
A Foreign Affairs Budget that Promotes U.S. Interests

By

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Mr. Chairman, members of the Committee: I am pleased to be back before the Senate Foreign Operations Subcommittee. The President and I benefit greatly from your expertise and your counsel, and I look forward to a productive discussion.

I am here to outline the fiscal 1995 International Affairs budget and to highlight the priorities and the other objectives it advances. I also will take this opportunity to discuss the Administration's views on the situation in Russia and on the recent tragic developments in the Middle East.

For more than 40 years, our foreign policy proceeded from the necessary premise that our overriding national security objective was the global containment of Soviet power. Now we have an opportunity and a responsibility to remake American diplomacy and to reinforce American security in a world unburdened by superpower confrontation.

Last month, as you know, the President submitted to the Congress the Peace, Prosperity, and Democracy Act, which defines the overall foreign policy objectives of the United States in this new world. Its passage is a top legislative priority for this Administration.

The President's FY 1995 budget is consistent with the objectives outlined in the act. This is the first true post-Cold War foreign affairs budget. It is not just about foreign aid; it supports our core responsibility of maintaining our national defense and promoting peace. At the same time, it broadens the concept of national security by placing greater emphasis on America's economic interests and by renewing America's leadership on global issues such as the environment and population growth.

Our International Affairs budget meets the great challenges of our era by supporting the six strategic priorities I have outlined as central to this Administration's foreign policy. Let me describe briefly the significant progress we have made over the last several months in advancing each of these priorities.

Our first strategic priority is strengthening America's economic security. Last fall, I pointed out that with NAFTA, APEC, and the GATT Uruguay Round, there was an extraordinary convergence of opportunity for the United States. I am pleased we pulled off that triple play for America's economic future.

The Administration has attached a high strategic priority to support for political and economic reform in Russia and the other New Independent States. We do so not out of a sense of charity but because that support is in the overriding interest of the United States. Despite recent setbacks, helping economic and political reform move forward in Russia remains a wise investment in America's security.

This Administration has strengthened America's enduring political, economic, and military links to Europe. We have reinforced the transatlantic partnership, not only by successfully completing the Uruguay Round but by renewing the NATO alliance. We have expanded NATO's cooperation with the East through President Clinton's Partnership for Peace initiative. NATO has shown renewed firmness and solidarity in forcing Serbian guns from the hills of Sarajevo. And we are hoping to build on NATO's resolve by vigorously and directly pursuing a negotiated solution to this tragic conflict.

We have also deepened our engagement with Asia and are working to bring a better balance to our bilateral relationships with Japan and China. Next week, I will make my fourth trip to Asia as Secretary of State. On this trip, I will emphasize that our economic relations with Japan must be on as sound a basis as our political and security ties. I also will stress that China must make significant overall progress on human rights if the Administration is to recommend renewal of most-favored-nation status to the Congress.

Achieving a just and comprehensive Arab-Israeli peace through direct negotiations has been a key priority in the Middle East for me and this Administration since our first day in office. As the President has said, we must not let the horrible violence last week "drag Arabs and Israelis back into the darkness of unending conflict and bloodshed." We are committed to seeing the enemies of peace fail. And as you know, the President has invited the parties to come to Washington to meet continually to achieve agreement on implementing the September 13 Israeli-PLO accords. The President and I will play as active a role as necessary to ensure that the peace process moves forward.

Finally, a hallmark of this Administration is to put non-proliferation and other global issues into the mainstream of the American foreign policy agenda. These challenges include supporting democracy and defending human rights, promoting sustainable development, stemming the upsurge in refugees and migration, and combatting terrorism and illegal narcotics.

The International Affairs budget supports our strategic priorities and our other foreign policy objectives. Let me now describe the budget categories that support our priorities and objectives, highlighting how each serves the interests of the American people and constitutes a wise investment for our nation.

PROMOTING U.S. PROSPERITY

President Clinton is pursuing the most ambitious international economic policy agenda of any President in almost half a century. When Congress approved NAFTA, we created opportunities for high-paying export jobs at home, and we built a bridge of greater economic and political cooperation to Latin America, beginning with Mexico. When the President hosted a successful meeting of the APEC forum in Seattle, we reached out to a dynamic region that attracts an increasing volume of U.S. exports and supports high-wage American jobs. With the Uruguay Round, we concluded the most far-reaching trade agreement in history, an agreement to cut tariffs, lower barriers, spur growth, create American jobs, and add \$5 trillion to the world's output over the next decade.

Ensuring our nation's economic security is the central objective of this Administration. America's prosperity is directly tied to the growth and integration of the global economy. Exports are the fastest-growing source of high paying jobs in our economy. We are working aggressively to open markets to American goods and services, and to help U.S. companies penetrate those markets.

To cite one powerful example, the \$6 billion airframe contract Saudi Arabia awarded last month to Boeing and McDonnell Douglas will support thousands of American jobs. Of course, the main reason for the sale was the superiority of the American product. But the State Department, our embassy in Riyadh, and I myself worked hard from the outset of this Administration, in conjunction with Secretary Brown and Secretary Pena, to help make this order possible. I have instructed our embassies around the world to attach the highest priority to advancing the interests of American workers, exporters, and investors. I believe that these efforts make a difference for American businesses every day.

The Administration is requesting more than \$1 billion for trade and investment programs administered by the Export-Import Bank, the Agriculture Department, the Trade and Development Agency, and the Overseas Private Investment Corporation. These programs are complemented by the export promotion efforts of the Department of Commerce, the State Department, and our embassies. The sums we are seeking will generate far more program activity than indicated by the budget numbers alone. For example, Eximbank's \$796 million will result in \$17.5 billion in loans, guarantees and insurance. OPIC's \$20 million will generate \$376 million in loans and guarantees. The multiplier effect of these investments can be measured in the thousands of American jobs they create or sustain.

BUILDING DEMOCRACY

Promoting democracy reflects our ideals and reinforces our interests. As President Clinton noted in his State of the Union address, ". . . the best strategy to ensure our security and to build a durable peace is to support the advance of democracy elsewhere."

Support for democratic and economic reform in Russia and the other New Independent States is a strategic priority for our foreign policy and the focus of a substantial part of our International Affairs budget. I want to place special attention on Russia in my testimony today in light of recent events, including the espionage revelations of last week.

We have made clear to the Russian Government that the Ames case is a very serious matter. We have had no illusions about this aspect of Russian behavior. As our arrest of the Ames couple makes clear, we will remain vigilant in protecting our national security interests. We will make sure that America's intelligence and counter-intelligence capabilities remain the best in the world.

This winter has brought renewed fears about Russia's future. While parliamentary elections were a step forward in building democracy, they gave a boost to opponents of reform. Powerful forces are arrayed against reform, not only in the intelligence services but in economic and foreign policy. Many would undermine the progress that Russia has made. They would countenance the hyper-inflation that corrodes living standards and hampers investment and trade. And they would violate the independence of Russia's neighbors.

Let me emphasize, Mr. Chairman, that our policy is guided by a firm sense of our interests and a clear-eyed understanding of the facts on the ground. We have always recognized the difficulties facing reform in Russia. We know that Russia cannot overcome the Soviet legacy overnight. We expected setbacks; we expect more in the future. We must be realistic in our expectations, steady in our support for reform, and unequivocal in our opposition to the enemies of reform.

It is inevitable that as we continue to develop our relations with Russia we will have differences. To name one example, President Yeltsin insisted last week, as he has several times since last summer, that any expansion of NATO must include Russia. However, as President Clinton has made clear all along, NATO, and NATO alone, will make decisions on its future—including expanded membership, and who gets in when. NATO was not ready for expansion at this time. Virtually no one supported the admission of any country now. When we have differences with Russia, on this subject and on others, we will address them directly and manage them in a way that serves U.S. national interests.

Mr. Chairman, despite the current difficulties in Russia, we should not forget that the transformation in Russia is allowing us to achieve goals that eluded us for decades: a reduced danger of nuclear war; lower levels of defense spending and the ending of regional conflicts, most notably but not exclusively in the Middle East.

We must also keep firmly in sight the gains that we have already made. We and the international community are safer as a result of our cooperation with Russia and the New Independent States. We have reached an agreement with Russia to retarget nuclear missiles that were aimed at the United States for four full decades. With our assistance, thousands of those weapons in the former Soviet Union will be safely dismantled. We have signed an accord with Ukraine and Russia that opens the way for the elimination of nuclear weapons from Ukraine's territory. We are pursuing the full withdrawal of Russian troops from the Baltic states by the end of this year. And in recent days, cooperation from Russia helped secure the withdrawal of Serbian guns from the hills of Sarajevo, and now it may lead to the opening of the Tuzla airport.

Russia also has made significant strides. For the first time in its history, it has an elected president, an elected parliament and a legitimate constitution. A market economy is beginning to emerge. More than 40% of the Russian workforce is now employed in the private sector. Some two-thirds of small shops have been privatized.

Nevertheless, some say that because of recent setbacks, we should suspend or curtail our assistance to Russia. I agree we must constantly assess these events and their implications for our policies. But I firmly believe we must not relegate ourselves to the sidelines. Instead, we must remain on the front lines. It is not in our interest to be mere spectators toward the historic events unfolding in the former Soviet Union.

American assistance is designed to reinforce reform. As President Clinton has said, assistance to Russia is not an act of faith or charity. It is an investment in our security and prosperity.

We have requested \$900 million to support reform in the former Soviet states. Let us be clear about what our assistance does and where it goes. Roughly half this amount would promote privatization, market reform and democracy in Russia, and the rest would go to similar goals in Ukraine, Kazakhstan, and the other New Independent States. Most of these funds would be spent at the regional or local level. Less than one-quarter would be managed through central governments, and most of that goes for privatization.

Our dollars provide capital to Russian entrepreneurs and loan guarantees to American exporters and investors. Our dollars extend technical expertise to democratic reformers, from local councils to government ministries. Our dollars are targeted to areas of reform where success is most likely and where delivery faces the fewest obstacles. In short, we are supporting those who are building a market economy in Russia and those who have a stake in sustaining stable democratic institutions.

If we disengage now, we would not be hurting the enemies of reform; we would be hurting its friends. We would not be helping American interests; we would be helping the forces opposed to our interests. That would be the wrong course for Russia. Most important, that would be the wrong course for America.

For the last four decades, the United States acted with steadiness of purpose to counter Soviet communism. We need that same combination of patience and determination today to support Russian reform, and we need it for the same reason: it is in our overriding national interest.

This budget also includes \$380 million for the new democracies in Central and Eastern Europe. In addition to efforts to widen market access, we are promoting Western investment and helping these countries strengthen democratic institutions and absorb the heavy costs of reform. Let me also report that each of these countries has indicated an interest in participating in the Partnership for Peace with NATO. This is an important step toward enhancing the security of Europe and laying the ground for the eventual expansion of NATO.

The nations of Central Europe are emerging as stable democracies in the heart of Europe. In the "northern tier" countries—Poland, Hungary, the Czech Republic and Slovakia—economic reform already has produced significant results. Last year, in fact, Poland had the highest rate of economic growth in Europe. We have begun to focus our efforts on the "southern tier"—Romania, Bulgaria and Albania—where the need for assistance is greatest.

The fiscal 1995 budget request contains \$143 million for a new account to assist countries making the transition to democracy. The majority of this assistance will go to Africa, Latin America and Asia. Some \$10 million of these funds, and \$17 million in sustainable development funds, would go to Cambodia. The elections last year in Cambodia, which followed a successful peacekeeping effort, opened the door to democracy and stability. The 370,000 refugees once camped along the Thai-Cambodian border have now returned. This modest investment in democracy is designed to consolidate the substantial gains the Cambodian people have made and to ensure that they will be able to rebuild their nation. It will ultimately reduce the need for humanitarian and refugee assistance. When I am in Tokyo next week, Mr. Chairman, I will be attending a conference on reconstruction in Cambodia.

In the Western Hemisphere, building democracy advances the full range of our global interests. Stronger democracies can better combat narcotics production and trafficking. Our \$78 million request for the Hemisphere focuses on Central America, where we are working to reintegrate former combatants into society and to build military respect for civilian rule.

Many African countries are also making the transition to democracy. We are requesting \$20 million for electoral assistance and \$4 million for the training of military officers and their civilian counterparts. These programs help encourage and solidify the region's movement to democracy and improve the prospects for sustainable development.

One African country of key concern is South Africa. We must help ensure that all that nation's citizens can participate in a peaceful, democratic election in April. We are developing an assistance package to help South Africans overcome the legacy of apartheid and secure the benefits of citizenship in a democratic, non-racial state. The success of South Africa's democratic transition will have dramatic implications for the stability and development of the region.

In all these areas we will be combatting a scourge with which you are very familiar, Mr. Chairman: the debilitating effects of anti-personnel mines. We have doubled our request for demining efforts to \$5 million. Ridding countries such as Nicaragua and Cambodia of land mines prevents the tragedy of further civilian casualties in places long ravaged by war. Removal also helps clear the way for the repatriation of refugees and for economic development. We will continue to encourage others to join us in a moratorium on exports of anti-personnel mines. I am grateful for your leadership on this issue, Mr. Chairman, and I will continue to work closely with you.

A key component of our democracy programs is funding for the National Endowment for Democracy, which strengthens institutions that foster pluralism, democratic governance, civic education, human rights, and respect for the rule of law. We are also requesting \$1.43 billion for the United States Information Agency. To amplify our support for democracy, we must harness contemporary communications technology. USIA is restructuring its capabilities to play this role.

PROMOTING SUSTAINABLE DEVELOPMENT

We have paid too little attention to the interlocking threats of unsupportable population growth, endemic poverty and environmental degradation. If we fail to do so, the result will be widespread suffering abroad and the loss of export opportunities for American companies, workers and farmers.

We are requesting almost \$5 billion for sustainable development activities. These funds include about \$1.5 billion in bilateral programs to stimulate broadbased economic growth. We are supporting child survival, poverty lending, and micro-enterprise programs to help the poorest of the poor acquire sufficient food, shelter, and capital to become productive and healthy members of society and to provide for their children. Micro-enterprise programs and poverty-lending institutions involve participants in making loans and helping them start businesses. They create community-based institutions that not only are the basis for economic growth but are building-blocks of democracy. Since many beneficiaries are poor women, these programs also empower an often neglected segment of society in developing nations.

These programs are effective. Infant mortality rates for U.S.-assisted countries in Africa have dropped dramatically in the last decade. In the same countries, vaccine coverage rose from 20% of the population to 60% from 1982 to 1991.

Our request for 1995 for Population and the Environment is up 20% from 1994 levels, reflecting the high priority we attach to these issues. By increasing funding for population and environmental programs, we promote sustainable development and invest in America's future.

Population is especially critical because it affects every other aspect of development. We are requesting \$585 million for bilateral programs and those of the United Nations Fund for Population Activities (UNFPA). Our programs have helped nations such as Indonesia and Thailand reduce their rates of population growth, bringing them in line with available resources and enabling those nations to better promote economic growth and protect the environment. At the Cairo population conference this fall, we will have an unprecedented opportunity to use the money we are providing to leverage assistance from others and to make substantial progress.

Protecting and repairing the global environment is another important goal that furthers the interests of each and every American. Pollution knows no national boundaries. Greenhouse gases emitted in Brazil are as dangerous to the future health of Americans as gases emitted in the United States. Yet the costs of further cutting emissions here can be as much as four times higher than making comparable reductions in Brazil. Our budget contains \$350 million to help address these issues through bilateral and UN programs.

Roughly 70% of our aid returns to the United States in the form of contracts for U.S. suppliers of goods and services. In addition, our bilateral economic assistance programs build markets overseas for U.S. companies. By the year 2000, four out of five consumers in the world will live in a developing country.

Economic growth in the developing world leads to increased demand for American products and services. In the case of South Korea, for example, American firms earn export sales each year that are triple the amount of assistance we provided to South Korea over a decade. South Korea now has its own program to aid other nations.

Fortunately, the United States is not alone in addressing these issues. The multilateral development banks and the International Monetary Fund are essential to advancing market reforms, attacking poverty, reducing population growth, and protecting the environment. These institutions made more than \$45 billion in loans in 1993. They are the largest contributors to global sustainable development. Our contributions to these organizations multiply the effectiveness of our efforts.

Finally, this section of the budget funds the Peace Corps, a program that projects American idealism and expertise and that generates immeasurable goodwill. The \$226 million requested for the Peace Corps in fiscal 1995 is comparable to the amount provided in previous years and will help ensure its continued contribution to achieving sustainable development.

PROMOTING PEACE

The largest share of the budget request, \$6.4 billion, is for promoting peace. More than 80% of this money is for maintaining and advancing peace in the Middle East, a strategic priority for our foreign policy.

The priority we attach to peace in the Middle East is reflected in our fiscal 1995 request of \$5.2 billion for the Middle East peace process, of which \$5.1 billion, the same as last year, is for Egypt and Israel. Our support for the peace process sustains more than two decades of bipartisan diplomatic engagement and financial investment in the region. It also builds upon the historic breakthrough for peace that we witnessed last year at the signing ceremony here in Washington.

Mr. Chairman, we must not let the horrendous incident in Hebron lead to the triumph of violence and extremism. The President condemned this terrible act and instructed me to assure the parties that the peace process would continue. Prime Minister Rabin and Chairman Arafat accepted the President's invitation to move the Israel-PLO talks to Washington as soon as possible. As the President said, "our purpose is to accelerate the negotiations on the Declaration of Principles and to try to bring them to a successful conclusion in the shortest possible time."

We understand that negotiations are affected by the environment. Palestinians must feel secure. The steps the Israeli Government announced to contain extremists created important precedents, and they should lead to increased security for Palestinians if they are implemented.

But the Palestinians need more. They also need to see that they can achieve a different future. They need to see that realities are changing on the ground. And that requires the implementation of the Israeli-PLO Declaration of Principles.

Our effort to fight international criminal activity is cost-effective. Surely the price of our anti-terrorist effort pales in comparison to a single terrorist act such as the World Trade Center bombing. And the cost of seizing drugs in Bolivia is one-tenth that of a similar seizure in the United States.

PROVIDING HUMANITARIAN ASSISTANCE

Humanitarian assistance programs will always be part of our foreign policy because they project the values of the American people. They also reinforce our interest in sustainable development.

Our fiscal 1995 budget provides \$1.6 billion for refugees, food assistance and disaster relief programs. Most of the world's humanitarian crises are man-made and therefore preventable. By promoting peace, fostering economic growth, and building democracy, we hope, over time, to reduce future needs for such assistance.

Our funding for refugee programs is only slightly less than last year's levels. This reflects a lower expected level of admission into the United States, primarily of Vietnamese refugees. We remain fully committed to our refugee assistance effort and to working with the private groups that help manage this important program.

We are requesting \$170 million for international disaster assistance. This includes \$20 million for a crisis and transition initiative to help countries that are recovering from civil conflicts and natural disasters, and that face problems not addressed by short-term disaster relief or long-term development aid. This program will begin in fiscal 1994 using disaster assistance and development assistance money.

Our humanitarian relief efforts include the delivery of disaster relief supplies, including P.L. 480-Title II feeding programs, medical assistance, emergency shelter, and the restoration of communications and basic social services.

ADVANCING DIPLOMACY

This budget request includes funds to support the operations of the Department of State, the Agency for International Development and our assessed contributions to international organizations. Effective diplomacy, through early reporting, crisis prevention and the effective use of membership in the UN and other international organizations, is critical to achieving America's broad national security goals.

We are investing in the skills of the people who manage and execute our foreign policy and international programs. We are training them in the diplomatic disciplines of the future, including commercial promotion, economic issues, and global environmental concerns.

The State Department and the other foreign affairs agencies are undertaking major reforms, working closely with Vice President Gore and the National Performance Review. The Department has instituted broad based reorganization and reform of its operations to keep pace with change here and abroad. In addition, the fiscal 1995 request strongly supports the President's plan for reducing administrative overhead and employment by assuming substantial savings in these areas.

Similarly, USAID, under the able leadership of Brian Atwood, has made admirable progress restructuring itself to meet the challenges of the post-Cold War world. USAID has put in place a new structure to simplify lines of responsibility. It has conducted an agency-wide examination of the functions of every employee to eliminate waste and ensure efficiency. The agency is reforming its procurement and contracting procedures, simplifying its paperwork requirements, and streamlining the way it designs projects. Most important, USAID is evaluating its projects by measuring their results, rather than the resources it puts into them. All these steps will make the agency more effective.

The fiscal 1995 budget is consistent with the President's deficit reduction plan. Funding for the 15 agencies in the Function 150 account represents barely 1% of the federal budget. It is an austere request, reduced in real terms from the already stringent 1994 budget. It will continue the cost-cutting efforts of the last several years, during which we closed more than 20 overseas State Department posts, and have begun closing 21 USAID missions.

Mr. Chairman, we have presented the proposed Peace, Prosperity, and Democracy Act and the fiscal 1995 International Affairs budget to realign our priorities, reorient our budget and restructure our institutions in ways that will promote our broader concept of national security. All the parts of this budget are linked by a single, unifying theme: investing in the security and prosperity of the United States.