humanitarian spirit of all Americans, has long enjoyed bipartisan support.

## **Conducting Foreign Affairs**

An effective American diplomacy is the critical foundation for meeting our foreign policy goals. The budget supports a strong U.S. presence at over 250 embassies and other posts overseas, promoting U.S. interests abroad and protecting and serving Americans by providing consular services. These activities include the basic work of diplomacy—the reporting, analysis, and negotiations that often go unnoticed but that allow us to anticipate and prevent threats to our national security as well as discover new opportunities to promote American interests. The budget proposes \$2.7 billion for the State Department to maintain its worldwide operations, modernize its information technology and communications systems, and accommodate security and facility requirements at posts abroad.

The budget also proposes two significant innovations in State Department management.

- One would make about \$600 million in immigration, passport, and other fees, which now go to the Treasury Department, available to finance State Department operations directly. Improvements in how these State Department operations perform will, thus, be directly linked to the receipts they generate.
- The other innovation restructures the management of the diplomatic platform to support the overseas activities of other Federal agencies. This reform recognizes the magnitude of the State Department's overseas administrative workload, the need to carry it out efficiently, and the need to allocate the costs of overseas support fairly among agencies. With approval of the President's Management Council, the various agencies represented abroad have designed a new overseas administrative arrangement—the International Cooperative Administrative Support Services program. The Administration will propose to fund this new arrangement in a budget amendment that it will send to Congress shortly after transmitting the budget.