
1994 International Affairs Budget: Promoting Peace, Prosperity, and Democracy

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SUMMARY

The President's FY 1994 International Affairs Budget signals important new directions and re-orientes resources toward meeting new challenges in the post-Cold War environment. At the same time, funds will be redirected toward programs that yield more direct benefits to the American people.

U.S. economic prosperity remains directly tied to world economic growth and international peace and stability. By investing scarce international affairs resources in a few priority areas, the United States will be investing in its own long-term economic and security interests and will avoid far greater costs in the future.

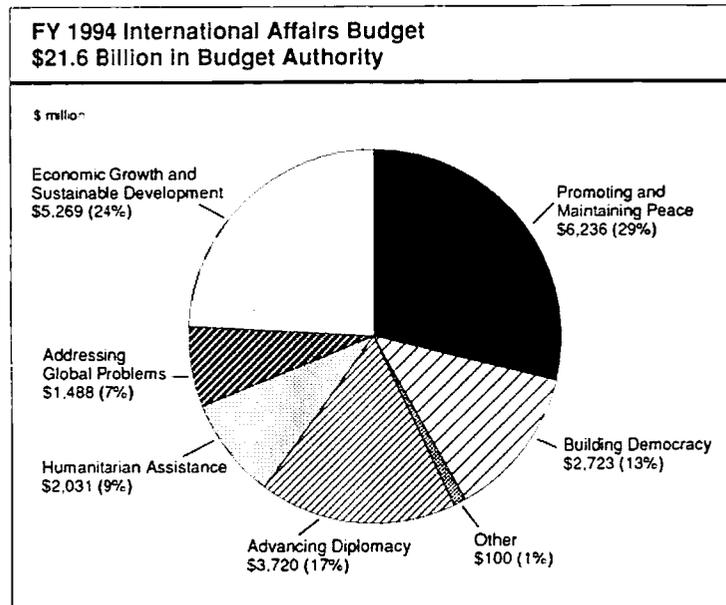
For example, modest investments in promoting democratic reforms in Russia; preventing regional, religious, and ethnic conflicts; and attacking the problems of environmental degradation, unchecked population growth, and the proliferation of weapons will reap immeasurable benefits and contain federal spending over the long-run.

The FY 1994 budget is based on five overarching, mutually reinforcing objectives that reflect vital U.S. interests and fundamental values. They are:

- Building democracy;
- Promoting and maintaining peace;
- Promoting economic growth and sustainable development;
- Addressing global problems; and
- Providing humanitarian assistance.

A sixth theme, "advancing diplomacy," refers to one of the most important means to achieve progress in the above five areas. The effective use of diplomacy and international organizations is a critical and cost effective ingredient to success in these areas.

The President's FY 1994 budget requests about \$21.6 billion in budget authority (the authority to commit funds) and \$21.3 billion in outlays (actual spending) for FY 1994. This is about \$450 million more in authority and \$250 million less in outlays than FY 1993 enacted levels.



Compared to the FY 1993 budget, the Administration has redirected more than \$700 million from existing international affairs programs toward higher priorities. In real terms, the budget is about \$200 million in budget authority and \$100 million in outlays below the current services baseline (the current level of spending adjusted for inflation). Over 4 years, the budget reflects the importance of containing federal spending by saving nearly \$3 billion in outlays from the current services (no real growth) level.

Significant changes in the FY 1994 budget from FY 1993 levels are:

- An increase of more than \$300 million in assistance to the former Soviet Union;

- A net increase of nearly \$170 million to support multilateral and bilateral peace-keeping efforts (this is in addition to increases for peacekeeping in the Department of Defense (DoD) budget);

- About \$100 million more for programs addressing the problems of population growth;

- \$50 million for a new nonproliferation fund to stem the flow of weapons;

- \$35 million more for environmental programs aimed at tackling global environmental degradation;

- \$20 million more for the Trade and Development Agency and nearly \$1 billion more in Export-Import Bank guarantees to increase opportunities for U.S. business overseas and expand exports;

- \$190 million more for increased commitment to the International Development Association for assistance to the poorest and least creditworthy countries, in addition to increases for other multilateral development banks.

To offset much of these increases, the FY 1994 budget reduces a number of existing programs, the largest being a reduction of more than \$400 million in security assistance programs, including phasing out the Special Defense Acquisition Fund. Other programs have been cut by more than \$250 million, including a \$50 million reduction in development assistance by the U.S. Agency for International Development (USAID).

New Budget Presentation

Table 1 (see following page) presents the funds requested under each of the six new categories and highlights the changes proposed in the FY 1994 budget. This new presentation

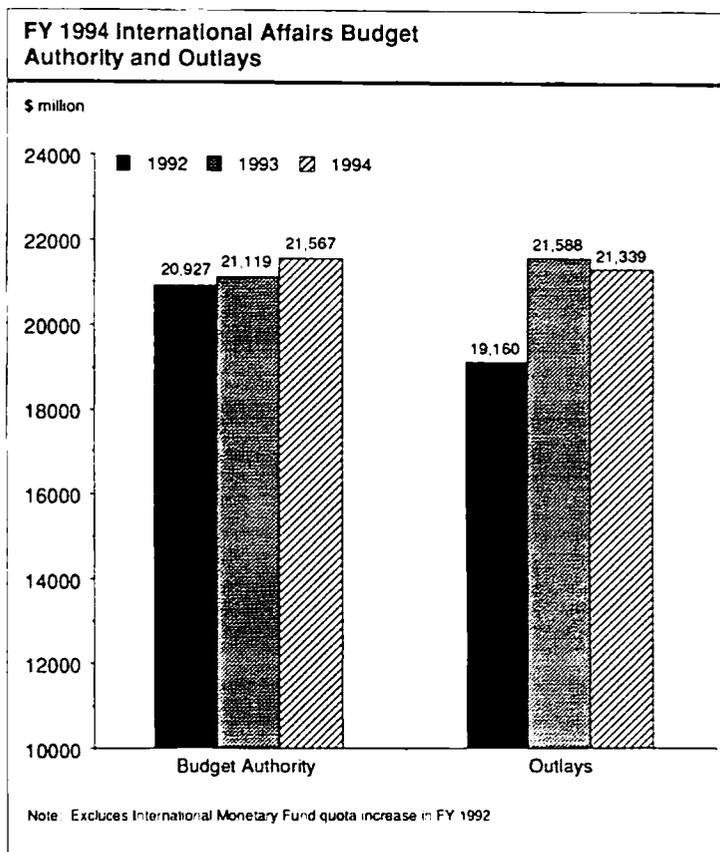


TABLE 1
FY 1994 INTERNATIONAL AFFAIRS PROGRAMS
(BUDGET FUNCTION 150)*

(Budget Authority—\$ millions)	FY 1993 Enacted	FY 1994 Budget Total	FY 1994 versus FY 1993
BUILDING DEMOCRACY	2,310	2,723	413
Former Soviet Union	393	704	311
Central and Eastern Europe	398	409	11
Information and Exchange	1,399	1,439	40
Other	120	171	51
PROMOTING AND MAINTAINING PEACE	6,327	6,236	(91)
Peacekeeping and Related Activities	567	735	168
Non-Proliferation and Arms Control	129	197	68
Middle East Peace	5,175	5,172	(3)
Defense Cooperation and Regional Security**	456	132	(324)
PROMOTING ECONOMIC GROWTH AND SUSTAINABLE DEVELOPMENT	5,170	5,269	99
Bilateral Development	1,980	1,696	(284)
Developing Human Capital			
Building Markets and Income Opportunities			
Expanding Science and Technology			
Building Institutions			
Multilateral Development	1,966	2,343	377
Trade Promotion	1,224	1,230	6
[Program Activity]***	[16,416]	[17,412]	[996]
ADDRESSING GLOBAL PROBLEMS	1,404	1,488	84
Counter-Narcotics and Counter-Terrorism	360	308	(52)
Environment	362	397	35
Population	562	663	101
AIDS	120	120	0
PROVIDING HUMANITARIAN ASSISTANCE	1,982	2,031	49
Refugees and Migration	670	690	20
Disaster Relief	149	149	0
Child Survival	239	252	13
Other	924	940	16
ADVANCING DIPLOMACY	3,835	3,720	(115)
State Department Salaries and Expenses	2,198	2,198	0
Foreign Buildings	561	421	(140)
United Nations and Other Affiliates (Assessed)	318	341	23
Other International Organizations (Voluntary)	78	86	8
Conferences and Miscellaneous	128	166	(6)
USAID Operating Expenses	552	552	0
OTHER	91	100	9
TOTAL	21,119	21,567	448

* Preliminary estimates. Final numbers are dependent on a review of country allocations

** FY 1994 figure is difference between \$407 million in assistance and savings of \$266 million from phasing out Special Defense Acquisition Fund

*** Program activity for trade promotion is the total of loans and guarantees for the Export-Import Bank, Overseas Private Investment Corporation, PL 480 Food for Peace, and Trade and Development Agency.

clarifies the link between budget decisions and policy objectives. While actual appropriations continue to be requested within the existing account structure, the FY 1994 budget represents a first step in working with Congress to undertake a more fundamental restructuring of international programs. The objectives listed are preliminary pending a more comprehensive review. While reflecting general Administration priorities, the functional categories are intended to reflect foreign policy objectives, not programs.

The six categories are mutually reinforcing and interdependent. For example, maintaining peace and addressing global problems are integrally linked to economic growth and sustainable development.

BUDGET HIGHLIGHTS BY MAJOR AREA

BUILDING DEMOCRACY

Building democracy is a fundamental long-term goal of U.S. foreign policy. By promoting and protecting human rights and basic freedoms, the United States not only honors the values on which it is founded, but also helps ensure the prosperity and security of its citizens. Democracies are more representative of their citizens and are less aggressive abroad. They make better partners in diplomacy, trade, arms control, and cooperation on global issues such as the environment, narcotics, and terrorism. Americans have a clear moral *and* material stake in the expansion of democratic values. And that stake is no more vital than in Russia and the other new independent states (NIS) of the former Soviet Union. The long-term security of the United States is integrally linked to the progress made in Russia and the other new independent states toward democracy and the establishment of a market economy. A successful transition also is important to world economic growth and the U.S. economic future.

New Independent States of The Former Soviet Union

Supporting reforms in the new independent states is vital to U.S. interests, because those reforms offer unique and historic opportunities:

- Enhancing U.S. security, through weapons reductions agreements and peaceful relations with new democratic states;
- Resolving global problems by engaging the new states as partners, rather than as adversaries in foreign policy;
- Increasing U.S. economic growth by investing more at home while spending less on defense; and
- Strengthening U.S. prosperity as the new states move to become attractive markets and prosperous trading partners.

The FY 1994 budget requests \$704 million for grant assistance for democratic and economic reform in the new independent states of the former Soviet Union. This is an increase of \$311 million over last year's level. The Administration intends to focus assistance on expediting delivery of emergency humanitarian relief and technical assistance in support of democratic and market economic reforms. Specifically, the President requests \$704 million to provide technical assistance to create and strengthen democratic institutions; to encourage private sector development; to strengthen key human services and to provide medical and food supplies; to promote sectoral reform in the areas of agriculture, energy, environment, and housing; and to support research and training.

Resources from other budget functions also will provide support for Russia. For example, the Department of Defense (DoD) will be requesting \$400 million for the dismantlement of weapons. The FY 1994 request builds on the President's commitment at the Vancouver Summit to deliver concrete, visible assistance in order to reinforce democratic reforms in Russia and the other new independent states at all levels of their economies and societies. The Administration is reviewing additional options for expanding these efforts and will work with Congress to identify additional support as part of a broad internationally coordinated effort.

Central and Eastern Europe

The successful transformation of the democracies in Central and Eastern Europe will provide the best proof to reformers elsewhere that democracy, along with economic prosperity, can be built on the ashes of failed communist systems. Prosperous, democratic countries in Central and Eastern Europe provide more than hope and example for the NIS: they also contribute to Western security by providing stability against the spread of further nationalist fighting or of retrenchment further east.

The FY 1994 budget requests \$409 million for assistance to Central and Eastern Europe. The program provides assistance to more than a dozen new democracies, from Estonia to Albania, with a population exceeding 135 million.

The program is designed to consolidate and strengthen the new democracies of Central and Eastern Europe with three mutually reinforcing objectives:

- Developing and strengthening democratic institutions, including national parliaments, local governments, independent media, and other key institutions;
- Developing a market economy and strong private sector through removing constraints to entrepreneurship, advancing privatization and enterprise restructuring, providing capital and assistance to new entrepreneurs, and supporting the development of the financial sector; and
- Improving the basic quality of life in key areas through assistance to build cost-efficient health care and housing systems, labor retraining and unemployment services, and regulations and policies to promote responsible environmental management.

A related objective which applies to all major priorities above is the use of U.S. assistance resources whenever possible as leverage to bring in U.S. private sector capital, goods, services, and expertise. The involvement of the Western private sector is key to the successful transformation of these countries, and the U.S. assistance program can help the U.S. private sector take advantage of commercial opportunities in the region.

Information and Exchange

The free international exchange of information and ideas is a critical, cost-effective, and integral part of the Administration's foreign policy strategy. Two agencies lead U.S. public diplomacy efforts—the United States Information Agency (USIA) and the Board for International Broadcasting (BIB).

USIA increases international understanding of American society and foreign policy through personal contacts, academic and leadership exchanges, distribution of books and periodicals, English-language teaching, operation of cultural centers abroad, and global satellite television and radio broadcasting. USIA has found ready audiences for its programs in democracy-building, rule

of law, freedom of the press, and free market institutions. Proposed funding for USIA is about \$1.2 billion in FY 1994. The budget includes increases for two key initiatives:

- \$30 million is requested for the creation of a new "Radio Free Asia" operation under the USIA umbrella in FY 1994 to provide surrogate broadcasting to China and other communist countries in Asia; and

- \$20 million is requested to increase the budget of the National Endowment for Democracy (NED) to \$50 million. NED will provide "venture capital" to help nascent democratic movements in non-democratic societies overcome social, cultural, political, and historical obstacles and will support independent, politically active organizations working to broaden democratic participation in newly democratic countries.

Through grants to Radio Free Europe/Radio Liberty, BIB provides surrogate broadcasts to the people of Central and Eastern Europe, the former Soviet Union, and Afghanistan. Surrogate broadcasting operates as a domestic radio service in the target countries, providing local news and analysis of regional developments where independent media are weak or do not exist at all.

In light of both the dramatic changes in the world and the need to increase government efficiency, the Administration plans to consolidate all U.S.-funded, non-military international broadcasting by the end of FY 1995. Consolidation will eliminate administrative overlap and save an estimated \$243 million between 1994 and 1997. Specific measures to effect consolidation are the subject of an Administration review.

Other Democracy Programs

USAID also will undertake democracy building programs in Asia, Latin America and the Caribbean, and Africa using Economic Support Funds and Development Assistance. More than \$100 million in Development Assistance will be devoted to democratization and governance projects, a \$15-million increase over FY 1993. These longer term investments are designed to improve the institutional underpinnings of democracy, from reform of judicial systems to decentralized government structures.

PROMOTING AND MAINTAINING PEACE

For 40 years, containing the Soviet threat defined U.S. national security. With the demise of the Soviet Union and the Warsaw Pact, America entered into a new, more complicated and unstable security environment. Now, more than ever, the United States must be engaged in promoting peace. The lesson of this century and its two great wars is clear: the cost of American neglect is high, not just for the world, but also for Americans.

The U.S. approach must take into account the complex post-Cold War security environment. Americans must work to adapt U.S. military forces to new challenges. The United States must give sustained attention to advancing peace processes in vital regions like the Middle East. But above all, the United States must work collectively with other nations to solve conflicts and crises, promote peace, and combat proliferation of dangerous weapons and technologies. The FY 1994 budget reflects these new realities.

The end of the Cold War has unleashed long-suppressed ethnic, religious, and regional conflict in the former Soviet bloc and elsewhere. But it also has opened up new possibilities for international cooperation. Our task is to harness that cooperation to contain and, far more importantly, to *prevent* conflict.

The FY 1994 budget shifts more than \$200 million of resources from traditional security programs to peacekeeping and non-proliferation.

Peacekeeping and Related Programs. The President's FY 1994 federal budget will request more than \$1 billion in State and Defense Department accounts to support international peace-keeping. Significant increases are requested to support assessed U.N. peacekeeping operations and other regional peace-keeping efforts that are funded on a voluntary basis. Some security assistance funding supports the goals of peacekeeping. The President's budget also funds peacekeeping in a new, separate, DoD account of \$300 million.

About \$700 million is requested in the International Affairs function of the budget for assessed and voluntary contributions for peacekeeping activities. This includes:

- \$45 million for the Contributions for International Peacekeeping Activities (CIPA) account to pay the U.S. share of U.N. assessed peacekeeping costs in FY 1994, including large U.N. operations in Somalia and the former Yugoslavia. About \$22 million will be used to pay arrears to the United Nations.
- \$175 million in "no-year contingency funds" requested in the FY 1994 CIPA account for unanticipated peacekeeping activities (assessed and voluntary) and related activities of the United Nations and other multinational organizations.
- \$77 million for the peacekeeping operations account to make voluntary contributions to multinational peacekeeping efforts, such as the Conference on Security and Cooperation in Europe (CSCE) in the former Soviet Union and the U.N./Organization of American States (OAS) observer mission in Haiti. This is \$50 million above FY 1993 enacted levels. Voluntary contributions can be a cost-effective alternative to paying 30.4% of U.N. peacekeeping costs, because the Administration can determine the extent of its financial involvement on a case-by-case basis.

In addition, security assistance programs will provide bilateral support to peace-related efforts in Africa, Southeast Asia, El Salvador, and Cyprus.

Non-Proliferation and Arms Control: One of the main security problems of the post-Cold War era is the risk of proliferation of deadly weapons—nuclear, chemical, biological, and enhanced conventional weapons—as well as their delivery systems. This Administration gives high priority to preventing proliferation. Our task is to fulfill President Clinton's promise to the American people in his campaign "to clamp down on countries and companies that sell proscribed technologies, punish violators, and work urgently with all countries for tough, enforceable, non-proliferation agreements."

To help achieve this, the FY 1994 federal budget request includes almost \$600 million to support non-proliferation programs; \$441 million of this amount will be requested by DoD, and \$3 million will be a part of the Department of Energy's budget request. Within the International Affairs function of the budget, the State Department and the Arms Control and Disarmament Agency (ACDA) will request \$197 million for these purposes, including the U.S. contribution to the International Atomic Energy Agency and a new Non-Proliferation and Disarmament Fund. ACDA requests an incremental \$16 million for expenses related to implementation of the Chemical Weapons Convention Preparatory Commission in The Hague, which commenced in February 1993. These costs include both the U.S. shared contribution and the administrative support costs for the U.S. delegation.

Together, these programs are designed to:

- Support weapons reductions agreements with Ukraine, Belarus, and Kazakhstan during the 7-year implementation period of the Strategic Arms Reduction Treaties (START), or sooner if possible, and to reduce and restructure the Russian strategic nuclear force into a smaller and less destabilizing force;
- Support and enhance U.S. bilateral and multilateral efforts to establish effective controls on destabilizing weapons systems and materials;
- Dismantle existing systems and create effective export controls on related technologies and materials; and
- Increase the effectiveness of existing non-proliferation and arms control agreements, particularly in the states of the former Soviet Union and in Central and Eastern Europe.

The funds will support four primary program areas:

Education and training programs to fund education of foreign government officials about non-proliferation issues and instruction in the creation and implementation of effective export control mechanisms in areas of high proliferation concern;

Destruction/conversion programs aimed at eliminating activities of "proliferation concern" as well as implementation of global conventions and treaties, such as the Chemical Weapons Convention and START;

Enforcement and Interdiction programs to help curb illicit trade in materials related to weapons of mass destruction; and

Safeguards and verification programs to assist international agencies in the application of Non-Proliferation Treaty safeguards and in the verification of international nonproliferation regimes.

Middle East Peace

The search for peace in the Middle East has challenged every U.S. Administration since 1945. This is one of the Clinton Administration's highest foreign policy priorities. The more than \$5 billion requested for Middle East peace supports the long-standing foreign policy goal of seeking a just, lasting, and comprehensive peace between Israel and its Arab neighbors, including the Palestinians. Secretary of State Christopher, in his confirmation hearings, reaffirmed this commitment and promised to "build upon the considerable accomplishments" of previous Administrations in the quest for Middle East peace.

To this end, this budget reflects the Administration's unshakable commitment to Israel's security and to preserving its qualitative edge over any likely combination of aggressors and to support Egypt's vital role in regional stability, security, and the promotion of peace. For the past several years, roughly \$3 billion in security assistance has been provided to Israel and \$2.1 billion to Egypt annually. Because of declining overall levels, these programs have grown from 10% of total U.S. security assistance in the late 1980s to almost 85% in FY 1993 and 87% in the FY 1994 budget. A new request for \$5 million to support the multilateral working groups of the peace process will help fund activities agreed upon in the groups and augment progress in the bilateral talks.

Middle East peace assistance will support economic growth and stability while helping these countries meet their legitimate defense needs. Over time, economic reforms being undertaken will strengthen their economies so that they can meet their own economic and security needs.

Defense Cooperation And Regional Security

About \$260 million is requested to support key countries which have close cooperative defense relations with the United States and provide access by U.S. forces to important military facilities which are essential to U.S. power projection capabilities. Significant economic assistance will be requested for Turkey, an important ally which plays a constructive role in several areas of strategic importance, such as the Middle East, the Balkans, the Caucuses, and Central Asia. Most of the Foreign Military Financing is for loan programs for Greece, Turkey, and Portugal which finance the purchase of defense equipment and services from U.S. sources, bolstering the security of the recipient countries.

The FY 1994 International Affairs function requests about \$50 million in Foreign Military Financing and Economic Support Funds to promote regional stability and to assist key friends and allies in meeting their critical defense and economic needs. In recognition of generally reduced levels of tension throughout the world and the need to invest greater resources in promoting sustainable economic growth, the amounts requested for military assistance represent a substantial reduction from the levels requested in prior years. A savings of \$266 million also is realized by a proposal to terminate the Special Defense Acquisition Fund beginning in FY 1994.

PROMOTING ECONOMIC GROWTH AND SUSTAINABLE DEVELOPMENT

Growing global economic interdependence has brought down forever the wall between foreign and domestic economic policy. U.S. policy goals and mechanisms are being redesigned to keep the U.S. secure and competitive in a global economy.

Prompt congressional passage of the President's economic renewal program is but the first, most critical step toward improving America's competitive position in the international economy. His program challenges American firms and workers to win in world markets, while it seeks to support these efforts by reducing barriers—those of trade, of poverty, and the waste of under development, and by engaging in cooperative activities with other nations to support international growth and stability.

This budget signals the President's commitment to a comprehensive approach to the global economy that promotes:

- Macro-economic policy coordination among industrial nations;
- Hemispheric trade and investment through implementation of the North American Free Trade Agreement and the Enterprise for the Americas Initiative (EAI);
- Successful conclusion of a new multilateral trade agreement under the General Agreement on Tariffs and Trade (GATT) accord;
- Vigorous promotion of U.S. trade opportunities, including funding efforts by existing programs to identify markets for and finance U.S. exports (e.g., Export-Import Bank [Eximbank], the Overseas Private Investment Corporation [OPIC], the Trade Development Agency [TDA], and the Commodity Credit Corporation—a program in the domestic budget);
- Targeted provision of funds to support economic development, and

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- Support for international institutions, both those which help strengthen the international financial system and also generate development and trade benefits (the International Monetary Fund and multilateral development banks) and those with a specific focus on economic development issues (e.g., the U.N. Development Program).

Bilateral Economic Development Programs

The FY 1994 budget requests about \$1.7 billion for human capital development, building markets and income opportunities, and expanding science and technology efforts in developing countries. This includes funding from a number of accounts, including development assistance, Economic Support Funds, PL-480 Title III food aid, OPIC, the Peace Corps, and debt restructuring under the EAI.

Human Capital Development. To contribute to a dynamic and growing world economy, countries must have a strong human capital base. Countries lacking this resource have fallen further behind in efforts to achieve strong economic growth and to increase the standard of living for their citizens. Without basic health and nutrition, competence in both literacy and numeracy, as well as a set of productive skills, it is nearly impossible for people to create and/or to take advantage of opportunities to better their own lives. Technical skills and professional competencies in management, research, and science also are of growing importance in today's dynamic global economy. Thus, U.S. programs will include efforts to enhance these human resources by "investing in people."

Building Markets and Income Opportunities. Some of the fastest growing markets for U.S. goods are the emerging economies of developing countries. Programs in the FY 1994 budget will encourage policies that provide incentives for investment (public and private) and production, while protecting the natural and social environment. Programs will help transfer the know-how and materials for technological improvements and increase the flow of and broad access to financial capital. The Administration recognizes the need to use resources more effectively to eliminate the bottlenecks to individual initiative and to allow "spontaneous" and "demand-driven" change to take place from the grassroots to the national level.

Expanding Science and Technology. If developing countries are to contribute to global prosperity in the 21st century, greater access to and better management of science and technology will be essential. U.S. programs aim to uncover ways to identify and adapt new and existing knowledge to increase economic productivity in specific sectors such as agriculture (where there have been many breakthrough successes), health care, environmental conservation and protection, manufacturing, telecommunications and other key utilities, and transportation throughout the world. The advancement of technology and science, along with the development of human and other economic capital, is a critical element in creating the resources to improve people's standard of living.

Building Institutions. Funding also will support the development and strengthening of those key economic, political, and social institutions—both micro and macro—which are vital contributors to achieving sustainable economic development. Institutions that promote market-driven growth are particularly critical. Examples include credit unions, chambers of commerce, research institutes, and other non-governmental community organizations.

Multilateral Development Programs

In an era of tight government budget constraints and heavy demands on world capital markets, multilateral institutions are key to the continuing ability of the international financial

system to support and encourage economic reform and development in a fast-changing world. Each taxpayer dollar invested in the multilateral development banks (MDBs) generates more than \$20 in the same year. The U.S. economy also benefits from the long-term growth and stability that MDB lending and advice foster. More immediately, U.S. companies receive a larger share of MDB procurement contracts than any other donor country.

The need for international resources and cooperation and the U.S. stake in the success of these efforts also have increased as a result of the economic transformations being undertaken in the countries of Central and Eastern Europe and the former Soviet Union.

Multilateral Development Banks. The FY 1994 budget requests \$1.9 billion for contributions to the MDBs. About \$1.2 billion of the request is for the U.S. contribution to the recently negotiated 10th replenishment of the International Development Association. Resources will be targeted on poverty alleviation and the enhancement of good governance and sustainable development in the world's poorest countries.

U.N. Development Program (UNDP). The FY 1994 request also includes about \$121 million for the UNDP. It provides technical assistance with an emphasis on building recipient country capacities to manage their own development, policy planning, human resource development, and environmental protection. Public and private follow-up investment exceed UNDP contributions.

Trade Promotion

Trade promotion aims to create new markets for U.S. goods and services, thus generating new jobs. In addition, it enables the United States to forge market ties to facilitate developing new product lines and processes, thus speeding U.S. technological and commercial advancement. Many federal programs contribute to the enhancement of U.S. trade, but targeted efforts are being made in large part through the programs described below.

U.S. Export-Import Bank. Eximbank finances U.S. exports to developing countries and emerging markets through direct loans, loan guarantees, and insurance programs. Eximbank programs assist U.S. exporters by absorbing reasonable credit risks that are beyond the current reach of the private sector and by matching officially supported foreign credit competition. The Administration's FY 1994 request of \$152 million will support an increase of more than \$1 billion in export financing to support a significant expansion of U.S. exports, stimulating economic growth and job creation.

Through Eximbank and other federal agencies, developed countries have agreed to reduce subsidies for "tied aid" credits (export credits offered in combination with direct foreign aid grants). By reducing trade-distorting tied aid, this agreement helps U.S. exporters compete in expanding global markets.

Trade and Development Agency. TDA funds feasibility studies and other project planning services for major infrastructure and industrial projects in developing and middle-income countries. By positioning a U.S. firm at the initial planning stages of a project, TDA increases the likelihood that U.S. equipment and services will be used in the implementation of the project. Through this process, TDA leverages its funds for the benefit of both the recipient country and the U.S. private sector. The Administration's request of \$60 million will enable TDA to provide greater assistance to developing and middle-income countries, while at the same time increasing U.S. exports and jobs.

Overseas Private Investment Corporation. OPIC supports, finances, and insures sound business projects that positively affect U.S. employment, U.S. global competitiveness, and the host countries' economy and development. OPIC participation promotes privatization and market-oriented economic reforms in Central and Eastern Europe; it is expected to play a similar role as U.S. investors seek participation in the emerging market economies of the former Soviet Union.

For FY 1994, the Administration requests \$17.9 million for OPIC: \$8.1 million for credit-related administrative expenses and \$9.8 million of subsidy budget authority to support loans and guarantees. These funds will support \$20.7 million of direct loans and \$375 million of loan guarantees.

ADDRESSING GLOBAL PROBLEMS

The FY 1994 budget also reflects the administration's strong commitment to demonstrating U.S. leadership on pressing global concerns. Protecting the environment, reducing rapid population growth, suppressing narcotics trafficking, and combating terrorism are essential to the U.S. domestic and international future. Addressing these problems today will be of fundamental importance to the well-being of all Americans as the United States prepares for the 21st century.

Budget increases are proposed for population and environment programs.

Population Programs

The Administration proposes a \$100 million funding increase for population programs over FY 1993 enacted levels. Enhanced funding will help position the United States to broaden the scope of its efforts to address population growth and to exert strong leadership for the 1994 International Conference on Population and Development. This includes a State Department request for a \$50 million contribution to the U.N. Population Fund (UNFPA) and a \$50 million increase over the FY 1993 level of \$420 million for population programs funded from USAID's Development Assistance and Development Fund for Africa programs.

Global Environment

The Administration request includes enhanced funding to address global environmental concerns such as global warming, ozone depletion, ocean pollution, and biodiversity conservation. Key multilateral initiatives include a proposed \$31 million contribution for the Global Environmental Facility, which provides grants to developing countries for projects that benefit the global environment. Funding also is requested for international funding mechanisms designed to combat ozone depletion and strengthen environmental capabilities in developing nations. A \$25 million contribution is requested for the U.N. Environment Program.

Bilateral initiatives include a \$10 million request for the Department of State's environmental and scientific grants program and increased funding for USAID's environmental assistance efforts. USAID environmental funding will increase to \$304 million, from the FY 1993 level of \$279 million, to support ongoing international forestry, pollution, and soil and water conservation initiatives, as well as new efforts to preserve biodiversity and stem desertification abroad.

Combating AIDS, Narcotics, Terrorism, and Crime

International affairs resources also will be devoted to other priority global issues, such as fighting the spread of AIDS and combating international crime, terrorism, and narcotics production and trafficking.

Strengthening Institutions

In addition to the resources being devoted to these global problems, the Administration is Committed to making U.S. institutions more effective in dealing with global problems. The Administration has proposed creating an Under Secretary for Global Affairs in the Department of State to give greater voice to these priority issues.

PROVIDING HUMANITARIAN ASSISTANCE

America's conscience always has been a fundamental part of America's character. During FY 1993, U.S. Government foreign humanitarian assistance programs will provide relief to refugees and victims of poverty, natural disasters, and crises, such as war, famine, and drought in Africa, Asia, Europe, and Latin America and the Caribbean. Large amounts of humanitarian assistance will be directed to the Horn of Africa and Southeastern Europe in response to events in Somalia and the former Yugoslavia. Alleviating human suffering remains a high priority in the FY 1994 budget, and the Administration is committed to continuing the high funding levels that Congress has provided for these activities in FY 1993. At the same time, achievements in other programs designed to promote peace, economic growth, and the spread of democracy abroad (addressed above) should work to reduce the need for humanitarian assistance in the future.

Refugee Programs

The Administration's FY 1994 budget request includes nearly \$641 million for Migration and Refugee Assistance (MRA) and \$49 million to replenish the U.S. Emergency Refugee and Migration Assistance Fund. MRA includes \$353 million to support international efforts to provide protection, care and maintenance, local resettlement, and repatriation assistance to refugees and conflict victims abroad. It also includes \$221 million to support the admission of about 120,000 refugees for resettlement in this country; \$55 million is requested to support the resettlement of refugees in Israel.

Disaster Assistance

The Administration requests \$149 million for USAID's Disaster Assistance Program. This level continues the FY 1993 combined funding level for the worldwide program and the separate appropriation for disaster assistance to Sub-Saharan Africa. The FY 1994 request consolidates disaster assistance into one account to allow for its use where the need is greatest worldwide.

Food Aid

Title II of the PL-480 Food Aid program administered by USAID supports emergency and humanitarian food aid programs sponsored by private voluntary organizations, the U.N.'s World Food Program, and foreign governments in emergency situations. The Title II request, by the U.S. Department of Agriculture, will total \$832 million, a \$22 million increase over the FY 1993 enacted level reflecting the continuing need for significant levels of emergency feeding in Africa and elsewhere.

Development Assistance

USAID's Development Assistance program funds humanitarian assistance in the form of child survival interventions (aimed at reducing child mortality through immunizations, oral rehydration treatment for diarrheal diseases, and improvements in child nutrition) through related health efforts to deal with the spread of tropical diseases such as malaria, to increase the capacity of

health care systems, and to improve women's health and nutrition. Funding for this program will be maintained at roughly last year's level.

ADVANCING DIPLOMACY

The effective use of diplomacy and international organizations are critical to success in achieving all U.S. goals. This budget is based on the need for timely prevention, rather than costly cure, in U.S. foreign policy. The tragedies of Somalia and the Balkans bear grim witness to the price of international delay—a human price paid daily by their inhabitants in pain, privation, and death. But Americans, too, pay a price if U.S. diplomacy is reactive, rather than active. By spending millions on peacekeeping today, we may save hundreds of millions in humanitarian relief tomorrow. By combating proliferation now, we can avoid rising defense expenditures later. And by aggressively moving to arrest environmental degradation, we can dispense with heavy clean-up costs during the years to come.

In short, assertive, protective American diplomacy, especially in the multilateral realm, constitutes an investment in America's future.

State Department

The State Department provides the diplomatic and operational support to advance U.S. foreign policy leadership. Its people and missions are crucial components of U.S. efforts to promote peace, prosperity, and democracy in a changing world. The Department understands that it must change with changing times abroad and at home. It is moving forward aggressively with a broad-based reform of its organization and operations. Streamlining, more efficient decision-making, and a division of labor that reflects post-Cold War realities and our new global agenda are key elements of this reform. Within the context of a constrained operating budget, the Department will reprogram resources when necessary to reflect new priorities and reallocate resources from lower priorities to accomplish these tasks. Above all, however, the Department's ability to operate effectively abroad must be preserved.

In this context, the FY 1994 request of \$2.2 billion for the Department's salaries and expenses account reflects increased attention on emerging diplomatic and economic opportunities in the post-Cold War period. The Department's operating budget is frozen at FY 1993 funding levels and is consistent with the President's directive to cut the federal work force by 4% over the next 3 years and reduce operating expenses by 14% by FY 1997. In addition, the FY 1994 request reflects the closing of a number of posts where it is no longer economically feasible or practical for the United States to maintain an on-site diplomatic presence. Finally, the FY 1994 request includes modest systems investments to promote less personnel intensive operations.

The FY 1994 budget requests \$420 million for the third year of projects and activities programmed for the Department's initial 5-year plan for the overseas facilities program ("Foreign Buildings"). The funds will be used for the acquisition, construction, maintenance, and repair of diplomatic facilities abroad in support of State Department and other agencies' overseas operations.

International Organizations

In the wake of the Cold War, the United Nations and other multilateral bodies are taking on the most intractable problems of the new era, such as ethnic conflicts, aggression, genocide, famine, epidemics, refugees, population growth, proliferating weapons of mass destruction, global warming, grinding poverty, and the survival of democracy in the face of tyranny. With strong U.S. support, the U.N. can take the lead in responding to these international crises.

The President's budget includes \$959 million for the U.S. share of assessed contributions to international and regional organizations. The request meets our treaty obligations for annual payments to the regular budget of the United Nations and such international bodies as the International Atomic Energy Agency, International Civil Aviation Organization, and GATT. Other treaty obligations include annual assessments for regional bodies like the Organization of American States, Asia-Pacific Economic Cooperation, and the North Atlantic Treaty Organization.

The request also recognizes the President's commitment to restoring the financial stability of the United Nations and other multilateral organizations, and includes a plan to pay off U.S. arrears over the next 2 years. The budget includes \$98 million for a FY 1994 arrearage payment and appropriation language seeking \$163 million in advance budget authority for completing arrears payments in FY 1995. Payment of arrears will be directed toward activities that are mutually agreed upon by the United States and respective multilateral institutions.

The budget also includes a \$65 million increase over FY 1993 enacted budget levels for voluntary contributions to international organizations that serve U.S. interests through their support of development, humanitarian, scientific, and environmental activities. Increases for specific programs have been discussed above.

U.S. Agency for International Development Operating Expenses

USAID operating expenses finance salaries and support costs of personnel responsible for administering Development Assistance, the Development Fund for Africa, the Economic Support Fund, Special Assistance Initiatives, and the new Humanitarian Assistance Program in the former Soviet Union. Because of the initiation of programs in Central and Eastern Europe and the former Soviet Union, USAID has experienced a dramatic increase in the number of countries with operational aid programs. The FY 1994 request for operating expenses is at the same level as the FY 1993 enacted level of \$512 million. The Administration is working to restructure USAID to enable it to achieve maximum development results using the resources available.

Presentation of Request by Appropriation Account

This presentation of the FY 1994 budget is intended to begin the process of redefining U.S. international affairs programs and institutions. The Administration views this as a dynamic and cooperative process with Congress and public and private groups.

With a few exceptions, the actual appropriation requests will be within last year's appropriation account structure.