
Foreign Affairs Funding Proposal for Fiscal Year 1992

By

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Secretary of State

[The following is a reprint of a formal statement presented by Secretary Baker in testimony before the House Foreign Affairs Committee on 6 February 1991, in Washington DC.]

Mr. Chairman, It is a privilege to appear before this Committee to testify on behalf of our Foreign Affairs funding proposal for FY 1992. With your permission, I would have my detailed written statement entered into the record. This year, even more so than most years, the funds requested should be seen as an investment in a better future—a world of secure nations, free peoples, and peaceful change.

I realize that as armies fight in the Persian Gulf such a world seems far distant. Yet I believe that it is vitally important to see the challenges we face also as opportunities to build a more secure and just world order. And so, today I would like to make a few comments concerning our ideas about post-crisis challenges and arrangements.

THE GULF WAR

The international coalition has been waging war against Iraq for three weeks now with very clear objectives: to expel Iraq from Kuwait; to restore the legitimate government of Kuwait; and to ensure the stability and security of this critical region. I want to make several observations about the course of the conflict so far.

First, the international coalition has held steady to its purpose and its course. An outstanding achievement of the current crisis has been the ability of the United Nations to act as its founders intended. Before January 15, a dozen Security Council resolutions guided the United States and other nations as together we waged a concerted diplomatic, political, and economic struggle against Iraqi aggression. We did so because we all share a conviction that this brutal and dangerous dictator must be stopped and stopped now. Since January 16, in actions authorized by Security Council Resolution 678, we have been able to wage war because we are equally convinced that all peaceful opportunities to end Saddam's aggression had been explored and exhausted.

Let me give you some idea of those exhaustive efforts, both by the United States and other nations. In the 166 days between the invasion of Kuwait on August 2, 1990 and the expiration of the UN deadline for Iraqi withdrawal on January 15, 1991, I personally held over 200 meetings with foreign dignitaries, conducted 10 diplomatic missions, and travelled over 100,000 miles. For over six and one half hours, I met with the Iraqi Foreign Minister -- six and one-half hours in which the Iraqi leadership rejected the very concept of withdrawal from Kuwait, even the mention of withdrawal. As you know, many others also tried—the Arab League, the European Community, the UN Secretary General, Kings, Presidents, and Prime Ministers.

None succeeded because Saddam Hussein rejected each and every one.

Second, the coalition is sharing responsibility for the economic burdens of conflict. Support for U.S. military outlays covers both 1990 commitments for Desert Shield and 1991 commitments

for the period of January through March for Desert Shield/Storm. In addition, funds have also been forthcoming to offset the economic costs confronting the front line states in the region.

To date, we have pledges of over \$50 billion to support our military efforts and over \$14 billion to assist the front line states and others with their economic needs.

Third, our unfolding military strategy fully reflects our political purposes. This is the place to restate, as the President has done so often, that we have no quarrel with the Iraqi people. Our goal is the liberation of Kuwait, not the destruction of Iraq or changes in its borders.

A thoroughly professional and effective military campaign is underway. Our young men and women and the forces of our coalition partners are writing new annals of bravery and skill. But the task is formidable, and no one should underestimate Saddam's military capabilities. Iraq is not a third rate military power. Billions have been diverted from peaceful uses to give this small country the fourth largest army in the World. Iraq has more main battle tanks than the United Kingdom and France combined. It has more combat aircraft than either Germany, France, or the United Kingdom. Ejecting Iraq from Kuwait will not be easy, but, as the President said, "So that peace can prevail, we will prevail."

We are also trying our best to wage a just war in a just way. Our targets are military, and we are doing all we can to minimize civilian casualties and avoid damage to religious and cultural sites. And as General Schwarzkopf has pointed out, the coalition forces are even putting themselves in danger to minimize the risk to innocent lives.

In shocking contrast, Saddam Hussein's conduct of the war has been not unlike his conduct before the war: a relentless assault on the values of civilization. He has launched missiles against Israeli cities and Saudi cities, missiles aimed not at targets of military value but fully intended to massacre civilians. He has abused and paraded prisoners of war and he says he is using them as "human shields"—actions totally in violation of the Geneva Convention. And he has even attacked nature itself, attempting to poison the waters of the Persian Gulf with the petroleum that is the patrimony of the region's economic future.

We have heard, and we take at face value, Saddam's threats to use chemical and biological weapons. We have warned him—and he would be well advised to heed our warning—that we will not tolerate the use of such weapons. Any use of chemical or biological weapons will have the most severe consequences. And we will continue to insist that Iraq fulfill its obligations under the Geneva Convention with respect to coalition POWs.

I think that our conduct of the war is in itself a great strength, the strength that comes from doing the right thing in the right way. And Saddam's continuing brutality redoubles our resolve and the entire coalition's conviction about the rightness of our course. Ending Saddam's aggression will also be a blow to state-sponsored terrorism.

This is also the place to note our deep appreciation and great admiration for the extraordinary restraint of the Government of Israel. Israeli cities have been attacked by Saddam Hussein because part of his strategy has been to consolidate his aggression by turning the Gulf crisis into an Arab-Israeli conflict. Despite its clear right to respond, the Israeli government has acted with restraint and responsibility. The United States has been and will continue to be in close contact at the highest levels with Israel. We have offered and Israel has accepted batteries of Patriot missiles—some with American crews—to defend against Scud attacks. We continue to devote special military efforts to destroying the Scuds and their launchers.

Everyone should know: when we speak about our unshakeable commitment to Israeli security, we mean it.

The fourth observation I would make is this: the great international coalition that is now winning the war must also be strong enough to secure the peace. Winston Churchill once observed that "We shall see how absolute is the need of a broad path of international action pursued by many states in common across the years, irrespective of the ebb and flow of national politics." If we are going to redeem the sacrifices now being made by the brave men and women who defend our freedom with their lives, then we must fashion a peace worthy of their struggle. And that can be done if we can hold together in peace the coalition tempered by war.

I believe that when Congress voted the President authority to use force in support of the United Nations Resolutions, it voted also for peace—a peace that might prevent such wars in the future. I believe that the American people support our role in the coalition not only to defeat an aggressor but to secure a measure of justice and security for the future.

POST-WAR CHALLENGES

Mr. Chairman, we and every nation involved in this conflict are thinking about the post-war situation and planning for the future. It would be irresponsible not to do so. At the same time, it would be both premature and unwise for us to lay out a detailed blueprint for the postwar Gulf or, for that matter, the region as a whole.

The war itself and the way it ends will greatly influence both the security of the Gulf and the rest of the area. The deepest passions have been stirred. The military actions now underway necessarily involve many casualties, great hardships, and growing fears for the future. Tough times lie ahead.

We should therefore approach the postwar problems with a due sense of modesty. Respect for the sovereignty of the peoples of the Gulf and Middle East must be uppermost. In any event, modern history has shown that no single nation can long impose its will or remake the Middle East in its own image. After all, that is partly why we are fighting Saddam Hussein.

Yet, among all the difficulties we face, one fact stands out: The peoples of the Gulf and indeed the entire Middle East desperately need peace. I truly believe that there must be a way, working in consultation with all of the affected nations, to set a course that brings greater security for all and enduring peace. We should therefore make every effort not just to heal the Persian Gulf after this war but also to try to heal the rest of the region which needs it so badly.

So I would like to discuss several challenges that I believe we must address in the post war period.

One challenge will be greater security for the Persian Gulf. After two wars in ten years, this vital region needs new and different security arrangements. In our view, there are three basic issues to be resolved: the purposes or principles of the security arrangements; the role of the local states, regional organizations, and the international community; and in the aftermath of the war, the military requirements until local stability is achieved, and thereafter.

I think we would find already a wide measure of agreement on the principles. They would include:

- Deterrence of aggression from any quarter.

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- Territorial integrity. There must be respect for existing sovereignty of all states and for the inviolability of borders.
 - Peaceful resolution of disputes. Border problems and other disputes that have long histories—and there are many beyond the Iraq-Kuwait example—should be resolved by peaceful means, as prescribed by the U.N. Charter.

These principles must be put into action first and foremost by the local states so that conflicts can be prevented and aggression deterred. We would expect the states of the Gulf and regional organizations such as the Gulf Cooperation Council to take the lead in building a reinforcing network of new and strengthened security ties. No regional state should be excluded from these arrangements. Post war Iraq could have an important contribution to play. And so could Iran as a major power in the Gulf.

There is a role, too, for outside nations and the international community, including the United Nations, to encourage such arrangements and to stand behind them.

As for the United States, we have deployed small naval forces in the Persian Gulf ever since the Truman Administration in 1949. We had and continue to have very strong bilateral ties with Saudi Arabia and other local states. And through the years, we have conducted joint exercises with and provided military equipment for our friends in the region. The President has said that we have no intention of maintaining a permanent ground presence on the Arabian Peninsula once Iraq is ejected from Kuwait and the threat recedes.

Before security is assured, however, important questions must be answered. We will be going through an important transitional phase in the immediate aftermath of the war as we try to establish stability. Let me list just a few of the questions that need to be answered.

- Should there be a permanent, locally stationed ground force made up of local troops under UN auspices or under regional auspices, such as the GCC [Gulf Cooperation Council]?
- How can the international community reinforce deterrence in the Gulf, whether by contributing forces or through other political arrangements, such as resolutions or security commitment?

No one has the answers yet to these and other questions. Some may never be answered. But however we eventually proceed, we will conduct extensive consultations among all of the concerned parties to such arrangements.

A second challenge will surely be regional arms proliferation and control. This includes both conventional weapons and weapons of mass destruction. The terrible fact is that even the conventional arsenals of several Middle Eastern states dwarf those of most European powers. Five Middle Eastern countries have more main battle tanks than the United Kingdom or France. The time has come to try to change the destructive pattern of military competition and proliferation in this region and to reduce arms flows into an area that is already over militarized. That suggests that we and others inside and outside the region must consult on how best to address several dimensions of the problem:

- How can we cooperate to constrain Iraq's post war ability to retain or rebuild its weapons of mass destruction and most destabilizing conventional weapons?
- How can we work with others to encourage steps toward broader regional restraint in the acquisition and use of both conventional armaments and weapons of mass destruction? What role

might the kinds of confidence building measures that have lessened conflict in Europe play in the Gulf and the Middle East?

- Finally, what global actions would reinforce steps toward arms control in the Gulf and Middle East? These could include rapid completion of pending international agreements like the Chemical Weapons Convention, as well as much tighter supply restraints on the flow of weapons and dual-use technology into the region. And what implications does that have for arms transfer and sales policies?

A third challenge will be economic reconstruction and recovery. An economic catastrophe has befallen the Gulf and the nations trading with it. Kuwait has been looted and wrecked. Hundreds of thousands of workers have lost jobs and fled. Trade flows and markets have been disrupted.

I am confident that the people of Kuwait will rebuild their country. As we have worked with the Kuwaitis in their moment of trial so we shall look forward to cooperating with them in their hour of recovery.

And no one should forget that for the second time in a decade, the people of Iraq will be recovering from a disastrous conflict. The time of reconstruction and recovery should not be the occasion for vengeful actions against a nation forced to war by a dictator's ambition. The secure and prosperous future everyone hopes to see in the Gulf must include Iraq.

Of necessity, most of the resources for reconstruction will be drawn from the Gulf. Yet, should we not be thinking also of more than reconstruction? It might be possible for a coalition of countries using both local and external resources to transform the outlook for the region—in expanding free trade and investment in assisting development, and in promoting growth-oriented economic policies which have taken root across the globe.

Any economic effort must have a special place for water development. Well over half the people living in the Middle East draw water from rivers that cross international boundaries or depend on desalination plants. We have all been incensed by Saddam Hussein's deliberate poisoning of the Gulf waters, which could affect a large portion of Saudi Arabia's desalinated drinking water.

Finally, we will want to consult with governments both from the Middle East and from other regions about specific arrangements that might best serve the purposes of region-wide economic cooperation. Such cooperation would surely be helpful in reinforcing our overall objective: reducing one by one the sources of conflict and removing one by one the barriers to security and prosperity throughout the area.

A fourth challenge is to resume the search for a just peace and real reconciliation for Israel, the Arab states, and the Palestinians. By reconciliation, I mean not simply peace as the absence of war, but a peace based on enduring respect, tolerance, and mutual trust. As you know, I personally had devoted considerable effort before the war to facilitating a dialogue between Israel and the Palestinians—an essential part of an overall peace process. Let's not fool ourselves. The course of this crisis has stirred emotions among Israelis and Palestinians that will not yield easily to conciliation. Yet in the aftermath of this war, as in earlier wars, there may be opportunities for peace—if the parties are willing. And if they really are willing, we are committed to working closely with them to fashion a more effective peace process.

The issues to be addressed are of course familiar and more challenging than ever.

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- How do you go about reconciling Israelis and Palestinians? What concrete actions can be taken by each side?
 - What will be the role of the Arab states in facilitating this process and their own negotiations for peace with Israel?
 - How will regional arms control arrangements affect this process?
 - What is the best diplomatic vehicle for getting the process underway?

Again, we will be consulting and working very closely with our friends and all parties who have a constructive role to play in settling this conflict.

A fifth and final challenge concerns the United States: we simply must do more to reduce our energy dependence. As the President has stressed, only a comprehensive strategy can achieve our goals. That strategy should involve energy conservation and efficiency, increased development, strengthened stockpiles and reserves, and greater use of alternative fuels. We must bring to this task the same determination we are now bringing to the war itself.

As you can see, Mr. Chairman, some of these elements are political, some are economic, and some of necessity are related to security. That suggests that we should view security not just in military terms but as part and parcel of the broader outlook for the region. We're not going to have lasting peace and well-being without sound economic growth. We're not going to have sound economic growth if nations are threatened or invaded—or if they are squandering precious resources on more and more arms. And surely finding a way for the peoples of the Middle East to work with each other will be crucial if we are to lift our eyes to a better future.

THE SOVIET UNION AT A CROSSROADS

Before closing, I would like to say a few words on another challenge we face: our relations with the Soviet Union.

The President has spoken often of a new world order in which freedom and democracy might flourish, secure from the fears of the Cold War. We have been hopeful about such an order partly because of the growing cooperation between the United States and the Soviet Union. In the fall of 1989, I described that cooperation as a search for points of mutual advantage. And this search has yielded good results.

Three examples will suffice. First, over the past year, a democratic Germany, fully a member of NATO, was united in peace. The Iron Curtain has vanished and with it the Cold War. Second, the countries of Central and Eastern Europe have emerged in their own right once more, free to pursue democracy and economic liberty. Third, the Soviet Union has joined the international coalition confronting Iraqi aggression. As Foreign Minister Alexander Bessmertnykh reiterated last week, the Soviet Union continues to completely support the full implementation of the UN Security Council resolutions.

While we both have worked at finding these and other points of mutual advantage, it has long been clear to both sides that the potential for long-term cooperation or even partnership between our countries would depend ultimately on the course of the Soviet Union's domestic reform. That is why when last fall I called for pathways of mutual advantage, not just discrete points, I also announced our desire to see a broader democratic dialogue with Soviet reformers. Not just economic reform but essential political reform could transform the Soviet Union into a very different society.

Over the course of several summits and numerous meetings, we have become much more familiar with the ups and downs of *perestroika*, the enormous and daunting difficulty of changing after seventy years a society's basic direction and many of its values.

In the last several months, however, we have seen a series of unsettling events. They include the tragic violence in the Baltics; an apparent turn toward economic re-centralization; a less free media; extension of army and KGB authority; and the resignation or departure from the government of key reform advocates.

These actions are completely inconsistent with the course of peaceful change, democratic principles, the rule of law, and real economic reforms. There is simply no justification for the use of force against peaceful and democratically elected governments. Our hearts go out to the courageous people of the Baltic states who have acted throughout with dignity and restraint.

The President and I have had extensive discussions with President Gorbachev and other Soviet officials about these developments. He and our European allies have pointed out the inevitable consequences if the Soviet government continues on this path. And we have stated our belief that the Soviet Union cannot hope to succeed in meeting its own objectives if it should abandon *perestroika*, democratization, and *glasnost*.

On the Baltics, I could do no better here than to quote the President's words from the State of the Union address: "... our objective is to help the Baltic peoples achieve their aspirations, not to punish the Soviet Union."

We have had representations from the Soviet leadership about their continuing commitment to reform, to peaceful dialogue with the Baltics, and to creating a society ruled by law, not force. We're going to watch this situation closely to see whether these representations become enduring realities.

I hope that the Soviet Union will relearn quickly the lesson from its own hard experience: the old ways are not the right ways. *Perestroika* cannot succeed at gunpoint. Clearly, we cannot rule out the possibility that matters may still turn more for the worse. But at the same time, we must be careful not to jump to premature conclusions.

The Soviet leadership is at a crossroads. We have made clear that their last several steps have taken them down a path of no benefit for them or for us or for anyone else. For the sake of history and for the sake of the world, I hope they resume the march that has given the entire world hope of a better future.

Mr. Chairman, I want to sum up my comments today with this observation. When I appeared before you a year ago to review our overall foreign policy, we were well on the way to a whole and free Europe, secured by expanding U.S.-Soviet cooperation in resolving the continent's outstanding political and military problems. The possibility, even the idea, of this terrible conflict in the Gulf was beyond anyone's imagination. Yet now we face the challenges of hot war in the Gulf and growing uncertainty about the course of Soviet reform.

There can be different views of how to handle these situations. I look forward to your counsel and good words on both issues. Yet on one point I believe we are in very basic agreement: the need for American leadership. If we do not do our part, then Churchill's broad path pursued by many states in common will not be possible. And as Churchill warned, the middle path adopted from desires for safety and a quiet life may be found to lead direct to the bullseye of disaster. More clearly than we could have ever imagined a year or even six months

ago, the world emerging from the end of the postwar era will be shaped by the United States and its international allies. Our constant purpose must be to make of that world a fitting place for free peoples to live.

OVERVIEW OF OUR FUNDING REQUEST

Let me turn to our foreign affairs funding request. For FY 1992, we seek \$21.9 billion in discretionary budget authority for International Affairs Budget Function 150, an increase of \$1.8 billion over levels appropriated for FY 1991. In addition, we are requesting a one-time appropriation of \$12.2 billion as the U.S. share of a global quota increase for the International Monetary Fund.

In accordance with the terms of the Budget Enforcement Act, our request provides for specific, stringent limits on our spending levels, in spite of unprecedented demands for U.S. leadership across the globe.

In order to achieve our worldwide objectives within these resource constraints, additional flexibility is needed. Last year, I appealed to this committee to make constructive consultation—earmarking—the primary vehicle for achieving consensus on program objectives. I am pleased to note that we made some progress toward that goal last session.

Earmarking in our Economic Support Fund (ESF) declined from 82 percent in FY 1990 to just over 68 percent in FY 1991. In our Foreign Military Financing (FMF) account, the decline was less dramatic but still significant, from 92 percent to 87 percent. This is a welcome trend, one that we want to encourage and promote.

But we still have a long way to go. To support our request this year, let me express the Administration's willingness to work in partnership with Congress to develop greater flexibility in our State operations and foreign assistance legislation. To guide this effort, let me suggest five broad objectives for our international cooperation programs, built around the five foreign policy challenges which I presented in my testimony before this Committee last year.

First, promoting and consolidating democratic values, including free and fair elections and respect for human rights. As the President noted in his State of the Union address, this fundamental American principle has stood as a beacon to peoples across the globe for more than two centuries.

Transitions toward democracy, however difficult, cannot be accomplished in isolation from the rest of the world. The essential ingredients of democracy—respect for human rights, the rule of law, free and fair elections, and political and economic opportunity—are also the basic building blocks of the new world order.

Second, promoting free market principles and strengthening U.S. competitiveness. Sustainable economic development cannot be separated from the pursuit of sound, growth-oriented policies; together, these can promote U.S. economic interests abroad. By fostering market forces through deregulation, privatization, and promotion of free trade and investment, reform-minded countries can establish an appropriate complement to building and securing democracy. They also can develop into thriving markets for U.S. exports and the jobs they represent. Indeed, U.S. exports to four aid graduates—Colombia, Chile, Taiwan, and Korea—total more than twice the value of our entire worldwide foreign assistance budget. Our long-run goal should be to graduate more countries from foreign assistance toward mutually beneficial trade and investment relationships with the United States.

Third, promoting peace by helping to defuse regional conflicts, strengthening the security of our regional partners, and pursuing arms control and nonproliferation efforts.

As the crisis in the Persian Gulf has demonstrated, there is no substitute for strong U.S. leadership. We continue to play a vital role in bolstering the security of regional allies around the world. Egypt and Turkey—two long-standing beneficiaries of U.S. security assistance—are bulwarks of the coalition against Saddam Hussein.

National and regional security are preconditions for democracy and free enterprise to flourish. Saddam Hussein's aggression is a dramatic reminder of the continuing need to protect the security of regional states of vital interest to the United States and our allies. The proliferation of missile systems and chemical and biological weapons further sharpens our interest in promoting regional stability.

Fourth, protecting against transnational threats, especially to the environment and from narcotics and terrorism.

As I noted in my first statement to Congress two years ago, "The future of our civilization demands that we act in concert to deal with a new class of problems, transnational in nature." This includes curbing proliferation, protecting the environment, and countering terrorism and narcotics.

We have made progress in all of these areas. We have led the international effort to tighten nonproliferation export controls on a global basis. We continue to work to advance our environmental agenda. We are actively pressing state sponsors of terrorism in an effort to thwart terrorism around the globe. And our international narcotics efforts to counter supply are complemented by reports of declining demand at home.

But progress is sometimes slow, unheralded, and hard won. Iraq's conduct following its invasion of Kuwait is a brutal reminder of the danger posed by the interaction of these transnational threats. Saddam Hussein's most recent actions illustrate how traditional concepts of threats to national security need to be extended. Indeed, Iraq has combined:

- A credible threat of the use of chemical and biological weapons.
- A contemptible use of missile technology as a weapon of terror against innocent civilian populations.
- Perhaps the world's first deliberate use of an environmental disaster as a wartime weapon, with unknown consequences for the entire region for years to come; and
- A worldwide call for terrorist actions, sometimes supported by embassies abroad in flagrant violation of the basic principles of diplomacy.

These challenges to international order can all be defeated by a committed world community, supported by firm U.S. leadership and appropriate resources as needed.

Finally, meeting urgent humanitarian needs will continue to reflect deep and abiding concerns of the American people. America's record for responding quickly and substantially to alleviate severe suffering caused by natural and man-made disasters is unequalled. We salute the role played by American private voluntary agencies and private American citizens in this regard. Meeting the most pressing humanitarian needs with food aid, disaster relief, and refugee assistance will always be an essential component of U.S. assistance policies.

We are prepared to work with Congress on legislation that builds on these basic objectives to provide more flexibility and simplicity to our economic cooperation efforts. Working with our global partners, we envision the use of five principal mechanisms to advance this agenda worldwide:

One, more flexible and integrated bilateral assistance authorities. We seek more flexible account structures and greater ability to transfer funds both within and among accounts to meet pressing, unexpected needs. We hope to move toward an assistance program unified around a single set of core objectives, along the lines of those outlined above. As a first step toward this goal, we have proposed a modest \$20 million Presidential contingency fund in our FY 1992 budget request.

The need for flexibility is especially urgent at a moment when developments in the world are moving so quickly and unpredictably, while our ability to respond with additional resources is severely constrained by budgetary realities. The Gulf crisis, the restoration of democratic rule in Nicaragua and Panama, and the dramatic developments in Eastern Europe, the Soviet Union, and South Africa over the past year illustrate that when unprecedented demands for American leadership are combined with limited resources, our need for flexibility becomes all the more urgent.

Two, we see scope for more creative use of multilateral mechanisms to advance our objectives, through both the international financial institutions and the United Nations system.

The Bretton Woods institutions have now admitted all the Eastern European countries, and are playing a central role in structuring sound, adequately financed programs to ease their transition to market economies based on private initiative. Should the Soviet Union move further along the path of structural economic and political reform, we would expect the IMF and the World Bank to play a role in facilitating its transformation as well. The European Bank for Reconstruction and Development will promote the development of infrastructure, environmental programs, and private sector development in the reforming countries of Central and Eastern Europe. Meanwhile, through our Enterprise for the Americas Initiative, the Inter-American Development Bank is expected to play a major role in promoting sound investment policy in our own hemisphere.

To support the efforts of these institutions, we are again proposing full funding for the multilateral development banks—including all arrears—plus a periodic quota increase for the IMF. This funding will allow these institutions to leverage other contributions in support of our objective of promoting sound, growth-oriented economic policies in the developing world.

As President Bush noted in his State of the Union address, the United Nations has played a historic role in the Gulf crisis, one that is close to fulfilling the vision of its founders. The Security Council's twelve resolutions, which laid the basis for ending the crisis, symbolized the unity of the international community against Iraq's aggression and established the principle of collective security as a cornerstone of the post-Cold War era. At the same time, the humanitarian organizations of the U.N. system have assisted the hundreds of thousands of refugees fleeing from Iraqi aggression. The United States has a vital interest in strengthening this new, revitalized United Nations as a full partner in the building of a post-Cold War world where peace, stability, and prosperity prevail.

Three, we foresee greater reliance on creative responsibility sharing as we strengthen our global partnerships with the European Community members and Japan in particular. As many in Congress have noted, our own difficult budgetary situation makes such efforts especially important for the advancement of a common agenda with partners who share our values and interests.

No effort so well illustrates the collective response of the world community to defend world peace as our successful efforts to enlist worldwide support for Operations Desert Shield and Desert Storm, and for the front-line states whose economies have been set back by the effects of Saddam Hussein's aggression.

In 1990, our coalition partners pledged \$9.7 billion to meet Desert Shield costs, representing 88 percent of the roughly \$11 billion in total incremental expenses we incurred. As soon as hostilities broke out, our allies again responded promptly and generously to shoulder their fair share of coalition military expenses under Operation Desert Storm. Over the past three weeks, we have received unprecedented pledges totaling in excess of \$40 billion from Saudi Arabia, Kuwait, the UAE, Japan, Germany, and Korea, to offset Desert Shield/Storm expenses expected to be incurred during the first three months of 1991.

The world community has also responded swiftly and generously to the needs of the front-line states, especially Egypt and Turkey, as they incurred substantial costs in standing up to Saddam Hussein's aggression. Through the U.S.-chaired Gulf Crisis Financial Coordination Group, over \$14 billion has been pledged by the Gulf states, Europe, Japan, and Korea to ensure that the economies of affected regional states are stabilized and that their commitment to stay the course is reinforced. The United States has played its part in this effort, supported by congress, by canceling Egypt's \$6.7 billion military debt, thereby relieving a heavy burden on a critical regional ally. Other countries have followed suit and canceled an additional \$8 billion in Egyptian debt.

Meanwhile, in Eastern Europe, the successful G-24 process chaired by the European Commission has mobilized more than \$18 billion in pledges for Poland and Hungary, to ease their transition to market economies. And in the Philippines, the Multilateral Assistance Initiative (MAI) has been responsible for nearly doubling the level of international assistance to this struggling democracy. We are also looking to our worldwide partners to assist us in clearing arrearages of Panama and Nicaragua to the international financial institutions and to assist in the financing of the enhanced debt strategy. Finally, we are encouraging Europe and Japan to join us in pledging \$100 million a year over five years to create a Multilateral Investment Fund for Latin America and the Caribbean. This Fund is a key part of the President's Enterprise for the Americas Initiative and will play a crucial role in enabling countries to move from aid to trade and private investment as the principal engines of economic growth.

In each case, both strong U.S. leadership and a community of interests are essential to catalyze a broad worldwide response.

Four, we envision more creative use of trade and investment policies as vehicles to promote U.S. interests in world economic growth, as well as to enhance our own economic strength.

Central to these efforts over the past four years has been our determination to pursue a successful conclusion to the Uruguay Round of trade negotiations. We continue to believe that the Uruguay Round has profound political as well as economic implications for the shape of the world in the next century. Successful conclusion of the round is essential for the economic growth and stability of the emerging Eastern European democracies, as well as the wide range of developing countries who will ultimately rely on expansion of world trade—not aid—as the primary vehicle to generate employment opportunities and sustainable economic growth.

In our own hemisphere, the President's Enterprise for the Americas Initiative represents a comprehensive effort to promote economic growth and stability in the region, combining free trade and investment—the primary vehicles for growth—with debt relief and environmental initiatives.

As an important step toward the eventual goal of hemispheric free trade, the Administration intends to seek a North America Free Trade Area with Mexico and Canada, which we are convinced promises important economic benefits for all three countries. Since the President's announcement last June of his desire to seek a free trade agreement with Mexico, we have engaged in extensive consultations with Congress and the private sector. Canada's participation in these talks will establish a free trade zone throughout the world's largest market, worth over \$6 trillion and including more than 350 million consumers. The resulting stimulus to exports and the creation of new business opportunities would act as a significant engine of growth and employment generation.

Meanwhile, the United States has worked actively with our Asian partners in the Asia Pacific Economic Cooperation (APEC), to advance market-oriented cooperation among member states.

Our Bilateral Investment Treaty program has been an important vehicle in ensuring an open and liberal investment climate for U.S. investors and exporters. Over the past year, we completed negotiations with Poland and Czechoslovakia and are actively negotiating with nine other countries which are in the process of undertaking economic restructuring programs.

Finally, we will be challenged to pursue more vigorous U.S. diplomacy, in the context of a State Operations budget that reflects an activist approach to the diplomatic challenges of a changing world stage. I would again reiterate our need for funding flexibility, especially as it relates to our ability to transfer funds among accounts within our very tight State Department Operations budget.

BILATERAL ASSISTANCE

Bilateral military and economic assistance will remain an essential tool in advancing U.S. interests through the 1990's, assuming the necessary flexibility can be provided to meet emerging needs. No other vehicle at our disposal is as well suited to provide timely support to our allies and friends around the world. Our interests in political pluralism, market-driven economic development, peace-making, and strengthening alliances—all can be advanced by prudent use of bilateral assistance resources.

For FY 1992, our request for discretionary budget authority for bilateral assistance programs totals \$13.1 billion. That marks a 6.5% increase over the \$12.3 billion appropriated by Congress for FY 1991. Highlights of this request by category are as follows:

- \$4.65 billion in Foreign Military Financing (FMF), supporting a program level of \$4.92 billion.
- \$3.24 billion in Economic Support Funding, up from \$3.14 billion.
- \$1.3 billion in development assistance, the same as the prior year.
- \$800 million for the Development Fund for Africa.
- \$400 million for Central and Eastern Europe, a slight increase over the FY 91 appropriation.
- \$160 million for the Multilateral Assistance Initiative for the Philippines.
- \$1.3 billion for bilateral PL-480 food aid, supporting the export of 5.9 million metric tons of U.S. commodities.

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- \$171 million for anti-narcotics assistance, plus additional security and development assistance resources to support these efforts.

MULTILATERAL ASSISTANCE

For the multilateral development banks, we are requesting \$1.7 billion in FY 1992 budget authority, up from \$1.6 billion in FY 1991. This includes \$1.1 billion in funding for the International Development Association, the soft-loan window of the World Bank, which provides concessionary financing to the world's poorest countries, as well as full funding for the European Bank for Reconstruction and Development and the other regional development banks.

Our FY 1992 budget request also contains \$12.2 billion in budget authority for the proposed increase in the U.S. quota in the International Monetary Fund (IMF), as provided for in the Budget Enforcement Act. This is to ensure that the Fund has the resources necessary to fulfill its responsibilities as the world's principal monetary institution. In the Third World, IMF arrangements support market-oriented adjustment and underpin debt reduction operations in support of the Brady Plan. The Fund has also spearheaded economic reform in Eastern Europe, and responded vigorously to assist countries seriously affected by the Persian Gulf crisis.

In addition, we are seeking \$250 million for voluntary contributions to international organizations including the U.N. Development Program (\$115 million) and UNICEF (\$55 million).

REFUGEES AND OTHER ASSISTANCE PROGRAMS

The United States continues to play a preeminent role in addressing the plight of the world's refugees—through our international assistance and domestic resettlement programs, as well as our diplomatic efforts in support of permanent solutions to refugee situations.

For FY 1992, we are requesting \$491 million for Migration and Refugee Assistance, up from \$486 million in FY 1991.

For our refugee assistance programs overseas, we seek \$233 million in FY 1992 funding, a \$20 million increase over the FY 1991 level. These programs will continue to focus on basic life-sustaining activities for the most vulnerable groups and support lasting solutions through opportunities for voluntary repatriation and local integration.

To finance refugee admission and resettlement, we seek \$192 million in FY 1992 funding. This will cover the expenses of an estimated 120,000 refugees—about the same number as last year. Most refugee admissions will be from the Soviet Union and Vietnam, but there will also be admissions from Eastern Europe, Africa, Latin America, and the Near East. Family reunification will continue to be a priority, as will the resettlement of persecuted religious minorities and former political prisoners.

In addition, we request \$20 million to replenish the President's Emergency Refugee and Migration Assistance Fund, to enable us to respond to unforeseen refugee and migration needs worldwide.

Another important component of our international development assistance request is our \$200 million request for Peace Corps operating expenses.

INVESTING IN DIPLOMACY

The Gulf crisis provides a vivid demonstration of the "front line" role played by the State Department in protecting American citizens and defending American interests abroad. This is an increasingly expensive responsibility, exacerbated by the demands on the Department to expand operations to meet new political and economic opportunities around the globe. Fluctuations in exchange rates, higher rates of overseas inflation, and the continuing need to enhance the security of our posts and personnel abroad further magnify the problem. Today we face a potential and worrisome weakening of our foreign affairs infrastructure at a time when we are being called upon to meet extraordinary and new challenges.

Since January 1989, we have placed a high priority on strengthening our ability to manage scarce resources:

- To better match national interests to available resources, we are taking steps to better integrate policy planning with the budget process.
- To strengthen foreign service personnel management, we have begun to implement key proposals made by the Bremer and Thomas commissions.
- To conserve personnel and financial resources, we have set up a new center in Rosslyn, Virginia, to process hundreds of thousands of refugee and asylum applications from the Soviet Union, which can serve as a model to meet future consular and immigration demands.
- To strengthen our physical plant abroad, we have put into place a professional property management system and begun implementation of a five-year integrated plan which addresses new construction, rehabilitation, repair, and maintenance.
- To enhance the cost-effectiveness of our security efforts, we have begun to implement reforms to link our wide-ranging efforts at over 250 posts abroad to country-specific threat profiles.

For State Department salaries and expenses, we are requesting \$2.05 billion in budget authority for FY 1992, an increase of \$179 million over the current year. This is the minimal level of resources we need to fund our overseas and domestic operations: over two-thirds of the increase compensates for price increases and exchange rate changes. The remainder will be used to support several specific funding requirements:

- Expanding our diplomatic presence in the Soviet Union and Eastern Europe (\$25 million).
- Responding to increased immigration processing requirements necessitated by passage of the Immigration Act of 1990 (\$24 million).
- Strengthening our information and financial systems by improving our infrastructure (\$13.5 million).

In the Foreign Buildings account, we have requested \$570 million in FY 1992 funding. Of this total, \$440 million represents the first installment of a five year, \$2.35 billion program to address the Department of State's most urgent facility replacement priorities, including embassies in Bangkok and Bogota. Our goal is to restore the safety, security, and workability of our aging but valuable inventory of overseas facilities.

We are also seeking \$130 million in funding for the Moscow Embassy project. It is imperative that we make a decision now on a new building so we can begin to operate as soon as possible in appropriate, secure space.

CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

The President has emphasized the urgency of restoring financial viability to the United Nations and other international organizations. After several years of effort on the part of Congress and the Administration, we are pleased to report significant movement toward budgetary and administrative reform within the U.N. and its affiliated agencies. No one who has witnessed the response of the United Nations Security Council to recent events in the Persian Gulf could deny the importance to U.S. interests of a financially healthy United Nations system.

We remain absolutely committed to full funding for U.S. assessed contributions, to the extent permitted by law, and to paying our prior year arrearages over the next four years. We appreciate the full funding we received for FY 1991, which included initial funding toward the necessary process of arrears clearance. For FY 1992, we are requesting \$750 million in budget authority to meet our current assessments to international organizations, plus an additional \$371 million for arrears clearance, to be paid out over the following four years. For international peacekeeping activities, we are requesting \$69 million to meet our full funding obligations, plus \$132 million for arrearages.

PUBLIC DIPLOMACY

Public diplomacy will be one of our most valuable tools as we seek to encourage the worldwide tide of democracy and political pluralism. For the valuable work of the U.S. Information Agency and the Board for International Broadcasting, we are requesting \$1.3 billion in FY 1992 funding, up slightly from the prior year. Within this level, a new emphasis will be placed on information and cultural programs in Eastern Europe, the Soviet Union, and the Islamic world.

CONCLUSION

Thank you, Mr. Chairman. We look forward to working with you and the Members of this Committee in the coming months to mobilize the resources needed to carry out our ambitious foreign affairs agenda.