

10. ADVANCING UNITED STATES LEADERSHIP IN THE WORLD

"If the history of this American century has taught us anything, it is that we will either work to shape events, or we will be shaped by them. We cannot be partly in the world. We cannot lead in fits and starts or only when we believe it suits our short-term interests. We must lead boldly, consistently, without reservation ... Our security and prosperity depend upon our willingness to be involved in the world."

President Clinton
August 1998

As the era that has been labeled the American Century comes to a close, the role of the United States in one significant way remains unchanged. Today, America is the world's sole remaining superpower and, therefore, still has its own set of unique obligations and responsibilities. The world in many ways is safer than in the past, as democracy and free markets increasingly prevail, but we cannot afford to be complacent. Threats to our security still require our vigilance, and opportunities to promote peace and economic well-being demand our leadership.

America must remain a leader for peace, freedom, and security—and a bulwark against the forces that would undermine them. American diplomacy helped restore momentum in the Middle East peace process at the Wye River meeting and helped achieve the ratification of the Good Friday Accord, which brought an end to 30 years of turmoil for the people of Northern Ireland.

While progress in making peace offers cause for optimism, there are real and growing threats to our national security. The terrorist attacks against two U.S. embassies in East Africa last year—which killed hundreds of people, including 12 Americans—are a stark reminder that we need to protect our citizens and to combat our enemies. Our security and the stability of the international order is also threatened by the proliferation of

weapons of mass destruction and their means of delivery, international terrorism and crime, narcotics, and environmental degradation.

Nations and their economies are increasingly interdependent, due in large part to the explosion of communications technology. While this interdependence can help foster international trade and cultural understanding, and contribute to the foundation for peace, there are also fundamental risks. Last year, disruptions in the Russian and several Asian economies and the threat to Brazil's economy demonstrated the world-wide impact of crises in major economies.

In order to ensure that America maintains its role as world leader and responds to these needs in a complex and crucial time, the budget includes resources to promote peace in troubled areas, to provide enhanced security for our diplomats abroad, to fund activities to combat weapons of mass destruction, to stabilize the international economy, to promote trade, and to respond to the needs of our neighbors and others who face disaster.

American diplomacy is the tool of American international leadership in these many important issues, and it depends on strong international affairs programs. In 1999, the Administration and Congress worked successfully to build bipartisan support for an increase in international affairs spending.

Congress appropriated \$14.5 billion for the U.S. share of the International Monetary Fund (IMF) quota increase and \$3.5 billion for the U.S. share of the New Arrangements to Borrow. These increases will allow the IMF the necessary resources to support economic reform and restructuring around the world, thereby helping to protect U.S. prosperity. Congress also appropriated \$1.8 billion in emergency funding, largely to meet the urgent needs of protecting American personnel and facilities abroad from terrorist attacks.

Despite significant progress on international problems last year, there is an unfinished and growing set of issues which are critical to U.S. interests. The Administration and Congress must continue efforts to promote peace and stand with those working to build it and to work for freedom and security. We must continue to strengthen our alliances and partnerships in Europe and Asia, the foundation for America's security. Finally, we must work to deepen democracy around the world—the best long-term investment we can make in peace and stability.

Although American diplomacy has made great strides to advance the peace process in the Middle East and in the Balkans, there is still an enormous amount of hard work ahead. Collaboration between the Administration and Congress is essential to give peace in those regions the opportunity it deserves. Trade has been essential to the current economic expansion, and Congress should enact legislation promoting trade with Africa and the Caribbean Basin. Such trade initiatives can help bolster the growth of countries undertaking desirable free-market reforms, thereby helping the American economy by increasing markets for our own exports.

In providing \$21.3 billion for international affairs programs, the budget proposes that the United States continue to actively meet the role and responsibility of world leadership (see Table 10–1). The budget helps resolve unfinished business from past years, addresses the many new crises facing the world, and targets funding increases to the most effective programs to achieve foreign policy objectives, rejecting outmoded activities and poorly-performing projects. This will strengthen U.S.

leadership and benefit the American people, while costing less than one percent of the Federal budget.

Protecting American Security

Facility Vulnerability: The bombings of the U.S. embassies in Kenya and Tanzania were evil acts of terror that took the lives of hundreds of innocent people, including 12 Americans. The bombings highlight the dangers faced daily by Americans and foreign national employees who work abroad in U.S. Government facilities. A significant step to address vulnerability in our diplomatic facilities took place with enactment of emergency security funding in 1999. The budget proposes an increase to the State Department's operating budget in 2000 to ensure the continued protection of American embassies, consulates and other facilities, and the valuable employees who work there. The Administration will continue to examine the vulnerabilities and requirements for U.S. Government staff overseas through a review of the number, size, and composition of U.S. overseas missions and future security requirements. To address further security needs, the budget includes a request for \$3 billion in advance appropriations for a new multi-year security construction program to replace inadequate overseas facilities. The Administration will continue to work with Congress in a bipartisan manner to address the continuing challenge of making our overseas posts secure.

The New Transnational Threats: Another fundamental goal, 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. In 1997, the Administration sought and obtained Senate ratification of the Chemical Weapons Convention, which will begin imposing controls on a class of destructive weapons not well regulated in the past. However, the Senate has not yet ratified the Comprehensive Nuclear Test Ban Treaty (CTBT), which it has had since September 1997, and which is central to national security interests. U.S. diplomacy and law enforcement are playing a key role in stemming the spread of weapons of mass destruction to outlaw states such as

Table 10-1. INTERNATIONAL DISCRETIONARY PROGRAMS

(Budget authority, dollar amounts in millions)

	1998 Actual	1999 Estimate	2000 Proposed	Dollar Change: 1999 to 2000	Percent Change: 1999 to 2000
International development and humanitarian assistance ^{1, 2}	6,797	6,966	7,606	+639	+9%
International security assistance ²	6,102	6,022	6,232	+210	+3%
Conduct of foreign affairs/foreign information and exchange programs ^{1, 2}	4,966	4,904	5,478	+573	+12%
International financial programs ³	666	750	881	+131	+17%
Subtotal, International discretionary programs	18,531	18,643	20,196	+1,554	+8%
Multilateral Development Bank arrears	360	539	169	-370	-69%
International Organization arrears	100	475	446	-29	-6%
Enacted embassy security and other emergency items		1,900			
Subtotal, including arrears and enacted emergency appropriations	18,991	21,557	20,811	-746	-3%
Proposed Wye River supplemental		900	500	NA	NA
Total, including proposed Wye River supplemental	18,991	22,457	21,311	-1,146	-5%

NA = Not applicable.

¹ Excluding arrears payments.² Excluding 1999 embassy security and other emergency appropriations.³ Excluding 1999 appropriations for the International Monetary Fund.

Libya, Iraq, Iran, Syria, and North Korea. In addition, U.S. support for such organizations as the International Atomic Energy Agency, the CTBT Preparatory Commission, and the Korean Peninsula Energy Development Organization is critical to help prevent the spread of dangerous nuclear weapons.

U.S. bilateral assistance programs are essential to efforts attacking other transnational problems. America's international counter-narcotics efforts are making continued progress in drug-producing countries. Along with the additional funding of \$233 million in enacted 1999 emergency appropriations, the budget proposes \$295 million to enable the United States to intensify its efforts to curb drug production in the Andean countries and to fight international crime.

The Newly Independent States (NIS): The transition to market democracies in the NIS

remains vital to U.S. national security. Russia remains the key to overall progress in the region. The budget proposes \$1.03 billion for assistance to the NIS. The pace of that transition continues to be uneven, and last year there were serious economic setbacks for Russia. Although these nations have embraced free elections, there is a lack of political consensus in support of economic reforms, which makes prospects for sustained economic growth dubious.

The United States and Russia share a mutual goal of preventing the proliferation of expertise and technology related to weapons of mass destruction (WMD). Current economic conditions increase the risk of proliferation because weapons scientists and technicians are unemployed or unpaid, and guards at facilities and borders are untrained and poorly-equipped. The budget supports significant increases in funding for State Department

programs from \$41 million last year to \$251 million to address this concern. In addition, the Department of Defense Cooperative Threat Reduction program is funded at \$476 million and the Department of Energy WMD programs in the NIS are funded at \$276 million (see Table 10-2).

In addition to this enhanced emphasis on WMD, the budget includes a renewed emphasis on our Partnership for Freedom programs, which work directly with the private sector and nongovernmental organizations, develop partnerships between U.S. and NIS institutions, increase exchanges, and help local governments increase trade and investment.

Promoting Peace Abroad

Peace in the Middle East: The United States remains committed to a comprehensive peace in the Middle East. America continues to play a leadership role in this effort. The Wye River Memorandum, signed in October 1998, is an important milestone in this process. The effective implementation of this Memorandum should restore positive momentum to the peace process. The Wye Memorandum provides among other things for enhanced security steps by the Palestinians, improved security cooperation between Israelis and Palestinians, further redeployments of Israeli forces in the West Bank, the opening of the Gaza airport, and creation of a safe passage between Gaza and the West Bank. The budget proposes \$5.2 billion for assistance to sustain the Middle East peace process.

In addition, the Administration proposes a \$1.9 billion economic and military assistance package to help meet priority needs arising from the Wye Memorandum. This is comprised of \$900 million in 1999 supplemental budget authority (to be fully offset with an equal reduction of budget authority) and \$500 million in annual advance appropriations in 2000 and 2001. Supplemental Economic Support Fund (ESF) resources will help meet the Palestinians' economic development needs in the West Bank and Gaza, and strengthen democratic institutions. Supplemental Foreign Military Financing (FMF) funding for Israel will help Israel offset some of the costs of redeploying its forces and enable it to meet strategic defense requirements. Additional FMF funding for Jordan will allow it to maintain the operational capabilities of its forces and additional ESF resources for Jordan will support further economic development.

Central and Eastern Europe: The transition to democracy and free markets in Central and Eastern Europe is advancing rapidly. Countries are moving to join the European Union and the World Trade Organization. Poland, Hungary, and the Czech Republic are joining NATO. Economic growth is widespread, and respect for human rights is growing. U.S. and other international support has been a critical factor in the pace of that transition. In certain nations, the success is evident: democracy has taken hold firmly while free markets prevail. At this time, Lithuania and Poland join the Czech Republic, Slovenia, Latvia, and Hungary as states that no longer need direct U.S. assistance.

Table 10-2. THREAT REDUCTION ASSISTANCE IN THE NIS

(Budget authority, dollar amounts in millions)

	1998 Actual	1999 Estimate	2000 Proposed	Dollar Change: 1999 to 2000	Percent Change: 1999 to 2000
Department of Defense	382	440	476	+36	+8%
Department of Energy	212	237	276	+39	+16%
Department of State	20	41	251	+210	+512%
Total	614	718	1,003	+285	+40%

The success of these northern-tier countries of the region will be used to foster similar results in the southern tier where the transition has not been as rapid. Reform minded governments in Bulgaria, Macedonia, and Romania continue to work toward creating free markets and democratic governance. However, challenges remain in the rest of the Balkans. Substantial assistance will continue to enable countries to participate in the Partnership for Peace programs, thereby improving mutual understanding and enhancing the interoperability of regional military forces with NATO. The budget proposes \$393 million in economic aid for Eastern Europe and the Baltic States, primarily focused on the southern tier.

Bosnia: \$175 million of the economic aid program would support the U.S. commitment to see the Dayton Accords fully implemented in Bosnia. U.S. assistance will help displaced persons and refugees return home; multi-ethnic communities rebuild; numerous leaders embrace the economic reforms necessary to expand opportunities and sustain economic growth; and governments to continue restructuring their police forces in order to provide all citizens with a secure environment. American troops remain in the region and our assistance programs are designed to complement their work and build on the stability created by their presence.

Kosovo: In Kosovo, international diplomatic efforts backed by U.S. and allied military capabilities have helped increase stability in this troubled region. However, the ability to foster a peaceful transition that protects the rights of all citizens in that part of Yugoslavia continues to hang in the balance. U.S. humanitarian assistance has helped alleviate suffering, but we must work with our allies to help create a sustainable peace. The budget includes \$46 million for an observer force to verify compliance by all parties and to support the training of a professional, ethnically representational, local police force that protects the rights of all citizens. In addition, \$50 million is included in the budget for the U.S. contribution to an international civil reconstruction effort.

Hurricane Mitch: In 1998, Hurricane Mitch, the most destructive hurricane in recent history, caused over \$10 billion in damage

to Central America. The United States immediately stepped up to the massive relief and reconstruction needs caused by this unprecedented disaster, pledging over \$500 million. However, there is much more that needs to be done to help these neighboring countries recover from this devastation, and funding is needed urgently. Therefore, the President will work with the Congress in a bipartisan effort to obtain 1999 supplemental funds to address the damage caused by Hurricane Mitch, as well as that caused in the Caribbean by Hurricane Georges.

Leading 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, economic, and humanitarian needs. America sponsored and provided significant funding for the UN, NATO, the IMF, and the World Bank, along with other specialized regional security and financial institutions that became the foundation of international cooperation during the Cold War and the post-Cold War period.

To ensure financial stability for this international community, members of the international organizations (IOs) entered into treaties committing them to pay specified shares of IO budgets. Congress ratified these agreements, making them binding on the United States. For the Multilateral Development Banks (MDBs) which include the World Bank, its regional development bank partners, and the Global Environment Facility (GEF), the United States and other developed countries make firm commitments to regular replenishment of their resources. Replenishments are subject to the congressional authorization and appropriations processes.

By 1997, America's leadership in this international institutional network had seriously eroded due to past legislative action that reduced funding for our assessments and commitments. The resulting arrears to the IOs had accumulated to almost \$1.5 billion. Although the Administration and Congress developed bipartisan support for authorizing legislation in 1997, and again in 1998, to clear many of the assessed arrears over

three years in return for specified IO reforms, the legislation was never enacted.

Congress did pass appropriations of \$100 million in 1998 and \$475 million in 1999, subject to enacting authorization legislation and certain other conditions. The budget proposes that the Administration and Congress work together once again to reach agreement on paying the UN and related IO arrears. The budget includes the third-year installment of arrears funding of \$446 million and seeks \$1.198 billion to meet regular assessments to the IO's and for UN peacekeeping operations.

Stabilizing the International Economy

As the world becomes more economically integrated, the smooth functioning of its monetary system becomes increasingly critical to every nation's economy. The severe disruptions in the Russian and several Asian economies and the threat to Brazil's economy in 1998 demonstrated the world-wide impact of crises in major economies. Despite its size and strength, even the U.S. economy is not immune and could suffer if measures were not taken to keep global economic crises in check. It is exactly these kind of disruptions that the International Financial Institutions (the IMF, the World Bank, and the other MDBs) were created to address, and, thanks in part to the bipartisan effort to increase the resources available for the IMF last year, these institutions have already begun to provide the loans needed for Indonesia, Brazil, and the other countries most affected, so that they may begin the long and difficult recovery process.

Multilateral Development Banks (MDBs): There has been progress in the past two budgets, with Congress funding most of U.S. arrears to the MDBs, leaving \$310 million unfunded at present. This advancement, much improved since 1997, when arrears totaled nearly \$862 million, enabled the Administration to engage other donors and gain agreement on important new policy measures during new replenishment negotiations this past year for the International Development Association, the African Development Fund, and the Inter-American Development Bank. The budget also proposes \$168 million to continue

the planned payment of MDB and new GEF arrears and \$1.2 billion to pay current commitments to these institutions, which provide most of the assistance to poor countries around the world that are undertaking promising economic reforms. During the Clinton Administration, U.S. commitments for all the MDBs have been cut by 40 percent from the levels in the mid-1990s.

International Debt Policy: In providing \$120 million, the United States will promote economic and environmental reform for countries in support of the Tropical Forest Conservation Act of 1998 and help defray the cost of debt relief by contributing to the Heavily Indebted Poor Country Initiative Trust Fund. Furthermore, the United States will continue its efforts to stimulate economic growth for the world's poorer countries by participating in the multilateral Paris Club debt reductions and providing bilateral debt relief as part of the President's Africa Initiative.

Supporting International Development and Addressing International Disasters

Development assistance, through the MDBs and bilaterally through the U.S. Agency for International Development (USAID), funds projects which create the conditions for economic growth, stable democracies, improved human health, and basic education. Our ongoing commitment to provide assistance to the poorest countries serves long-term U.S. interests and diminishes the need for short-term crisis intervention.

Assistance to Africa: The budget proposes \$828 million for Africa—an increase of almost 10 percent—meeting the President's goal of increasing support for Africa to historically high levels. These levels of assistance recognize the increased progress towards reform and economic growth that is being made by a number of African nations. The assistance programs funded at current or increased levels will include Presidential initiatives on food security, education, and trade and investment. The budget also includes increased support for programs aimed at reducing conflict, promoting regional peacekeeping and encouraging democracy, as well as enactment of the President's trade package for Africa.

USAID's Development Assistance Programs: The budget proposes \$1.8 billion for USAID's development assistance programs, which provide funding to 51 countries and 12 regional programs in Africa, Asia, and Latin America. In Asia, USAID programs will provide an important element of the U.S. Government response to the challenges of the economic collapse and an inadequate social safety net, and the opportunity to support genuine democratization. In Latin America, the continuing assistance provided in the budget is critical to meeting the long-term needs arising from the devastation of Hurricane Mitch.

Humanitarian Assistance: Unfortunately, many countries face crises which impede their development, both from natural disasters—so clearly illustrated by the impact of Hurricane Mitch—and from ongoing civil conflicts. The budget proposes \$1.7 billion for the humanitarian assistance programs of the Department of State and USAID. The Department of State's refugee program provides for care and maintenance of refugees abroad and resettlement assistance to those refugees admitted to the United States. USAID, through its Office of Foreign Disaster Assistance, provides for the immediate needs of victims of natural and manmade disasters, including internally displaced persons. In addition to direct relief, USAID also works to improve the ability of poor countries to deal with disasters through its prevention and mitigation programs and programs aimed at helping countries move from conflict to peace. USAID also provides food aid for vulnerable populations through the Food for Peace program.

Environment and Population Growth: USAID development assistance and U.S. contributions to international efforts, such as the GEF and Montreal Protocol, support large and successful programs to improve the environment and reduce population growth. The budget also continues to fund USAID's multi-year global climate change initiative. The United States is the recognized world leader in promoting safe, effective family planning projects and the budget request continues to fund significant levels of U.S. assistance for these programs.

Peace Corps: The Peace Corps promotes better understanding among nations through its volunteers who have served as unofficial ambassadors to the developing world. The American people strongly support the program. The budget proposes \$270 million to enable the agency to continue increasing the number of volunteers abroad—with the goal of building towards 10,000 volunteers by early in the next century.

Increasing American Prosperity Through Trade

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. This goal is increasingly central to America's diplomatic activities. The Administration is 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.

Export Promotion Initiative: After years of double-digit growth, U.S. manufacturing exports slowed in 1998 as a result of global economic problems, and that led to thousands of worker layoffs. Because millions of American jobs depend on foreign exports, we must help U.S. manufacturers find new markets and attract new customers for our goods overseas. Toward that end, the budget includes a \$108 million multi-agency initiative to spur additional U.S. exports. First, the initiative boosts funding by 10 percent—or \$81 million—for the Export-Import Bank, which helps U.S. exporters by providing prudent financing for customers in developing countries when private funds are not available and by strategically leveling the playing field against aggressive, foreign export-credit subsidies. With the additional funds, the Bank can keep U.S. products—from aircraft parts to capital equipment to environmental technology—flowing to emerging markets where commercial banks have withdrawn. Second, the Trade and Development Agency receives an additional \$4 million to fund feasibility studies that enable U.S. companies to participate in major export-generating infrastructure projects overseas. Third, the initiative provides \$14 million for the De-

partment of Commerce's International Trade Administration (ITA) to increase resources for export advocacy in key markets and for delivery of export assistance services to America's 350,000 small manufacturers. Finally, the initiative provides \$9 million for ITA and Commerce's National Institute of Standards and Technology (NIST) to expand U.S. efforts to help developing countries establish the legal and institutional framework needed for a commercial infrastructure making it easier and cheaper for U.S. firms to export.

Free and Fair Trade: The Administration will continue to press forward with open trade. At this time of economic fragility in so many regions, it is important to continue to pursue open markets. The budget proposes significant increases for trade negotiators to pursue an open, fair, rules-based trading system which ensures that spirited economic competition among nations does not become a race to the bottom in environmental protections, consumer protections, or labor standards.

The Administration also will propose to give expanded trade benefits for two years to the eligible countries under the Caribbean Basin Initiative, and will propose special trade benefits on a permanent basis to African countries that are reforming their economies, as part of a larger trade and investment initiative for Africa. In addition, the Administration will propose a one-year extension of the Generalized System of Preferences beyond its current expiration date of June 30, 1999, in order to continue the reduced tariffs on many imports from developing countries provided for by this system.

Additional Trade Activities: The Trade Promotion Coordinating Committee (TPCC) is currently focusing on several key strategic objectives in order to provide more effective and better coordinated trade promotion programs. The TPCC works to promote exporter awareness of the benefits of trade, to respond effectively to the Asian crisis. The TPCC is also working to improve trade in important economic markets around the world.

The Administration also strongly supports the reauthorization of the Overseas Private

Investment Corporation which has been an important part of trade and investment initiatives through its investment insurance and finance programs. In addition, the budget provides an 18-percent increase, to \$20 million, for the Commerce Department's Market Access and Compliance Unit, whose members monitor trade agreements and identify compliance problems.

Conducting Effective Diplomacy

Effective diplomacy is the foundation of our ability to meet 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. The work of the Department of State and U.S. missions supports the goals and initiatives of American foreign policy, and anticipates and helps to prevent threats to our national security. This work has expanded considerably in recent years to include combating threats from terrorism, proliferation of weapons of mass destruction, nuclear smuggling, international crime, and narcotics trafficking. The overseas posts also serve as the administrative platform for the many other U.S. agencies with personnel abroad, from USAID to the Departments of Defense, Justice, and the Treasury.

Foreign Affairs Reorganization: Enactment of the Foreign Affairs Reform and Restructuring Act of 1998 provided the President the authority to fundamentally restructure foreign affairs agencies. The reorganization will put matters of international arms control, sustainable development policy, and public diplomacy at the heart of our foreign policy within a reinvented Department of State.

The reorganization will integrate the Arms Control and Disarmament Agency (ACDA) and the non-broadcasting portion of the U.S. Information Agency (USIA) as well as certain limited functions of USAID into the State Department. The Broadcasting Board of Governors, which oversees all governmental non-military broadcasting abroad and is currently part of USIA, will become an independent Federal establishment.

Diplomatic and Consular Operations:

The budget proposes \$3.6 billion in 2000 for the State Department, including public diplomacy and arms control activities. Of this total, \$0.7 billion is proposed for continuing public diplomacy activities (formerly USIA) and \$48 million is for arms control and nonproliferation activities (formerly ACDA). This funding level will maintain the Department's world-wide operations, continue efforts to upgrade information technology and communications systems, and accommodate increased security and facility requirements at posts abroad. The major increases proposed in the budget provide for security and facility enhancements that will allow foreign policy professionals abroad to do their jobs in a safer environment. The budget requests \$3 billion in advance appropriations to fund the construction of secure embassies and posts around the world. The Administration will pursue these enhancements through

a capital construction strategy that will effectively and efficiently meet America's security needs.

USAID Operating Expenses: The budget proposes \$508 million for USAID operating expenses. The largest portion of this increase over 1999 (\$12 million) will provide USAID with the resources it needs to continue to improve its information technology and financial management capabilities. The resources will also allow USAID to maintain its overseas presence in key developing countries, although it will require USAID to continue its successful reinvention efforts in order to meet increased program delivery requirements without increasing overseas staff or expenses. The budget also accommodates the shift of security functions from the USAID Inspector General to USAID operating expenses, as required by the 1999 Foreign Operations Appropriations Act.