THE DISAM JOURNAL OF INTERNATIONAL SECURITY ASSISTANCE MANAGEMENT

I hope all is well with you from wherever you may be reading this edition of the DISAM Journal of International Security Assistance Management. We have featured the United States Northern Command (USNORTHCOM), our newest Combatant Command, and the North American Aerospace Defense Command (NORAD) in this issue. USNORTHCOM has theater security cooperation responsibility with Canada and Mexico, with relatively very few permanently assigned forces. You can read about a number of issues addressed by contributing authors that give us a good overview of the Command's role, priorities, and initiatives.

Following the feature is the annual Offsets Report prepared by the Commerce Department for Congress. The report provides definitions and updated data, and the growing trend in this area of security assistance and security cooperation interest. As we approach the end of the Congressional Continuing Resolution environment for fiscal year 2007, we have included the discourse for fiscal year 2008 budget in this edition.

We have also included excerpts from the Department of State 2007 International Narcotics Control Strategy report. Regional Department of State policies are vibrant topics regardless of the area of the world you might be interested in. In this Journal we run the gamut including Somalia, Africa, Turkey, India, South and Central Asia, South Pacific, Europe and the Western Hemisphere. We have not left any region out!

Charley Tichenor from Defense Security Cooperation Agency's International Technology Directorate, provides us with his perspective as it relates to return on investment of information assurance. Lieutenant Colonel Womack provides some best practices in the international student vetting process that have helped in his situation working programs for Jordan. He provides some insight on human rights vetting which is a challenging process to the security assistance officer as the linchpin of the effort.

Again thank you for your support of DISAM Journal of International Security Assistance Management. Please provide us feedback on this Journal or an article for the next Journal. We are always looking for articles from the field dealing with subjects concerning security assistance. Take care, more to come next quarter!

RONALD H. REYNOLDS
Commandant

THE DISAM JOURNAL

of International Security Assistance Management

Volume 29 No. 3

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FEATURE ARTICLES

United States Northern Command

The U.S. Northern Command (USNORTHCOM) was established October 1, 2002 to provide command and control of Department of Defense (DoD) homeland defense efforts and to coordinate defense support of civil authorities. USNORTHCOM defends America's homeland by protecting our people, national power, and freedom of action. For additional information about the U.S. Northern Command visit our web site at: www.northcom.mil.

USNORTHCOM's specific mission:

> Conduct operations to deter, prevent, and defeat threats and aggression aimed at the United States, its territories and interests within the assigned area of responsibility (AOR) . . . as directed by the president or secretary of defense, provide defense support of civil authorities including consequence management operations.

USNORTHCOM's AOR includes air, land and sea approaches and encompasses the continental United States, Alaska, Canada, Mexico and the surrounding water out to approximately 500 nautical miles. It also includes the Gulf of Mexico and the Straits of Florida. The defense of Hawaii and our territories and possessions in the Pacific is the responsibility of U.S. Pacific Command. The defense of Puerto Rico and the U.S. Virgin Islands is the responsibility of U.S. Southern Command. The commander of USNORTHCOM is responsible for theater security cooperation with Canada and Mexico.

USNORTHCOM consolidates under a single combatant command existing missions that were previously executed by other DoD organizations. This provides unity of command, which is critical to mission accomplishment. USNORTHCOM plans, organizes and executes homeland defense and civil support missions, but has few permanently assigned forces. The command is assigned forces whenever necessary to execute missions, as ordered by the president and secretary of defense. Civil service employees and uniformed members representing all service branches work at USNORTHCOM's headquarters located at Peterson Air Force Base in Colorado Springs, Colorado.

The commander of USNORTHCOM also commands the North American Aerospace Defense Command (NORAD), a bi-national command responsible for aerospace warning and aerospace control for Canada, Alaska and the continental United States.

USNORTHCOM's civil support mission includes domestic disaster relief operations that occur during fires, hurricanes, floods and earthquakes. Support also includes counter-drug operations and managing the consequences of a terrorist event employing a weapon of mass destruction. The command provides assistance to a lead agency when tasked by DoD. Per the *Posse Comitatus Act*, military forces can provide civil support, but cannot become directly involved in law enforcement.

In providing civil support, USNORTHCOM generally operates through established joint task forces subordinate to the command. An emergency must exceed the capabilities of local, state and federal agencies before USNORTHCOM becomes involved. In most cases, support will be limited, localized and specific. When the scope of the disaster is reduced to the point that the lead agency can again assume full control and management without military assistance, USNORTHCOM will exit, leaving the on-scene experts to finish the job.

North American Aerospace Defense Command

The North American Aerospace Defense Command (NORAD) is a bi-national United States and Canadian organization charged with the missions of aerospace warning and aerospace control for North America. Aerospace warning includes the monitoring of man-made objects in space, and the detection, validation, and warning of attack against North America whether by aircraft, missiles, or space vehicles, through mutual support arrangements with other commands. Aerospace control includes ensuring air sovereignty and air defense of the airspace of Canada and the United States. The May 2006 NORAD Agreement renewal added a maritime warning mission, which entails a shared awareness and understanding of the activities conducted in U.S. and Canadian maritime approaches, maritime areas, and inland waterways.

To accomplish these critically important missions, NORAD continually adjusts its structure to meet the demands of a changing world. The commander is appointed by, and is responsible to, both the U.S. president and the Canadian prime minister. The commander maintains his headquarters at Peterson Air Force Base, Colorado. The NORAD and U.S. Northern Command (USNORTHCOM) Command Center serves as a central collection and coordination facility for a worldwide system of sensors designed to provide the commander and the leadership of Canada and the U.S. with an accurate picture of any aerospace threat. Three subordinate regional headquarters, located at Elmendorf Air Force Base, Alaska, Canadian Forces Base, Winnipeg, Manitoba, and Tyndall Air Force Base, Florida, receive direction from the commander and control air operations within their respective areas of responsibility.

To accomplish the aerospace warning mission, the commander of NORAD provides an integrated tactical warning and attack assessment to the governments of Canada and the United States. To accomplish the aerospace control mission, NORAD uses a network of satellites, ground-based radar, airborne radar and fighters to detect, intercept and, if necessary, engage any air-breathing threat to North America. As a part of its aerospace control mission, NORAD assists in the detection and monitoring of aircraft suspected of illegal drug trafficking. This information is passed to civilian law enforcement agencies to help combat the flow of illegal drugs into North America. The command is currently developing a concept for implementing the new maritime warning mission.

Through outstanding bi-national cooperation, NORAD has proven itself effective in its roles of watching, warning, and responding. NORAD continues to play an important role in the defense of Canada and the U.S. by evolving to meet the changing threat. The events of September 11, 2001 demonstrated NORAD's continued relevance to North American security. Today, NORAD provides civil authorities with a potent military response capability to counter domestic airspace threats.

While the national leadership of Canada and the U.S. continue to refine our response to the terrorist threat, NORAD's proven abilities and unique capabilities will remain a vital part of homeland defense.

The Power of Alignment for Multi-Command Cooperation

By
George P. "Rocky" Gaines
North American Aerospace Defense Command

Introduction

Throughout history, organizations, companies, tribes, and commands have had to cooperate with each other to reach their mutual objectives. For example:

- The Sioux and Cheyenne were obliged to merge to fight Custer
- Professional sports teams work with the front office
- Proctor and Gamble discovered it had to cooperate with Wal-Mart
- The power transmission unit of a utility has to get in step with the distribution side of the house
- Military commands, staffs and components have to focus on an agreed main thing to ensure mission success

This paper offers a proven approach to using the power of organizational alignment both to capitalize on the strengths and to address the corporate impediments of organizations that rely on each other in order to work together, that form an entity of their own. These considerations focus on opportunities for operational synergy and greater cooperation by:

- Performing a culture dig[1] to analyze the culture and the operational environment
- Using an alignment model to identify areas of internal and external alignment at every level
- Building a structure tree to clarify key areas for organizational focus and action

The model applies to practically all large organizations and will use North American Aerospace Defense Command (NORAD) and U.S. Northern Command (USNORTHCOM) as illustrative examples.

In the years since Canada and the United States first signed the NORAD Agreement on May 12, 1958, NORAD has evolved to deal with continuing changes in the character of strategic weapons and in the nature of the threat they have posed to North America. At the end of the Cold War, we witnessed dramatic changes in the geostrategic environment, which shifted the focus of North American aerospace defense. The traditional Cold War threat has altered, both in terms of the nations or groups that might choose to challenge North American security and the weapons that could be employed.

Strategic arms reduction treaties and other arms control initiatives continue to promise deep cuts in strategic ballistic missile nuclear forces. However, large residual nuclear arsenals capable of striking our continent will still exist after programmed reductions are made. Meanwhile, we continue to read about other nations which are attempting to acquire nuclear-capable ballistic missiles and other weapons of mass destruction (WMD).

1. Organizational Dynamics, Inc. 790 Boston Road, Suite 201, Billeraca, Massachusetts 01821.

The terrorist attacks of September 11, 2001, represented another dramatic change in the security of North American; thus the creation of USNORTHCOM. Since then, the overall threat to the North American continent has greatly increased, and the proliferation of WMD and their delivery systems to state and non-state actors has emerged as a major security challenge. This evolution has introduced the threat of asymmetric activities that have the additional potential to affect the decision-making processes associated with the defense of North America.

In the last ten years, space has become an increasingly important component of most traditional military activities, and requirements for enhanced missile warning are taking on added significance. Additionally, the proliferation of cruise missile technology, unmanned aerial vehicles, and non-military air activity associated with drug trafficking and other illegal activities is causing increasing concern. Domestically, the overall volume of air traffic flowing daily to, from, and within our airspace will continue to expand and will dictate an even higher degree of coordination between our national airspace surveillance and control systems and their military components.

The wide range of threats to our continent coming from the seas and major waterways, plus the issue of cyber security will also pose significant concerns. Finally, our vast and open borders will require both a closer level of cooperation than exists today between the joint and combined forces and improved coordination of military to military defense support to civil authorities.

For these reasons, it is crucial to the defense of North America that NORAD and USNORTHCOM strengthen their relationships at every level to ensure they fulfill their charge in the most efficient and cost effective manner possible. The collective leadership of this enterprise is the cornerstone for any efforts at improved cooperation.

Background

USNORTHCOM and NORAD are two unique and very different Commands whose physical proximity, dual-hatted staffs and complementary missions demand an extremely close working relationship. The two Commands have no choice but to work together. However, many times the atmosphere is strained, and the approach to work has a zero sum flavor, not unlike staffs the world over.

USNORTHCOM is new. The Command is still developing its raison d'être while dealing with the mammoth challenge of having the primary responsibility for defense of the homeland. Instead of concentrating on one domain, it must pay attention to multiple environments. As such, it is a very joint and interagency focused organization. Hours are long, the stress level relatively high, and work happens in a much more formal and structured atmosphere.

NORAD is a mature, joint, bi-national Command that has focused on aerospace warning and aerospace control since 1958. It has been a fighter pilot's Command, livened up by the presence of a Canadian and United States flavor not unlike the North Atlantic Treaty Organization Command. People work in a more relaxed atmosphere, and the way work gets done, while highly professional, is less formal and structured than the Joint Staff or Combatant Command way of doing business.

At times, each Command believes it has the organizational truth, but the truth is we live in an ambiguous world, change happens, and it is important to be comfortable with ambiguity. Working conditions and the strategic environment are constantly changing and becoming more complex. Old certainties are gone. If we cannot adapt to the new environment, we risk Rita Mae Brown's observation, "Insanity is doing the same thing again and again, but expecting different results."[2]

2. The Power of Alignment, Labovitz and Rosansky, 1997, Wiley & Sons, Inc., pp. 43-44.

Directing the way through this shifting environment, leaders must be able to shape their culture, align their organization, gain commitment of the people, and build integration of the many moving parts.

Shaping the Culture

Generally speaking, when the subject of organizational culture comes up in a military context, members dismiss it as soft, squishy vaporware, quickly dispatching it to that netherworld of undiscussibles. Like it or not, culture is what we are, what we do, and where we live. Culture determines how effective the leadership is, how the staff works, and ultimately, how well we fight. Since culture is so huge to the success of an organization, it is worthwhile investigating what works, what does not work, what we can not talk about, and what to do about it.

Many people in an organization can describe the Command's goals and strategies to achieve them. There is probably even a plan to attain the targets, but that is not enough. For the plan to succeed, leaders have to understand and manage both the formal and informal rules as well as the rational and irrational procedures that fill the organization. The culture, whether it is within an organization or a society, is very powerful. It transmits itself from one generation to the next. After a while, nobody even remembers who made up the rules or why. The culture is simply "the way it is here." Every organization has a culture, and that culture is largely determined by what gets measured; because measurement determines behavior, and behavior determines culture.

If you wanted to explain clearly to someone how things get done in your organization, what to watch for, what to do, and what to avoid, what would you say? An effective way to figure that out is through a culture dig, similar to what anthropologists do to understand the history of civilizations. In their studies, they have found four categories of information that provide helpful insight. Artifacts and symbols are objects or physical representations of the culture such as flags, patches, titles, organizational structures, use of time and space, technology, language and artistic creations. Stories and myths are verbal artifacts that emphasize and explain the critical values and beliefs of the culture. Some are mainly factual (stories), while others are more allegorical (myths and legends). Relationships represent the formal and informal connections between people in the culture. They include the permanent structures, temporary alliances, individual interactions, and seemingly random groupings you will find in every society.

Rules of behavior are the things that people typically do. Some rules are very formal or explicit policies, practices, and ceremonies that are written down or verbally sanctioned by the leadership of the culture. Other norms are more informal. They are "the way we really do things around here." Although this paper does not take the reader through the steps and tools of a culture dig, organizations at any level would benefit from taking the hour or so necessary to step through the traces. The findings would be fascinating.

Aligning the Commands

If culture determines how work gets done in an organization, alignment provides the means for doing it. This process will help people achieve a shared understanding of the following:

- What they are trying to accomplish
- Why what they are doing is worthwhile
- How best to accomplish their objective

Alignment is like flying an airplane on final approach to a runway. It involves a constant series of corrections in airspeed, attitude, altitude, and heading to keep it on course. If the leadership sits back and watches what is happening, the aircraft drifts off course; if they make too many quick corrections,

the flight path is erratic and the barf bags come out.

Like an instrument approach with course and glide path parameters, alignment depends on two elements, vertical and horizontal. Vertical alignment focuses on how people deploy the organization's strategy. Proof of the pudding, the major metric in vertical alignment is how well the people in the unit execute their jobs and understand how they contribute to the larger strategy.

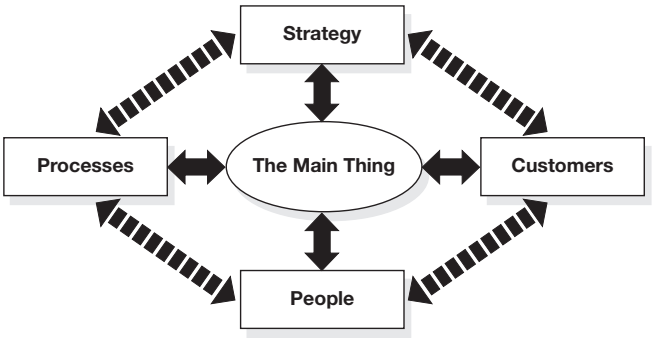

Figure 1. Vertical and Horizontal Alignment.[3]

Horizontal alignment links customer requirements with the business processes. In the Armed Forces, the concept of customer can be somewhat foreign, but the fact is, everyone is someone's customer and everyone is someone's supplier. Understanding who is who is vital, and ensuring the right processes are in place to meet customer needs is the cornerstone of defense.

As mentioned, either vertical alignment or horizontal alignment alone is very important, but the key to a high-performing organization is bringing both into alignment with each other. An outstanding strategy with committed people is not very effective if the processes are broken or the product or service is going to the wrong customer. Likewise, the best product or service will not be as effective if the people and the strategy don't support it. When all four elements are in synch, the organization becomes self-aligning. The agility and flexibility of this phenomenon allows quicker decision space, faster reaction and greatly increased readiness.

So, how do the Commands become self-aligning, and how do they align with each other? It happens by concentrating on the main thing. The saying, "The main thing is to keep the main thing the main thing," should be a mantra at all levels. The main thing for the organization must be a common and galvanizing concept that resonates with every unit and each individual. Additionally, each person and every team must be able to see a direct relationship between what he or she or it does and this super ordinate goal. Finally, the main thing must be clear, easy to understand, consistent with the strategy of the organization, and actionable by every group and individual. Every organization, unit, and team should have a main thing. World class outfits do. In the business world, the main thing for Fed Ex is express, and for Wal-Mart, it is the box. For NORAD and USNORTHCOM, it is defense.

One very effective way to determine how well the people understand the main thing is to play elevator roulette. The next time you as a leader get on the elevator, ask the person next to you the following:

- What is this organization's strategy?
- What do you do?
- How does what you do support the strategy?
- How do you measure that?

3 Ibid.

The power of the elevator test will determine how well the word is getting out or it will drive more people to use the stairs. There is a process for determining the main thing, then deploying it through the Command. The first step in defining the main thing is to:

- Form a cross-functional team of people who represent the various facets of the area under consideration
- Conduct an open discussion of what's important to that team's work
- Narrow down the choices from the discussion
- Select the choice that generates the most support and is in line with the organizational strategy

Next comes the hard work, putting the strategy to work. The leadership and a few representatives of the loyal opposition should go away for a day or two and build the organization's structure tree. See Figure 2. A structure tree begins with the main thing. The next column should be a list of four to six Critical Success Factors (CSF) that directly support the main thing. From there cascade stretch goals and activities. Analyzing the structure tree, it is fairly easy to identify core processes and process owners. See Figure 3. Additionally, the macro structure tree, developed at the directorate level, can be broken down into other trees for lower levels and greater detail.

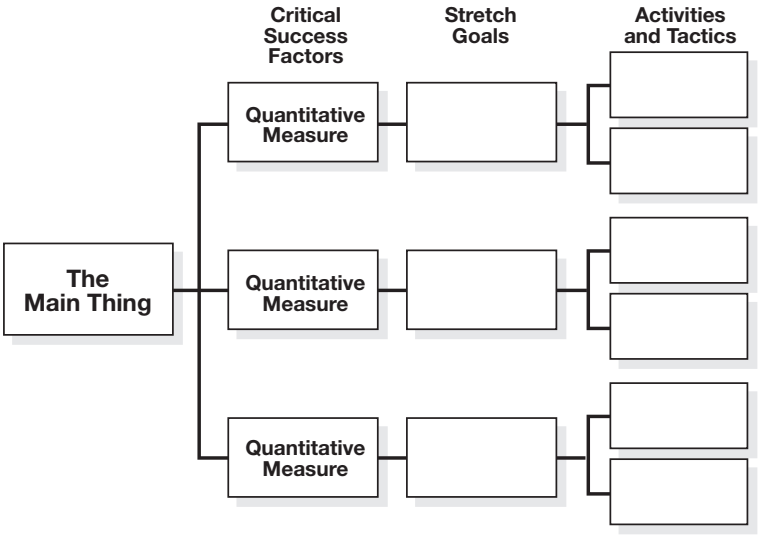

Figure 2. Structure Tree.[4]

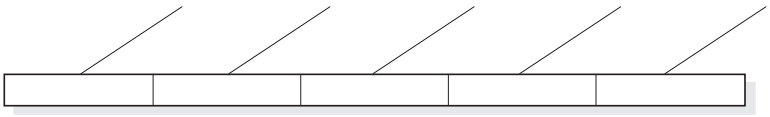

Figure 3. Processes and Process Owners.

Taking the Commands' Visions and applying them to the structure tree, leaders can begin to develop a clear road map for the organizations. See NORAD Figure 4 and USNORTHCOM Figure 5. The vision statements[5] can help fill in the blanks, CSF are core responsibilities which means to implement and become stretch goals; tactics and activities add detail; and process owners become accountable.

4. Ibid.
5. https:..www.noradnorthcom.mil/Announcements/NORAD%20NORTHCOM%Vision.pdf.

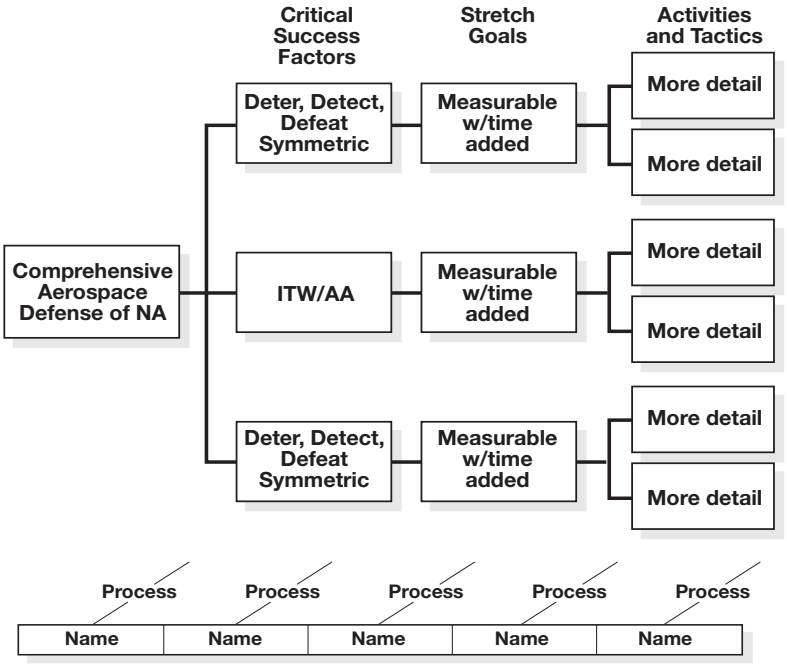

Figure 4. NORAD Structure Tree.

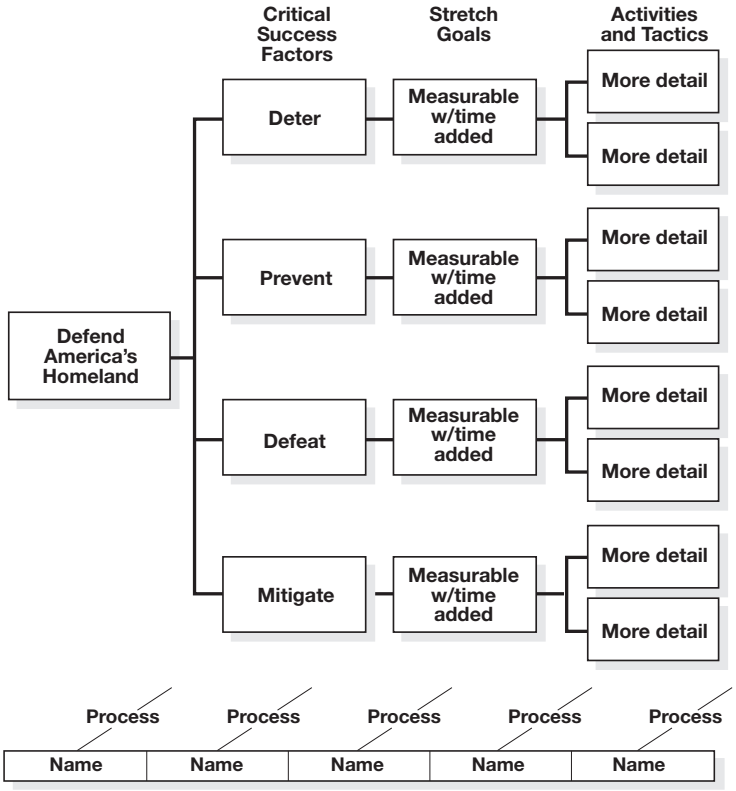

Figure 5. USNORTHCOM Structure Tree.

The Way Ahead

Once the two Commands' teams have developed their structure trees, a bi-command team should spend some time, a day or two analyzing their products and identifying the areas of agreement and the areas of disconnect. Once these are identified, the team can go to work capitalizing on the strengths and attacking the opportunities for improvement. For this, leaders need to set high performance

goals; increase their people's sense of ownership; strengthen accountability; and drive out fear of failure by expanding the performance zone.

For years, sports psychologists have known there is a connection between performance and fear of failure. Many times, fear causes people to be cautious and avoid risks, and this can keep them from stretching to higher levels of performance. To develop high performers, leaders need to encourage desire to achieve and reduce fear of failure at the same time. Fig. 6 shows this graphically.

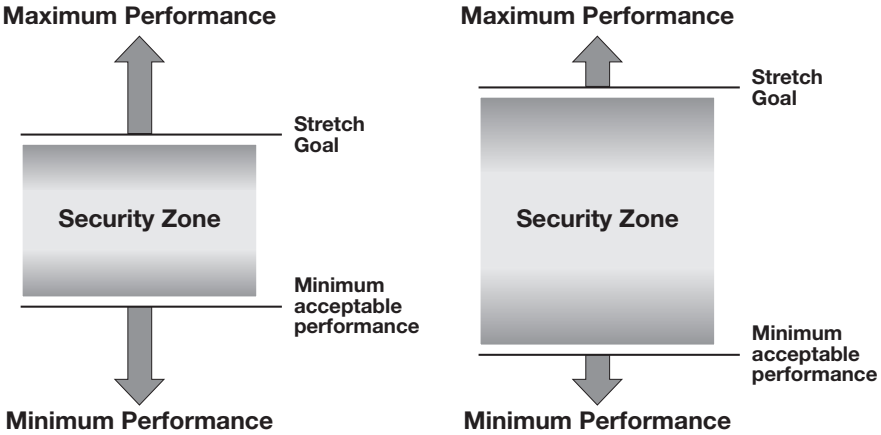

Figure 6. Performance Diagrams.[6]

Conclusion

NORAD and USNORTHCOM have a tremendous opportunity to work together. The Commands are very different, but they share the same task of protecting the homeland. Stated earlier, each Command believes it has the organizational truth, but the truth is we live in an ambiguous world, and it is important we get comfortable with ambiguity. Once again, it comes down to leadership to make the most of a potentially rich situation.

This paper has introduced the leadership issues associated with the culture and environment of the two strategic commands at Peterson Air Force Base, Colorado, and focused on opportunities for operational synergy and greater cooperation. By performing the culture digs, building the structure trees, and creating an environment for success. NORAD and USNORTHCOM will be even better prepared to perform their missions. What can you do with your organization?

About the Author

George P. "Rocky" Gaines is the Principal Functional Analyst, NORAD Strategy and Concepts, in the NORAD Plans, Policy and Strategy Directorate. He graduated from the Air Force Academy with a B.S. in Economics in 1968. He served as a forward air controller in Vietnam, Panama, Germany, and the United States, and as an area specialist in Latin America. Working at the highest national and multinational levels, he was directly involved with the development of U.S. military policy in both Latin America and Central Europe. Among his other accomplishments, he helped create the plan for U.S. military representation in Latin American capitols. He also served on the NATO staff in Heidelberg, Germany, where he wrote NATO war plans and air tasking orders for Central Europe, and participated in exercises designed to evaluate the suitability of those plans. He retired as Deputy Commander for Operations, 27th Fighter Wing. He holds an M.A. in Latin American Affairs from the University of Arizona and is a graduate of the Air War College.

6. Organizational Dynamics.

Knowledge Management: Harnessing Mental Capital for the Future

By
Lieutenant Colonel Phil Wilker (USA, retired)
and
Colonel Keith Snook (USA, retired)
United States Northern Command

In our great-grandfather's day, lessons were often taught by those who had hands-on experience and teaching was very often "see, learn, do". The successive generations would add their practical lessons and improve the process or procedure. These lessons were often written down in "How to" documents (explicit knowledge). However, this never captured true expertise, and subsequent lessons learned or experience (tacit knowledge) were even harder to capture and therefore never added. Because learning is a continual process, documenting knowledge is only a "snapshot in time".

In today's environment, we are more separated while at the same time connected by the computer. While computers enable us to stay in touch with our operations virtually from any location, they also separate us from the experts that really know what's going on. If you could sit and talk to your great-grandfather, eventually you would hear some gold nuggets that came from experience, yet were never written down. In industry, we know that the generation of the "baby boomers" is approaching retirement, and we will lose these experiences if we do not know how to capture them. In the government, and in the military, we need to harness the experience of our senior leaders.

Fundamentally, this is called knowledge management (KM). KM systematically brings together people, organizations and processes, enabled by technology to facilitate the exchange of operationally relevant information and expertise. It is a process whereby information is discovered, selected, organized, distilled, shared, developed and used in a social context to improve organizational effectiveness.

Knowledge management in conjunction with information management (IM), should provide an organizational framework to accumulate, create and disseminate actionable knowledge. That means take in the information, provide business rules for filtering and formulating it, put it in an understandable context, evaluate it through another set of business filters and then present knowledge to the organizational leadership to make or enhance a decision. Even while still in its infancy, the term KM already exists, is accepted, and currently used by many military institutions including those of several allies.

Knowledge is a commodity however, that must be managed effectively. Therefore, organizations must ensure they have a trained knowledge crew whose primary duties are to assist in this management. They should be involved in gathering and editing knowledge, paving the way for establishing effective knowledge sharing networks, and managing knowledge technology infrastructures. The knowledge crew should be made up of technicians as well as operators. They should identify and correct knowledge sharing seams and gaps, provide access to KM networks and technologies, establish procedures for knowledge retention, and implement metrics to measure the value of initiatives.

The goal of sharing knowledge is broader than situational awareness. It takes on a more holistic awareness and suggests knowing cultures, religions, economics, and building business filters through which to view knowledge. It is about answering the question: "So what"? Put in context, situational awareness can become knowledge, but must be filtered to suggest possible implications as it enables

decisions. We need to discover, capture and refine information to allow our leadership to make faster and better informed decisions.

KM is not IM in that IM is the collection, storage and control of information, but not the use of the information. KM enables acting on information and therefore uses the IM processes and adds synthesis, analysis, and presentation of information in a usable fashion for decision makers. For example it takes data, such as a map to add information like tomorrows weather forecast plotted on the map and then puts them into a usable context, " tomorrow, based on the weather in the following areas we will only be able to use the following weapons systems."

KM is also not just about technology. In this day and age, we expect too much from technology and continually look for the Nintendo that can also fix dinner. Several products in industry have been renamed KM tools, because KM is the current buzz word. This is not to say that these technologies do not enable decisions, but they fall short of making them and should. We should always depend on the human dimension to actually make decisions and we owe it to the decision maker to provide the best synthesized and analyzed information. This is also the goal of KM.

However, this is not an all inclusive list, KM reflects capturing data, cataloging expertise, realigning processes and changing cultures.

- Capturing Data. Lessons learned and after action reviews (explicit knowledge) are only useful if they are applied. Otherwise, they become lessons observed and mistakes repeated. In most cases, operators want to know if a situation occurred before, who did what, and if it worked or not. The problem is that there are no automatic means to search multiple libraries of Lessons Learned for specific data pertinent to a mission. This problem is part technology and part data organization. Content search capabilities enable search, but the data must be organized or metatagged to allow a comprehensive search. The search must be accompanied by processes and procedures that operators follow assisted by the knowledge crew.

- Cataloging Expertise. Since expertise is often tacit knowledge and not always captured by a job title. We need to be able to identify and catalog past experiences and special levels of expertise. Therefore, white pages or yellow pages need to be established that list the experience level of each individual in an organization. The pages need to be searchable to identify subject expert expertise. This specificity in tagging data to subjects will allow us to identify more available subject matter experts and capture their tacit knowledge.

- Realigning Processes. We need to create, capture, apply, and re-use knowledge to make better decisions faster. To achieve more optimum decisions, decision makers must have an understanding of what organizations know, what they do not know, and what they are doing about it. Even though there are pockets of expertise called subject matter experts and their expertise can be cataloged, there is collective wisdom in any organization as to what has been done, what has worked, or not and why. This collective wisdom or knowledge also needs to be captured and made available for future use.

- Changing Cultures. All the best intentions of identifying, assessing and analyzing information can be thwarted in the absence of a culture that supports, empowers, and rewards information sharing. Even though we have clear guidance and implications from Presidential directives that we need to evolve from a need to know to a need to share environment, there is still hesitation. If we believe that knowledge is power why do we hesitate to share that power? Clear rewards for sharing have not been established, and

empowerment has not been enacted, so we still preach the new culture, but do not practice it.

Many search capabilities for knowledge can be enabled by technology. However, processes must be established to identify, capture and leverage this knowledge. Knowledge crews must be formed to ensure knowledge is made available in a usable form and it gets presented to the right people. The organizational culture must (finally) be taken into consideration as to which decisions are critical for their purposes and the knowledge management structure designed to that end. This idea is the basis for the people, organization, process, and technology model, but the first step in an emerging concept such as knowledge management should be, "How much do I need?"

So where do we start the KM process? Within Department of Defense (DoD), there are documents that already capture the goals of KM. Many of these are included in the *Net-Centric Operational Environment Joint Integrating Concept*. This document clearly articulates the following:

> Leaders retain their decision making responsibility. Nevertheless, collaboration can facilitate better planning and execution by enabling diverse mission partners to share mission objectives in ways which help synchronize the operation and task-organize it for optimal efficiency.

At North American Aerospace Defense Command (NORAD) and U.S. Northern Command (USNORTHCOM) our former J6, Vice Admiral Nancy Brown, (now the Joint Staff J6), started us on the path to effective KM. We are still maturing the required concepts, but our leadership understands the need and our current J6 Rear Admiral Card is keeping us on the right path. We are preparing to conduct surveys of the leadership and the staff to identify those areas of KM that might have the best short-term pay-off, while identifying mid and long term requirements. We have matured our information sharing environment consisting of people, processes, and collaborative tools and are off to a running start. Our information exchange broker concept leverages KM crew capabilities. We are moving forward with initiatives that should identify the low hanging fruit, yet keep us on track to develop a comprehensive KM program. We understand the additional technological capabilities that we need in the short term and are putting procedures and processes in place that will enable our command to manage our critical knowledge resources.

About the Authors

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Expanded Military Cooperation in the Western Hemisphere

By
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North American Aerospace Defense Command

Introduction

Canada and the United States have been on an historic journey for over forth-eight years. For almost five decades, they have ensured the aerospace sovereignty of North America, and in May 2006, they expanded their efforts to maritime warning. Recognizing the broader global aspects of 21st Century threats, the two nations are also weighing possibilities for expanded membership in the North American Aerospace Defense Command (NORAD). Our leaders have repeatedly underscored the importance of international cooperation for homeland security, and the primary focus has been the asymmetric threat. At the same time, the United States finds itself at war. This wartime condition has, and will continue to have a strong effect on the entire neighborhood.

In the spirit of a neighborhood watch, the nations of our hemisphere have a great opportunity to create a set of new relationships that build on the strengths and benefit from the challenges of earlier times. By changing the lenses we have looked through for generations, we can develop processes and procedures to reduce the inter-domain, interagency and inter-modal gaps that currently exist in our defenses.

There are a number of ways to address these new relationships. Whichever approach we take must acknowledge all members as equal partners. In that light, this paper will review the strategic environment, look at some assumptions, and offer alternatives regarding how Canada, the United States and other neighbors might work together to improve military cooperation in the defense of our neighborhood.

Strategic Environment

At the end of the Cold War, we witnessed dramatic changes in the geostrategic environment which shifted the focus of North American aerospace defense. The traditional Cold War threat has altered, both in terms of the nations or groups that might choose to challenge North American security and the weapons that could be employed. Strategic arms reduction treaties and other arms control initiatives hold the promise of deep cuts in strategic ballistic missile nuclear forces. However, large residual nuclear arsenals capable of striking North America will still exist after programmed reductions are made. Meanwhile, other nations are covertly attempting to acquire nuclear-capable ballistic missiles and other weapons of mass destruction (WMD).

The terrorist attacks on September 11, 2001, represented another dramatic change in the geostrategic environment for North American security. The overall threat to the North American continent from the aerospace, space, land, sea, and cyber domains has greatly increased, and the proliferation of WMD and their delivery systems to state and non-state actors has emerged as a major security challenge. This evolution has introduced the threat of asymmetric activities that have the additional potential to affect the decision-making processes associated with the defense of North America. Additionally, the proliferation of cruise missile technology, unmanned aerial systems, and non-military air activity associated with drug trafficking and other illegal activities is of continuing concern.

Domestically, the overall volume of air traffic flowing daily to, from, and within our airspace will continue to expand and will dictate an even higher degree of coordination between our national airspace surveillance-and-control systems and their military components. The wide range of threats

to our continent coming from the seas and major waterways, plus the issue of cyber security will also pose significant problems. Finally, our vast and open borders will require both a closer level of cooperation between land forces and facilitation of military-to-military defense support to civil authorities.

Organization

Today, there are three strategic headquarters (HQ) immediately concerned with the defense of North America:

- NORAD a bi-national Canadian and the United States (CANUS) command
- Canada Command (CANADA COM) a Canadian only command
- United States Northern Command (USNORTHCOM) a U.S. only command

Any expansion of military cooperation with other nations must be considered carefully to ensure a clear understanding of responsibilities among all concerned.

The requirement for greater military cooperation is not in question. However, the extent of military cooperation and the form within which this expanded cooperation could take place remains a decision for the diplomats. Notwithstanding the governments' responsibility for the decision, negotiators will seek military input on potential constructs. Therefore, it is time to assess the options and distribution of current and future functions as they relate to multinational military cooperation. From a military perspective, the options can be broadly categorized as one of two general models: either alliance or a coalition.

- Alliance Model. This is based on a command and control structure established to fulfill an assigned mission, agreed to by the participating nations and operating under nation-to-nation authority. Similar to the North Atlantic Treaty Organization (NATO), this model permits additional nations to join as equal partners, and much like the spokes of a wheel, the execution of the defense mission is commanded at a designated strategic HQ. Again, as with the NATO, this structure does not limit individual nations from establishing arrangements outside of the construct; and while the day-to-day maintenance of this model is demanding, its strength is in the on-going attention to interoperability and in the default response position of being a known quantity and commitment. Additionally, this default is packaged as an alliance response, consequently, political issues surrounding perceptions of one nation's forces being under command of another are greatly reduced. A command and control construct, which would build on the existing NORAD model, to include multiple domains and permit additional nations to join, is clearly along the lines of the alliance model.

- Coalition Model. This military-to-military model is based on existing national command and control constructs and assigned a defense mission in addition to existing unilateral responsibilities. Participants adhere to a common goal, but rather than a standing centralized command structure, they build upon consensus in procedures and methods. This would maximize national flexibility and would represent a relatively small increase in resources, infrastructure and staff effort over existing national requirements. However, there would be a potential risk that over time, the more frequent and pressing national interest activities could limit the dedication of staff effort and resources to the maintenance of interoperability. As with previous examples of international coalitions, without a single defined command organization, when a requirement for action surfaces, one nation typically must step up as the lead. While this permits a rapid and focused ramp up of capability by one nation, given the consensus nature of coalitions, it would likely require significant political and military staff effort by the lead nation to confirm the involvement and level of commitment of the other nation(s). The optics of having a lead nation could bring with it

the potential perception of subordination of forces that may have a negative influence on participation due to sovereignty concerns. In the end, under a coalition model, the price of relatively unencumbered relationships in support of a common aim is a spike in staff activity to confirm government commitment in the relatively short lead time prior to a critical event or crisis. The organizational proposals discussed in this paper lie along the spectrum between the two models.

Assumptions

In examining options for increasing military cooperation for the defense of North America, a number of assumptions come into play:

- An attack on one country is an attack on the others
- Nations believe it is advisable to expand military-to-military cooperation
- Enhanced military cooperation will increase layered defenses of all nations
- Gaps exist today among the land, maritime, aerospace, space and cyber domains
- Reducing or minimizing the impact of seams along borders and between domains will improve the defense and security of all nations
- Increasing decision time will provide more time to respond to threats
- Nation-to-nation agreements are more effective than military-to-military agreements
- Current policies do not prevent expansion of military cooperation
- It is possible to leverage existing command and control for expanded missions
- Laws do not prevent multi-domain commands for homeland defense (HLD)
- Other nations' politicians' perceptions of cooperation with U.S. military forces will present a challenge to enhanced military cooperation
- Canadian military forces may provide a successful conduit for enhanced military cooperation with other nations

Analysis

These are key factors in describing and commenting on the organizational constructs presented in this paper:

- Unity of command and command and control
- Gaps and seams
- Responsiveness
- Ease of implementation
- Potential for multinational expansion
- Resources
- Diplomatic impact
- Intelligence and information sharing

The diagram below represents where the potential organizations would fall on a notional continuum which ranges from a pure multi-lateral construct (coalition model), where the current multinational HQ (NORAD) functions and expanded domain roles would be assumed by national command HQs, to a single, multi-domain multinational HQ construct (alliance model).

Under this construct existing NORAD functions and any increased military cooperation would be executed through national commands. This would result in decentralized control and execution across all domains by the national HQs multilateral, compared to the centralized control and execution which would exist under a single multinational HQ construct.

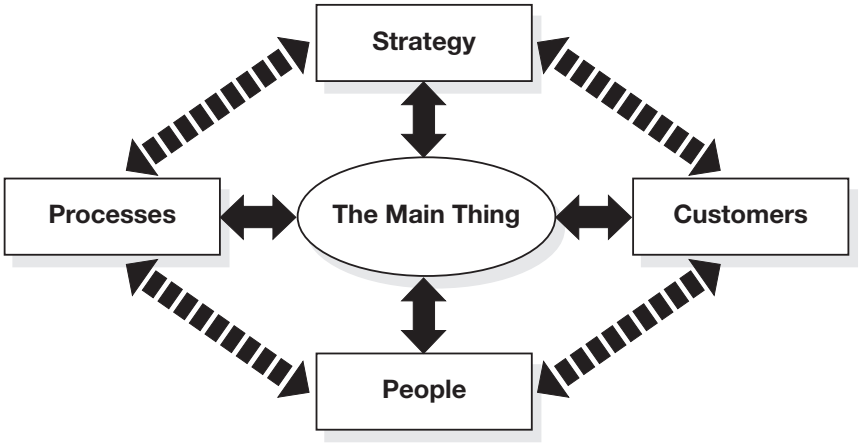

Figure 1. Canada Command and Other USNORTHCOM Assume Multi-domain Responsibilities.

As this construct augments the mission of existing strategic and operational level organizations, the unity of command across domains within each country remains strong. However, there is the potential for continued cross border, cross command seams due to the lack of a single command authority focused on the coordination of multinational strategy, procedures, plans, doctrine, and policies. An additional organization would likely be required to exercise oversight or coordination responsibility for these areas to avoid the risk that, with three (or more) commands, issues will remain locked in consensus building rather than move efficiently through a command decision process.

A sub-option, which could address the coordination requirement identified above, would be to have NORAD, as part of the transfer of its functions, transition into a multinational oversight and advisory group with a mandate developed from the earlier Bi-national Planning Group (BPG)[1] tasks. This organization could report to an external multinational political and military body such as the Permanent Joint Board on Defense (PJBD)[2]. While likely not in the direct chain of command of any command, this advisory group would be responsive to all for the development and maintenance of strategy, policies, doctrine, operational plans, etc. In terms of structure, it could be built along the lines of a NORAD Joint Staff 5 (J5) (Plans) organization; and although not of a size that would warrant a full J-staff, augmentation by J2 (Intelligence), J6 (C3) and J7 (Training and Exercises)

1. At the request of the Minister of Foreign Affairs Canada and the United States Secretary of State, the BPG was created to address the future of Canada and United States cooperation in broadening bi-national arrangements for North American Security. Specifically, the BPG was tasked to examine the folowing areas:

- Conduct reviews of all existing Canada and United States plans and military assistance protocols with a view toward improving North American land and maritime as well as potential new mechanisms for improving military support to civil agencies in time of major emergencies in both Canada and the United States.
- Prepare bi-national contingency plans to respond to threats, attacks, and other major emergencies in Canada or the United States, in accordance with the United States Joint Operation Planning and Execution System and the Canadian Forces Operational Planning Process.
- Maintain awareness of emerging situations through maritime surveillance activities. Share intelligence and operational information in accordance with national laws, policies, and directives under the auspices of intelligence arrangements between the Department of State and National Defense Headquarters. This shall include assessment of maritime threats,

would be required to provide the necessary expertise to tackle issues of multinational information sharing, interoperability, training, and exercises.

While the national response by a participating nation is not hampered by this construct, and may in fact be improved by access to increased cross-domain multinational information and intelligence, timely and effective combined and joint response may be more difficult. Collective response procedures would need to be established to minimize the time required to stand up a multinational response to a threat, and it would likely be necessary to have subordinate operational commands pre-designated with the standing task of assuming a Combined and Joint Task Force (CJTF) command role to avoid having to resort to last minute ad hoc response C2 arrangements. With respect to military advice to the multinational government decision-making body, there would be potential for blurring of multinational and national advice.

Transitioning NORAD functions to national commands would be a significant challenge. Notwithstanding the bureaucratic effort of splitting the sunk costs of the NORAD infrastructure, there would be the technical requirement of terminating existing feeds within the CANADA COM and USNORTHCOM infrastructure and then re-connecting them for a shared multinational coordinated picture. Response by NORAD regions should not change since these are layered on top of national operational organizations. The challenge would be in achieving in the national commands the same level of fidelity in the common operating picture that exists in NORAD. These procedures and level of functionality would of course have to be established in other domains as well.

This construct would allow for additional countries to participate. The difficulty would be with the ability of any future participating nation to interoperate with CANADA COM and USNORTHCOM at the strategic and operational levels. Because there would not be an existing HQ that future nations could join, it would be incumbent upon any joining nation to revamp or develop its national military structure to accommodate the information gathering and decision-making processes that exist at

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1. (Continued)

incidents, and emergencies to advise and/or warn both governments.

- •• BGP will focus its maritime assessments and warnings to those threats that could affect both the United States and Canada.
- •• BPG shall develop mechanisms and protocols to advise and/or warn both governments.

- Design and participate in exercises.
- Plan and participate in joint training programs.
- Validate plans prior to approval.
- Establish appropriate coordination mechanisms with relevant Canadian and United States federal agencies. [BPG interactions with United States civilian agencies shall be coordinated through the Office of the Secretary via the Joint Staff Strategic Plans and Policy Directorate (J-5). Interaction with Canadian civilian agencies shall be coordinated through the Deputy Chief of Defense Staff.]

2. The Permanent Joint Board on Defense was created by Canada and the United States in 1940. The PJBD is the senior advisory body on continental defense. It is composed of military and diplomatic representatives from both nations. The Board has examined virtually every important joint defense measure undertaken since the end of the Second World War, including construction of the Distant Early Warning Line of radars, the creation of the North American Air (later Aerospace) Defense command in 1958, and the bi-national operation of the underwater acoustic surveillance system and high-frequency direction-finding network.

Purpose and Function

The PJBD has served as a strategic-level military board charged with considering, in a broad sense, land, sea, air, and space issues, including personnel and materiel dimensions involved in the defense of the northern half of the Western Hemisphere. The scope of the PJBD's work also encompasses policy, operations financial, logistics, and other aspects of Canada and U.S. defense relations. Bilateral defense recommendations are forwarded to respective heads of the government or appropriate officials for consideration.

Importance to Defense and Security

In recent years, the Board has proven effective as an alternate channel of communication, one through which the resolution of difficut issues has been expedited. In particular, it has helped devise imaginative solutions to the types of problems encountered by both countries, such as cost-sharing in an era of declining budgets.

Meetings

PJBD meetings are normally held semi-annually with meeting locations alternating between Canada and the United States. the meetings are co-chaired by a Canadian and an American chairperson with much of the substantive work being carried out by senior military and civilian representatives of the respective military and political organizations of each country; including the United States' Departments of State, Canada's Department of National Defence and the Department of Foreign Affairs.

the time between the coalition commands. This could be an impediment, based on the level of modernization of potential participating nations.

Any possible resource savings associated with dissolving the NORAD command structure would likely be offset in increases in the multinational facilities to accommodate the transferred responsibilities. In terms of personnel, this may actually result in a slight increase because of likely duplication of some functions previously performed by NORAD on behalf of both countries. The requirement for exchange personnel in the commands should be considered a common consequence for all organizational constructs.

From a diplomatic perspective there is a risk that the resulting break-up of NORAD would overshadow any message purporting that there is a commitment to expanded military cooperation. Despite assurances that NORAD functions would continue, NORAD, as an institution, currently represents CANUS cooperation on bi-national defense and, as such it would likely be very difficult to portray its being dissolved as a step towards improving those efforts.

Information and intelligence sharing are key components of improving both national and multinational response to potential threats. It would likely be the responsibility of each HQ to coordinate information and intelligence gathering from within their respective national intelligence and public security organizations for subsequent sharing. Addressing releasability issues may be more difficult under this construct because there would be no single voice advocating the need for improved info sharing as being key to mission accomplishment. The commands would have to establish technical means to incorporate and analyze information from their respective sources. In addition, pipelines would need to be established for the flow of information between the HQs. Equally important as the technical aspect is the requirement for exchange personnel in each nation's HQ to oversee, advise and assist in decision-making resulting from the intelligence and information being shared.

Multi-domain Warning and Surveillance Combined and Joint Task Force

In this instance the national commands would have the responsibility for NORAD response functions and any future increased military cooperation. This arrangement would result in decentralized, multilateral control and execution across all domains executed by the national HQs. NORAD would transition to a supporting command, an enabler for the others by providing multinational intelligence and information fusion executed through an enhancement of the NORAD and USNORTHCOM Command Center (N2C2), the eyes and ears of North American aerospace defense, and the follow-on to the Cheyenne Mountain Operations Center.

Because this construct augments the mission of existing strategic and operational level organizations, the unity of command across domains within each country remains strong. However, there is again the potential for continued cross border seams due to a lack of a single command authority focused on the coordination of multinational strategy, procedures, plans doctrine and policies. To address this, the combined and joint task force (CJTF) could also be tasked with multinational oversight and advisory responsibilities with a mandate developed along the lines of the old BPG tasks. As in the previous example, this organization would likely report to an external political and military body such as the PJBD on multinational issues of strategy, policies, doctrine, operational plans, etc. Given this political aspect of multinational responsibility as well as the operational missions of warning and surveillance, the command relationship would be complex. To support the multinational response commitment of the national commands, the CJTF would need to be in the direct chain of command of all commands, but on the other multinational matters the CJTF would only be responsive to them. As such it would probably merit consideration to have the CJTF assigned the status of a multinational command, albeit likely not on a par with the parent commands. Given that response would no longer

be a function of the CJTF, there should be greater latitude for the commander to be a Canadian, U.S. or other officer.

While the national response by a participating nation is not hampered by this construct, and it may, again, be improved by access to increased cross-domain multinational information and intelligence, timely and effective combined and joint response might be more difficult. As before, collective response procedures would be necessary to minimize the time required to stand up a multinational response to a threat, and it would also be important to have subordinate operational commands pre-designated with the standing response task of assuming a CJTF command role to avoid having to resort to last minute ad hoc response C2 arrangements. As above, with respect to military advice to the multinational government decision-making body, there is the potential for a blurring of multinational and national advice.

This construct avoids the majority of difficulties associated with transitioning all of the NORAD functions to other commands because the majority of the sunk costs in infrastructure, procedures and the technical aspects of data fusion resident in the N2C2 would be retained and incorporated into other domain areas. The challenge would be achieving the same level of coordinated picture in these other domains that currently exists in the aerospace domain.

This construct would allow additional countries to participate. However, as stated earlier, the difficulty would be with the ability to interoperate and respond with CANADA COM and USNORTHCOM at the strategic and operational levels. Since there would not be a single stand-alone HQ that future nations could join or share in, it would be incumbent upon any joining nation to revamp or develop its national military structure to accommodate the information and decision-making processes that exist at the time between or among other members. Additionally, any future nation would have to be comfortable with the concept of a separate organization providing them their warning and surveillance picture. Similarly, there would need to be a high degree of confidence within the member commands and the CJTF that any future nation could provide the level of information and contribution that would ensure the expanded collective defense responsibility. These requirements could be an impediment based on the level of modernization and capabilities of a future potential participating nation.

In terms of structure, the CJTF could be built around the existing N2C2 operational and support organization, with augmented J3 (Operations) and J5 functionality, as well as incorporation of the existing J2 Fusion Center to address the additional resource implications of expansion into other domains. From a diplomatic perspective this construct could deflect to some degree the potential negative reaction to the perceived dissolution of NORAD. However, it is unlikely to be effective in portraying the result as anything less than a significant scaling back of NORAD.

From a conceptual perspective the crux of this construct is the information and intelligence architecture. While info sharing is the key component to improving both national and multinational response to potential threats it is unlikely that CANADA COM, USNORTHCOM or another command would abdicate the task and responsibility of coordinating information and intelligence gathering from within their respective national intelligence and public security organizations for subsequent sharing, as authorized. In a perfect world, this concept would have all sources, irrespective of nationality, providing data into the CJTF Fusion Center for analysis and subsequent display and correlation for use by the commands, relieving these organizations of the requirement of this fusion function. However, given security concerns regarding sources, which remain key to the Fusion Center's ability to establish a confidence level of information, as well as the likely desire to have national assessments to either confirm the multinational assessment or in support of unilateral action, it is likely that all commands would retain similar functionality to that envisioned for the CJTF. While this is achievable,

with USNORTHCOM likely continuing to use the existing NORAD and USNORTHCOM J2 Fusion Center, there may be issues with substantiating the value added of the CJTF function. It could be argued that the same common operating and intelligence picture could be achieved through exchange officers and improved sharing protocols between the respective operations and intelligence organizations in CANADA COM, USNORTHCOM and other nations' commands rather than routing through another player, the CJTF.

Split Domain Responsibility

Under this construct there would be no change to the existing NORAD functions, and any increased military cooperation would be executed through CANADA COM, USNORTHCOM and other commands. This would result in centralized, multinational command and decentralized execution in the aerospace domain (aerospace warning and aerospace control) and multi and bi-national maritime warning by NORAD and decentralized multi-lateral warning and execution in other domains executed by the other commands.

This option would require a high level of coordination between the strategic commands, both to prevent exploitation of seams from a lack of unity of command across all domains and to ensure a common operational picture. The current high level of responsiveness in the aerospace domain is retained. Given that national structures in the other domains would be retained, individual national responsiveness would not be adversely affected. Once more, collective procedures would need to be established to minimize the time required to stand up a multinational response to any threat other than one uniquely in the aerospace domain, and it would likely be necessary to have subordinate operational commands pre-designated with the standing task of assuming a CJTF command role to avoid having to resort to last minute ad hoc response C2 arrangements. Additionally, there would be the potential for conflicting or at least uncoordinated military advice to the multinational government decision-making body as different views could be presented regarding multinational response based on the national or domain responsibilities of the strategic-level organizations.

This construct would expand upon existing or planned command domain mission areas in the nations' commands, to include a multinational responsibility, and does not change the NORAD mission substantively, it would likely be relatively easy to implement. However, with the strategic-level HQs all having responsibility for some aspect of multinational defense, there would again be a requirement to establish one of the HQs or a separate body as the lead organization for common multinational defense policies, plans, cross-domain coordination in operations, info-sharing and intelligence, etc. This construct would be a useful intermediate step should there be a desire in the future to reduce the number of strategic HQs or to combine domains by transitioning the existing NORAD functions to CANADA COM, USNORTHCOM and other commands.

There could be a level of difficulty in incorporating additional nations, as it would require them to interject into two different structural C2 models, one for the aerospace domain and multi and bi-national maritime warning, and another for the remaining domains, each with different operating methods. Additional resources should be relatively limited as there would be little or no infrastructure increase. There may be a small increase in personnel to address the requirement for exchange officers in the various strategic-level commands and potentially at the operational level by domain.

From a diplomatic perspective this would represent an increase in North American cooperation without appearing to sacrifice sovereignty and flexibility of action by national forces and yet retains the NORAD institution which enjoys various levels of public support. Notwithstanding the split of domain responsibility between the commands, there would be a requirement for similar if not the same level of intelligence and information support to assist in the effort to minimize potential cross domain vulnerability. CANADA COM, USNORTHCOM and other commands would likely

retain responsibility for coordinating national defense and other agency inputs. Similarly, this data or the resultant assessments are vital to a multinational common understanding of the strategic and operational picture, and as a result, needs to be shared with NORAD for the execution of the aerospace domain and maritime warning missions between the other commands for the other domains. To this end, given the geographic collocation of NORAD and USNORTHCOM there are efficiencies in considering an expanded combined Intel Fusion Center which would include representation by all commands to effect and oversee efficient transmission of intelligence products. There would likely be additional requirements for national representation at the equivalent intelligence centers.

Separate Multinational Domain Commands

Under this construct, there would be no change to the existing NORAD HQ or functions, and any increased military cooperation would be addressed by domain-specific command organizations. In this construct, similar to the undertaking in the aerospace domain initiated forty-eight years ago with the stand-up of NORAD; a multinational strategic-level HQ would be established for warning and control in other domains. This would result in centralized, multinational command and decentralized execution within each domain.

This would provide for a strong unity of command within the domains but would not address the cross-domain seam issue. This construct would require a high level of coordination between the multinational strategic domain commands to prevent exploitation of seams due to the lack of unity of command across all domains and to ensure a common operational picture. Assuming that national operational structures across other domains would be retained, individual national responsiveness is not adversely affected. Collective response procedures would need to be established for each domain and across domains to minimize the time required to stand up a multinational response. Additionally, there is the potential for conflicting or at least uncoordinated military advice to the multinational government decision-making body as different views could be presented regarding multinational response based on the domain responsibilities of the strategic-level organizations.

This construct would be expensive to implement in terms of acquiring infrastructure and identifying numbers of suitable personnel to man additional HQs. It would provide a framework within which future participating nations could easily be inserted, it would likely represent a significant personnel commitment and challenge to achieve appropriate representation within each domain HQs. From a diplomatic perspective, while this could be portrayed as an increase in CANUS cooperation, it has the potential to be perceived as sacrificing sovereignty and flexibility of action by national forces and impinging on responsibilities of existing national strategic or operational level commands.

Notwithstanding the split of responsibility along strategic multinational domain lines there would be a requirement for similar if not the same level of intelligence and information support at each domain HQ to assist in the effort to minimize potential cross domain vulnerability. All commands would of course require this same level of information and intelligence, if not slightly more due to their responsibility for unilateral action and would likely retain responsibility for coordinating their respective national defense and other agency inputs. As such with the increase in number of users and contributors, the complexity and cost of establishing infrastructures and pipelines to handle and coordinate the necessary data would increase significantly as would the requirement for exchange personnel in each of the intelligence centers.

Multi-domain and Combined and Joint Interagency Task Force

This construct would see the stand up of an organization responsible for multinational defense and security across all domains with all national commands retaining responsibility for multi-lateral response. A sub-option could be developed wherein NORAD remains unchanged operating in parallel

with the other commands for the combined and joint interagency task force (CJIATF). This would result in centralized, multinational command and decentralized execution across all domains.

There would be a high degree of unity of command as this provides for a single point-of-contact for all governments regarding multinational defense and security issues although there would likely be significant discussion as to whether or not it would or should be military commanded or civilian led. Additionally, this construct deals very effectively with inter-domain, inter-modal, cross-border gaps and seams. This approach helps increase effectiveness in gray areas of homeland defense and homeland security (HLS) initiatives. Should NORAD not be subsumed there would of course be an issue with a seam for the aerospace domain and bi-national maritime warning, as well as the potential for conflicting or at least uncoordinated advice to the multinational government decision-making body as different views could be presented regarding multinational response based on domain responsibilities.

Implementation would face significant challenges, as it would require the creation of a new organization, requiring manpower commitments from a variety of interagency organizations from both countries in order to function. Procedures, policies, doctrine and plans would likely be considerably more difficult to develop and implement due to differing operational cultures. Given the necessary intertwining of defense and security related organizations in the command aspect of this construct, the incorporation of additional nations may be hampered by real or perceived security concerns of the equivalent organizations in those countries.

Diplomatically, this approach would reflect a significant commitment to the protection of all nations. Assignment of forces would be problematic but again would likely require a system of tasking forces through dual-hatting existing operational command structures. Establishing an organization this large in terms of size and scope would require clear, well-defined conditions and limits of authority to act particularly in light of the blending of law enforcement and defense capabilities.

As opposed to earlier organizational concepts where national defense and interagency intelligence feeds would come into national HQ, this construct would likely have the feeds directly into its intelligence center, coordinated by and through the representative agency for subsequent analysis. While the strength of this structure lies in its ability to incorporate this wide spectrum of data it might also be its failing in that the wide attendant audience, and perceived vulnerability that it represents, may cause individual organizations to increase their releasability requirements such that usable information is denied to the organization.

Single Multinational and Multi-domain Command

This option would create an organization responsible for multinational defense and security, including multi-lateral response across all domains, providing centralized, multinational command and execution. Again, there would be a high degree of unity of command through a single point of contact for both governments regarding multinational defense and security issues. Additionally, this constructs effectively addresses inter-domain, inter-modal, cross-border gaps and seams. Implementation would not require the creation of a new organization, but would need manpower commitments from a variety of interagency organizations from both countries in order to function. Procedures, policies, doctrine and plans would also require dealing with different operational cultures.

Given the intertwining of defense and security related organizations under a military commander, the real or perceived security concerns caused by the incorporation of additional nations may be less difficult. Diplomatically, this approach would also reflect a significant commitment to the protection of all nations. Assignment of forces would be similar to that process used today. As opposed to earlier organizational concepts where national defense and interagency intelligence feeds would

come into national HQ, this construct would likely have the feeds directly into its intelligence center, coordinated by and through the representative agency for subsequent analysis.

Conclusions

It appears there is political will in Canada and the United States to expand military cooperation to other nations to improve the defense of North America. The vision of how best to achieve this remains undetermined. There is a broad scope and variety of achievable options, some of which have been discussed in this paper; and while each could be effectively implemented, it remains for the militaries of our countries to ensure that their advice adheres to the common basic principles of unity of command, economy of resources and military effectiveness such that political expediencies do not rule the day during the diplomatic negotiations.

About the Author

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The United States and Mexico Enhanced Military Cooperation

By
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This article identifies synergies between Mexico and the United States and potential areas of cooperation using the instruments of national power. The U.S. Joint Warfare of the Armed Forces focus on analyzing relationships among countries using instruments of national power, to include diplomatic, informational, military and economic. These instruments of national power are used in this article to describe the current and potential relationship between Mexico and the United States. In so doing, the reader will recognize that the economic instrument supports and is supported by the other three instruments of power. After describing our relationship using the instruments of national power, this article concludes with a way ahead to enhance military cooperation.

Background

The Japanese attack on December 7, 1941 at Pearl Harbor was one of the defining moments in United States' history leading to a declaration of war against the Axis Powers. Canada declared war against Japan, and Mexico broke off relationships with the Axis, stopping short that year of a declaration of war. However, after numerous Axis submarine attacks on Mexican ships, and the sinking of a Mexican oil tanker, the Potero de Llano, in June 1942, Mexico declared war against the Axis. The war led to greater trade, with Mexican oil fueling the U.S. war machine; and it led to significantly enhanced military cooperation for mutual defense of North America. This cooperation resulted in the training of Mexican fighter pilots in the United States, and the creation of a Mexican P-47 Thunderbolt fighter squadron nicknamed "The Aztec Eagles." The 201st Mexican Fighter Squadron of the Fuerza Aerea Expedicionaria Mexicana of the Mexican Expeditionary Air Force (MEAF) flew fighters providing close air support for U.S. forces in the Philippines, resulting in the defeat of the Japanese in 1945.[1] This represented one of the most successful international military education and training (IMET) partnerships in the history of United States and Mexico relations.

Security for the Western Hemisphere was further enhanced through the Inter-American Reciprocal Defense Treaty (Rio Treaty) when it was established in 1947. Members pledged to defend one another from external attacks. The United States and Mexico did not continue the close collaboration as during World War II; but, homeland defense (HLD)[2] and homeland security (HLS)[3] once again became top priorities for both governments in the aftermath of the September 11, 2001 attacks.[4] As such, on 23 March 2005, Canada, Mexico and the United States became partners via the Security and

1. Flores, Santiago A. *Liberation of the Phillipines*, obtained on Feb 14, 2007 from: http://www.neta.com/~1stbooks/unit10flores.htm. Lenchek, Shep. *Mexico - Forgotten World War II Ally*, from http://www.mexconnect.com/mex_/travel/slenchek/slmexicoww2.html.
2. Homeland Defense (HLD). The protection of the United States sovereignty, territory, domestic population, and critical infrastructure against external threats and aggression or other threats as directed by the President. The United States Department of Defense is responsible for homeland defense including missions such as domestic air defense. The Department recognizes that threats planned or inspired by "external" actors may materialize internally. The reference to "external threats" does not limit where or how attacks could be planned and executed. The Department is prepared to conduct homeland defense missions whenever the President, exercising his constitutional authority as Commander in Chief, authorizes military actions. Joint Publication 3-26 (JP 3-26) Joint Doctrine for Homeland Security dated August 2, 2005, page GL-9, and approved for inclusion in the next edition of JP 1-02.
3. Homeland Security (HLS). Homeland security, as defined in the *National Strategy for Homeland Security*, is a concerted national effort to prevent terrorist attacks within the United States, reduce America's vulnerability to terrorism, and minimize the damage and recover from attacks that do occur. The Department of Defense contributes to homeland security through its military missions overseas, homeland defense, and support to civil authorities. Joint Publication 3-26 (JP 3-26) *Joint Doctrine for Homeland Security* dated August 2, 2005, page GL-9, and approved for inclusion in the next edition of JP 1-02.
4. Prioritized by the *Security and Prosperity Partnership for North America* (SPP), the *National Security Strategy of the United States of America, and the U.S. National Strategy for Homeland Security*, July 2002.

Prosperity Partnership of North America, demonstrating multi-lateral cooperation for the economic prosperity, freedom and the safety and well being of our people.

The United States and Mexico are sovereign nations with separate and distinct national identities; hence, there will always be a vocal minority that expresses concerns about national sovereignty and what it means to different groups of people. Sovereignty is the supreme authority within a territory,[5] and as used herein, "it implies a state's lawful control over its territory generally to the exclusion of other states, authority to govern in that territory and authority to apply law there."[6] Hence, as two sovereign powers, the governments of the United States and Mexico have the authority to make war or peace, to form treaties of alliance or commerce with foreign nations and maintain control over their territories.[7] In so doing, military operations are merely one part of an overall strategy to focus all of the elements of national power.[8] This paper conveys a continental perspective that simultaneously respects sovereignty and provides greater safety for the people of both nations.

The United States and Mexico Instruments of National Power

A thorough comparison of two nations would require several hundred pages. This comparison is focused upon four instruments of national power[9] including;

- Economic. The economic instrument of power refers to a strong domestic and international economy, with free access to global markets, resulting in the improved general welfare of our people. It serves as the guarantor of our strong national defenses.
- Diplomatic. The diplomatic instrument of national power is the principal instrument of engagement between the United States and Mexico, as well as the principal instrument for the United States or Mexico engagement with other states and foreign groups.
- Informational. The informational instrument of national power is diffuse and complex, as most information is exchanged freely across our shared borders with few government controls.
- Military. The military instrument of power is used in support of the diplomatic or economic instruments of power, but typically as a last resort. The range of military operations span from civil support,[10] consequence management,[11] peacekeeping operations, and low intensity

5. *Stanford Encyclopedia of Philosophy*, available at http://plato.stanford.edu/entries/sovereignty/#1.
6. *Black's Law Dictionary*, 6th Edition, available at http://www.hawaii-nation.org/sovereignty.html.
7. Joseph McMillan, Senior Research Fellow, Institute for National Strategic Studies, Soverign Rights and Soverign Responsibilities: Self Defense in an Age of Apocalyptic Terrorism, speech delivered to the Pontifical Gregorian University conference "Revitalizing International Law to Meet the Challenge of Terrorism," April 22, 2004. McMillan identifies that sovereign states have a duty to suppress terrorist groups operating on their soil, as reinforced by the United Nations Security Council Resolution 1373, which requires states to suppress terrorist financial and recruiting activities, block the supply of arms to them, provide warning to other governments of possible terrorist attacks, deny the provision of safe haven, prevent the movement of terrorists between countries, pursue criminal proceedings against them and to prevent the use of their territories for terrorism against other countries. Available at http://www.ndu.edu/inss/research/inss_research.htm.
8. Joint Publication 3-26 (JP 3-26) *Joint Doctrine for Homeland Security*, dated August 2, 2005. Joint Pubilication 3-16 (JP 3-16) *Joint Doctrine for Multinational Operations*, dated April 5, 2000, page 1-3.
9. United States Joint Publication-1 (JP-1), *Joint Warfare of the Armed Forces*, dated November 14, 2000, and the JP-3-26, *Homeland Security,* dated August 2, 2005, emphasize the need to synchronize and integrate all instruments of national power. JWFC Doctrine Pam 4, Doctrinal Implications of Operational Net Assessment, dated February 24, 2004, states that "effects based operations (EBO) are actions that change the state of a system to achieve directed policy aims using the integrated action of the diplomatic, informational, military, and economic (DIME) instruments of national power," obtained January 28, 2007, from: http://www.dtic.mil/doctrine/jwfc_pam.htm.
10. Civil Support (CS). Defense support to United States civil authorities for domestic emergencies, and for designated law enforcement and other activities. Approved for inclusion in the next edition of JP 1-20.) Per Joint Publication 3-26 (JP-3-26) *Joint Doctrine for Homeland Security*, August 2, 2005, defense support of civil authorities (DSCA) is a new term that is not yet approved for inclusion of DoD policy, therefore, civil support is still used as an overarching term [JP 326 page ii.]
11. Per joint Publication 3-26 (JP-3-26) *Joint Doctrine for Homeland Security*, dated August 2, 2005, consequence management is defined as actions taken to maintain or restore essential services and manage and mitigate problems resulting from disasters and catastrophes, including natural, man made, or terrorist incidents.

conflict to major combat operations. The the United States and Mexico military forces train for similar operations across the full range of defense and security missions.[12]

Synchronization of these instruments of national power is required to ensure the successful execution of our HLS/HLD missions.[13] If the instruments are used in concert with each other and in cooperation with other nations, then the result is an exponentially stronger, faster and more effective means to address critical events. Therefore, the United States and Mexico must develop mechanisms or coordinating bodies that will enable us to plan for and practice using instruments of national power in concert with one another. Both nations will benefit from the synergies that arise from doing so.[14] These four instruments are discussed in greater detail below. Since our intertwined economy is the primary driver for our mutual cooperation, it will be addressed first.

Economic Instrument of Power

The North American Free Trade Agreement (NAFTA) has shown that competition and open capital markets foster innovation, productivity and economic growth. All of which are essential for improving the living standards of our citizens over time. Our unique economic relationship has evolved over the past decade, in part due to an inextricably linked infrastructure, which has shaped our current interests in security and defense.

The United States and Mexico have separate and distinct national centers of gravity. From a bilateral perspective the North American economy and related critical infrastructure is a shared center of gravity that must be defended to preserve our ways of life.[15] This continental view of defense and security issues became increasingly important after Mexico, the United States, and Canada implemented NAFTA, which eliminated tariffs and removed many of the non-tariff barriers, such as import licenses.[16] This agreement resulted in increased trade that is now in the range of $800 to $840 million United States Dollar (USD) per day between the United States and Mexico.[17]

Security measures and concerns about further terrorist attacks resulted in a short-term recession that adversely impacted on our economies, shown in Figure 1.[18] This short-term decline in trade started in 2001 and continued through 2003, with substantial recovery in 2005 and 2006, making it clear that an attack on one nation affects not just the defense and security of that nation, but also the economic well-being of trading partners. Closing the shared border to legal trade had dramatic consequences for both of our economies; we must therefore plan to ensure this does not happen again. In recent years almost 85 percent of Mexico's exports go to the United States, making the Mexican

12. Per *United States National Strategy for Homeland Security*, July 2002, the military contributes to homeland security through its missions overseas, homeland defense, and support to civil authorities.
13. Joint Publication 3-26 (JP-3-26) *Joint Doctrine for Homeland Security*, dated August 2, 2005, page viii.
14. Supported by the United States Joint Publication 3-16 (JP 3-16) *Joint Doctrine for Multinational Operations*, dated April 5, 2000, states that security is achieved by "directing all the elements of national power (diplomatic, economic, information, military) toward the strategic end state [and] while U.S. forces remain unilateral capability, whenever possible they will seek to operate alongside alliance or coalition forces." (p. 1-3) "When diplomatic, economic and informational means are unable or inappropriate to achieve objectives, the alliance or coalition may decide to conduct large scale, sustained combat operations (p. 1-5)."
15. Osama bin Laden has pinpointed the economy as the United States center of gravity, the source of national power, as articled in an English language transcript translation of the "Osama bin Laden Interview", dated October 21, 2001, and posted on May 23, 2002 on Qoqaz.net.
16. NAFTA Facta Document, obtained February 18, 2005 from http://www.mac.doc.gov/nafta/3001.htm.
17. United States Census Bureau, "Trade with Mexico," obtained February 12, 2007 from http://www.census.gov/foreigntrade/balance/c1220.html.
18. "Declaration of War Against the Americans Occupying the Land of the Two Holy Places," published on August 23, 1996, in Al Quds Al Arabi, a London-based Arabic newspaper. The 1996 Declaration of War emphasized protecting the Arabic economies and damaging the U.S. economy, stating " . . . if economical boycotting is intertwined with the military operations, defeating the enemy will be even nearer, by Permission of Allah."

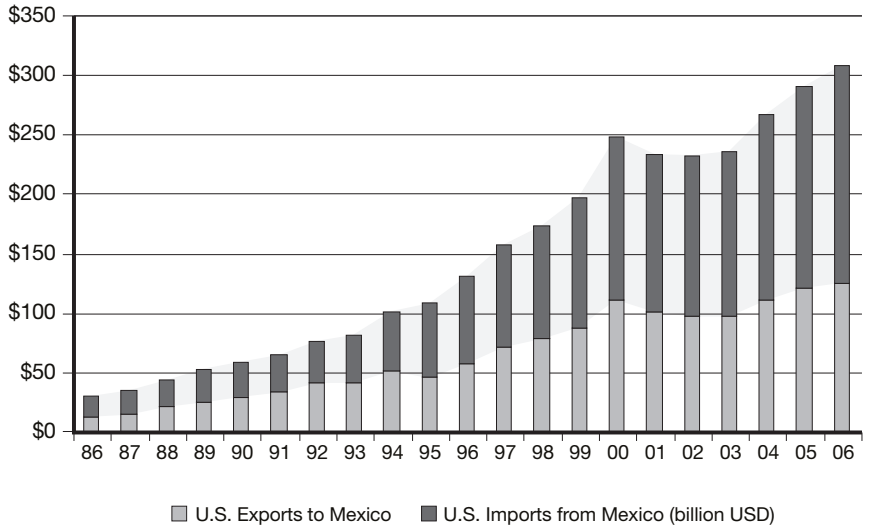

Figure 1. Trade Between the United States and Mexico.

economic success very dependent on the American economic behavior.[19] Specific examples of the United States and Mexico economic interdependency are listed below.

- Oil. The United States is the world's largest net oil importer and Mexico sends 90 per cent of its crude oil exports to the United States.[20]
- Natural Gas. Pemex operates over 5,700 miles of natural gas pipelines in Mexico and the natural gas pipeline network includes twelve active connections with the United States.[21]
- Coal. Mexico imports coal from the United States, for electricity generation and steel-making.[22]
- Electricity. Mexico exported 1,600 megawatt-hours (MWh) of electricity to the United States in 2005, while importing 470 MWh.[23]
- Manufactured Goods. The majority of U.S. exports to Mexico consist of manufactured goods such as computers, electrical equipment and other manufactured articles.[24]

19. Wikipedia, "Economy of Mexico", obtained February 12, 2007, web site: http://en.wikipedia.org/wiki/Economy_of_Mexico.
20. Energy Information Administration, Department of Energy, Mexico Oil Paper. Obtained on February 12, 2007 from *Country Analysis*, Department of Energy, web site: http://www.eia.doe.gov/emeu/cabs/Mexico/Oil.html.
21. Energy Information Administration, Department of Energy, "Mexico Gas Paper", obtained on February 12, 2007, from *Country Analysis*, Department of Energy, web site: http://www.eia,doe.gov/emeu/cabs/Mexico/NaturalGas.html.
22. Energy Information Administration, Department of Energy, "Mexico Coal Paper", obtained February 12, 2007 from *Country Analysis*, Department of Energy, web site: http://www.eia.doe.gov/emeu/cabs/Mexico/Coal.html.
23. Energy Information Administration, Department of Energy, "Mexico Electricity Paper", obtained February 12, 2007, from *Country Analysis*, Department of Energy, web site: http://www.eia.doe.gov/emeu/cabs/Mexico/Electricity.html. There are new ventures as well, such as a 20 Megawatt Electrical Plant to be Built in Sonora. The business Generadora Desierto, based in Miami, Florida, will build an electrical generator in San Luis Rio Colorado, Sonora with an investment of $320 million (USD). The generator will have a 520-megawatt capacity and will operate based on natural gas. Construction is forecast to begin in sixty days on land located in Mesa Arenosa in the southeast of the city and is projected to generate electricity starting in 2008. The electricity is primarily intended for exportation but will also strengthen the regional electric system. To date, the project has obtained permits from the Energy Regulatory Commission, has completed an environmental impact study, and has obtained construction and land use permits. February 10, 2007, Spanish web site: http://www2.notimex.com.mx/admin/descarga.php?nombre_producto=1723328&catalogo=nota.
24. Source: Foreign Trade Division, U.S. Census Bureau, Washington, D.C. 20233.

The increasing integration of the Mexican, the United States, and Canadian economies stand as models of mutually beneficial trade. In contrast to the gloom and doom debates held in 1993, the implementation of NAFTA in 1994 has been beneficial to our nations. While maintaining distinct monetary, fiscal, economic and social policies and practices that are tailored to each nations' particular needs and economic structure, our nations have managed to forge an open marketplace where goods, services and capital can move freely.[25] To preserve that economic freedom, our defense and security initiatives must be planned and coordinated continentally. However, moving forward in defense and security is contingent upon improving information and diplomatic relations.

Information an Instrument of Power

Official information exchanges between Mexico and the United States became linear and more limited during the Cold War and the decades that followed. Linear relationships developed between similar organizations such as Department of State (DoS) and Mexico's Secretariat of Foreign Relations (SRE) or the U.S. Department of Defense (DoD) with Mexico's Secretariat of National Defense (SEDENA) and Secretariat of the Navy (SEMAR). Our practices of linear information sharing resulted in stove-piped information flows that did not cross among the different domains in a systemic fashion. Deficiencies due to the U.S. stove-piped information sharing have been highlighted in numerous articles and studies,[26] including the *September 11, 2001 Commission Report* which identified:

> Current security requirements nurture over-classification and excessive compartmentalization of information among agencies. Each agency's incentive structure opposes sharing, with risks (criminal, civil, and internal administrative sanctions) but few rewards for sharing information. No one has to pay the long-term costs of over-classifying information, though these costs—even in the literal financial terms—are substantial. There are no punishments for not sharing information [nor rewards for the appropriate sharing. Agencies uphold a "need-to-know" culture of information protection rather than promoting a "need-to-share" culture of integration.[27]

If the United States and Mexico continue to perpetuate these linear relationships, then another September 11, 2001 - type attack will be inevitable, potentially affecting our people living on or near the shared border. Therefore, we need to move towards an inter-relational sharing of information.[28] Modifying the information sharing recommendation found in the *September 11, 2001 Commission Article* to one with a bilateral focus, our nations could work towards this common goal:

> Mexican and U.S. information sharing procedures should provide incentives for sharing among Mexican and U.S. agencies to restore a better balance between security and shared knowledge.[29]

25. Speech by Sheryl Kennedy, Deputy Governor of the Bank of Canada, given at the 3rd Annual Montréal-Boston Conference on November 4, 2004. Web site: http://enconmics.about.com/od/canada/a/canada_us.htm.
26. Defense Science Board, *DoD Roles and Missions in Homeland Security*, *2003 DSB Summer Study*, Volume 1, November 2003, web site: http://www.acq.osd.mil/dsb/articles/htm, page iv identified that we still "lack an effective approach to reaping the benefits of information sharing witin and among agencies." The Senate, Standing Committee on National Security and Defence. Canadian Security Guide Book-(2005 Edition). An Update of Security Problems in Search of Solutions (December 2004) web site: http://www.parl.gc.ca/38/1/parlbus/cummbus/senate/com-e/defe-e/rep-e/rep03nov04-3.htm identified that there has been slow progress in information sharing.
27. *The 9/11 Commission Report, Final Article of the National Commission on Terrorist Attacks upon the United States*, July 22, 2004, pg. 417, web site: http://www.9-11commission.gov/article/index.htm.
28. One of al Qaeda's expectations on the effects of the September 11, 2001 attack was a harsh, widespread domestic crackdown and ending of freedoms in America, including freedom of information. In contrast, the media depiction of the September 11, 2001 attacks resulted in non-Muslim world opinion that was sympathetic to the U.S. and favored an Afghan attack.
29. The 9/11 Commission Report, page 417, modified from a national to a binational recommendation.

Information sharing between Mexico and the United States requires enhancements to processes so that the sharing is routine and systematic, rather than ad-hoc.

In addition, informational messages broadcast to the rest of the world are important. Mexico's desire to withdraw from the Rio Treaty in 2002 sent a negative message about cooperation to potential antagonists throughout the rest of the world. Without sugar-coating any facts, the United States should encourage Mexico to continue playing the role of an honest broker to the rest of Latin America. This is especially critical in light of the continuous disinformation campaign undertaken by leaders in Cuba, Venezuela and other members of the Foro de São Paulo (São Paulo Forum) who routinely bash the United States. Similarly, United States support of President Calderon-Hinjosa's initiatives must not waiver. Although the "information" instrument remains predominantly in the unrestricted public sector, the diplomatic instrument of power influences information heavily.

Diplomatic Instrument of Power

Diplomatic relationships between the United States and Mexico have waxed and waned since our close ties during World War II. In 1941 and 1942, one could argue that survival of our nations and ways of life mandated closer cooperation. More recently, some writers contended the following:

> . . . after September 11, 2001, Washington effectively lost interest in Latin America, and the United States relations with Latin America will not improve soon.[30]

However, in contrast to this generalization about Latin America as a whole, United States and Mexico cooperation has grown stronger during the past two years in part due to the historic meeting at Waco, Texas, on March 23, 2005, when the elected leaders of Canada, Mexico and the United States jointly announced a cooperative venture called the Security and Prosperity Partnership of North America (SPP).[31] During this trilateral meeting, all three North American leaders described the security and prosperity of our nations as mutually dependent and complementary and explained the impetus for this new initiative. They observed that over the past decade, our three nations have taken important steps to expand economic opportunity for our people and create the most vibrant and dynamic trade relationship in the world. In addition, as part of their efforts to protect North America from external threats, prevent and respond to threats within North America and streamline legitimate cross-border trade and travel, the three nations' leaders committed to the following.

- Implement common border-security strategies
- Enhance infrastructure protection
- Implement a common approach to emergency response
- Implement improvements to aviation and maritime security
- Enhance intelligence partnerships
- Combat transnational threats
- Implement a border-facilitation strategy

30. Hakim, Peter. (2006) "Is Washington Losing Latin America?" *Foriegn Affairs* (Jan/Feb2006), Vol. 85 Issue 1, pp. 39-53.
31. The joint statement by Mexican President Vicente Fox, United States President Bush, and Canadian Prime Minister PaulMartin on the establishment of the "Security and Prosperity Partnership of North America", 23 March 2005, web site: http://pm.gc.ca/eng/news.asp?id-443.

They stated "in a rapidly changing world, we must develop new avenues of cooperation that will make our open societies safer and more secure, our businesses more competitive and our economies more resilient."[32] Although this is not a formal treaty or agreement, they contend that this new North American partnership would work to achieve these ends and "is committed to reach the highest results to advance the security and well-being of our people."[33]

The SPP outlines the intent of our national leaders to protect our continent in the face of adversity, and therefore complements, the foci of the *United States' National Security Strategy* (NSS), U.S. National Strategy for Homeland Security (NSHS), and the Secretary of Defense's Security Cooperation Guidance (SCG). The NSS outlines primary goals of political and economic freedom, peaceful relations with other states and respect for human dignity. It also focuses on strengthening our alliances, working with others, and ensuring that enemies do not threaten the United States allies and friends. The NSHS complements the NSS by providing a comprehensive framework for organizing the efforts of federal, state, local and private organizations whose primary functions are often unrelated to national defense.[34] Similarly the SCG outlines the Secretary of Defense's priorities to help our friends or allies achieve their defense and security goals.

In addition to the historic SPP, NSS, NSHS, and SCG, the recent publication of the *United States National Drug Control Strategy* (2007) acknowledges the significant contributions of President Felipe Calderon in fighting the war on drugs; applauding efforts which impact significantly on the drug situation in the United States.[35] Progress in homeland security and counter drug activities is complemented by slow, but steady cooperation between USNORTHCOM, SEMAR and SEDENA.

Military Instrument of Power

Conventional conflicts will continue throughout the rest off the world and will continue to have little direct effect upon the North American continent. However, the asymmetric threat to Mexico and the United States has never been greater. Non-traditional, or non-conventional threats may include narcotics traffickers, terrorists, or natural threats such as a pandemic influenza, none of which respect our common national borders. The September 11, 2001 attacks changed former perceptions of the threat, such that superior information and intelligence sharing have become essential to the viability of our shared economic infrastructure, as well as the safety and survival of our nations.

Although stationing Mexican soldiers on American soil or American soldiers on Mexican soil might be unpalatable to citizens in both nations, our nations have a common interest in defending our people from external threats. The Louisiana offshore oil fields are as vulnerable to potential external threats as are the Campache oil fields. Therefore, cooperative ventures must be expanded, which do not adversely impact upon sovereignty concerns. In addition, trust is the foundation of every relationship whether it is between two individuals or two nations. Therefore, we must maintain continual outreach efforts to open and maintain dialogue among leadership of USNORTHCOM, SEMAR, and SEDENA. Senior leaders within USNORTHCOM already acknowledge the professionalism and competence of the Mexican military. Over the years, the Mexican military has maintained a fairly distant

32. Ibid.
33. Ibid.
34. *The United States National Strategy for Homeland Security* (NSHS) aligns and focuses homeland security functions into six critical mission areas: intelligence and warning, border and transportation security, domestic counterterrorism, protecting critical infrastructure, defending against catastrophic terrorism, and emergency prepardness and response. The first three mission areas focus primarily on preventing terrorist attacks; the next two on reducing our Nation's vulnerabilities; and the final one on minimizing the damage and recovering from attacks that do occur.
35. *United States National Drug Control Strategy* (2007), obtained on 22 February 2007 from web site: http://www.whitehousedrugpolicy.gov/publications/policy/ndcs07/.

relationship with the United States counterparts.[36] In turn, there was significant gratitude for the Mexican army convoys and a naval ship laden with food, supplies and specialists that helped in the 2005 Hurricane Katrina relief effort. This symbolic journey by Mexico's military marked a new age of cooperation between our nations in the realm of emergency support to civil agencies.

The SPP is meant to enhance our common efforts to combat infectious diseases, develop responses to man-made or natural disasters, and to coordinate efforts against terrorist threats. This provides a basis for enhanced cooperation among USNORTHCOM, SEMAR, and SEDENA, which are addressed in the following paragraphs.

The World Health Organization (WHO) has identified the Pandemic Influenza (PI) as a potential threat to the world population. Pandemics killed estimated 40–50 million people during the "Spanish influenza" in 1918, 2 million during the Asian influenza in 1957, and approximately 1 million deaths during the Hong Kong influenza in 1968.[37] The WHO has used a relatively conservative estimate for PI from 2 million to 7.4 million deaths because it provides a useful and plausible planning target. Should another PI occur, lead civilian agencies from Canada, Mexico and the United States would call upon the militaries of each country to assist civil authorities, hence it makes sense to develop a bilateral plan whereby cooperation is assured.

Responses to man-made or natural disasters are central roles of the USNORTHCOM, SEMAR and SEDENA. The types of disasters may include hurricanes such as Katrina, tornadoes, earthquakes, volcanic eruptions, or floods. If the Popocatepetl Volcano, an Aztec word for 'smoking mountain,' erupted, millions of Mexican citizens lives and livelihoods would be adversely affected. Similarly, faults could result in earthquakes impacting upon the San Diego and Baja California region. Deaths and injuries on both sides of the border could impact upon millions of people, and would increase if the response to such a tragedy was delayed. Undersea earthquakes could also result in a Tsunami, with disastrous consequences for United States and Mexican citizens along the Pacific coast. Travel time between the earthquake occurrence and arrival of the first waves at the adjacent coast varies from 10-20 minutes for the areas most severely affected, so that no official warnings could be broadcast in sufficient time for evacuation.[38]

Whether the threat comes from narcotics-traffickers or external terrorists, the potential exists for cooperation between USNORTHCOM, SEMAR and SEDENA against chemical, biological, nuclear, radiological and high explosive threats (CBRNE). Any weapon of mass destruction of the CBRNE ilk would have a spillover effect from one nation to the other. For example, an attack on Juarez, would impact upon El Paso Texas; similarly an attack on San Diego, California would impact upon Tijuana. Hospitals could be overwhelmed, resources depleted and lives lost if bilateral cooperation did not occur. Development of Mexican Weapons-of Mass Destruction-Civil Support Teams (WMD-CST) would not require significant expenditures, but would greatly increase capabilities and lives saved. In addition, this cooperation could not occur in a mere military to military context, but would have to be pursued in an inter-agency cooperative environment.

Despite the significant steps forward resulting from the Mexican relief operations after Hurricane Katrina, seamless interoperability is still a great distance away. Within the human dimension, we must increase the number of truly fluent English-Spanish speakers to achieve any degree of

36. Davidow, Jeffrey. *The United States and Mexico: The Bear and the Porcupine*., Markus Wiener Publishers. Princeton, NJ, 2004, p. 193.

37. World Health Organization, *Ten things you need to know about Pandemic Influenza*, obtained 2-23-07 web site: http://www.who.int/csr/disease/influenza/pandemic10things/en/index.html.

38. Legg, Mark R., Jose C. Borrerro, and Costas E. Synolakis. 2003. *Evaluation of Tsunami Risk to Southern California Costal Cities, The 2002 NEHRP Professional Fellowship Report*. Obtained 22 Feb 2007 web site: http://www.eeri.org/tsunami_risk/FinlRept.pdf.

interoperability. Secondly, numerous after action reports (AAR) have identified that communications interoperability has been a needed, but neglected, capability in virtually every major disaster. Several AARs have identified that messengers were the most efficient form of communications until electronic communications were established. Hence, a second area of cooperation might be to train and equip SEMAR and SEDENA with communications packages that are interoperable with United States emergency communications suites. Training, equipping, and then exercising communications interoperability in a civil support role would also have positive spillover effects upon a homeland defense mission.

Communications suites supporting post-natural disaster relief efforts could be used in post-terrorist attack scenarios as well as pre-conventional attack scenarios. Out of the approximately $1 billion spent by the United States on counter-drug initiatives per year, less than 1 percent is provided to USNORTHCOM. In addition, the restrictions associated with the *American Service Member Protection Act* (ASPA) have severely hampered the 'equip' portion of the training and equip roles.

Future

Legislators in the United States must recognize that economics or trade is the U.S. center of gravity; and the U.S. economic engine could be adversely impacted by an attack on either Canada or Mexico. Hence, waivers for restrictions on training and equipment should be a top priority. The attacks of September 11, 2001 showed that airspace can be threatened, and common sense leads to the possibility for attacks to emerge through the maritime domain. Hence, the Department of State and Department of Defense will need to work closely with counterparts in Mexico at developing viable options to counter real-world threats.

Figure 2. Synchronized Information Sharing.

Since there are so many sensitivities on both sides of the border over sovereignty and internal immigration issues, the best first-step toward enhanced security and defense is in synchronized information sharing. Ensuring a fully synchronized common air picture and common maritime picture would provide the means to deter, detect and identify threats, while allowing each nation to defend using their own forces.

This however cannot occur until diplomacy, information, military and economic initiatives are synchronized. Although the SPP has made significant progress between the United States and Mexico, funding for great ideas has not been authorized. The United States Congress and executive branch will need to agree that securing our borders in cooperation with our two closest neighbors is worthy of taxpayer funding. Increasing the amounts of security assistance funds and loosening restrictions on Mexico would enable training, equipping and exercises improving defense and security significantly more than political speeches without funding. In addition to increases in 1206 and 1208 funding, increases to the budgets for the Center for Hemispheric Defense Studies (CHDS) and Western Hemisphere Institute for Security Cooperation (WHINSEC) would help to contribute to building trust with our southern neighbors.

About the Author

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Taking the Communication High Ground: The Case for a Joint Inter-Agency Task Force for Strategic Communication

By
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[The following are views of the author and not necessarily shared by U.S. Northern Command, North American Aerospace Defense Command, or the Defense Institute of Security Assistance Management.]

> . . . The only place we can lose is if the country loses its will, and the determinant of that is what is played in the media. And therefore, the terrorists have media committees, and they plan it and they manipulate and manage to influence what the media carries throughout the world, and they do it very successfully. They're good at it . . . And so we have to figure this [strategic communications] out, and, frankly, we have not done it. We have not done a good job trying to figure out how we can do what we need to do to compete in this struggle, which is going to take a long time. How do we compete in this struggle in a way that can counter the ability of the enemy to lie – which we can't do – the ability of the enemy to not have a free media criticizing them? . . .
>
> [News briefing with Secretary of Defense Rumsfeld, February 1, 2006]

The United States Secretary of Defense (SECDEF) Donald Rumsfeld's comments early this year make it clear that the United States faces serious challenges in executing what is commonly referred to as strategic communication. *The Quadrennial Defense Review* describes strategic communication as:

> Focused U.S. government efforts to understand and engage key audiences in order to create, strengthen or preserve conditions favorable for the advancement of national interests and policies through the use of coordinated themes, plans, programs, and products integrated with the actions of all elements of national power.

That said, there are no focused, coordinated, national-level strategic communication efforts at this time. There have been various attempts by different government entities including the Department of State and the National Security Council to put together a strategic communication program of some sort but these have shown themselves to be limited in scope and ineffective in their outcomes. The consequences for the U.S. are significant.

- Not having a centralized, coordinated mechanism to develop and push communication objectives and themes leaves subordinate agencies (and audiences) without a message, or in a position of having to improvise
- Not identifying and promulgating clear objectives and themes causes agencies to hesitate before engaging in communication fearing negative public/media perceptions
- Adversary communications are perceived to be focused and effective in contrast to the apparent struggle the U.S. has to gain and hold the message 'high ground' among global audiences

The U.S. government will not solve its communication problems by simply increasing the number of messaging outlets. Instead it needs a high-level, centralized source for the development and promulgation of unifying objectives and themes that all federal departments and agencies can use. Establishing a Joint Inter-Agency Task Force for Strategic Communication (JIATF-SC) is something that would greatly improve the communication efforts of the U.S. Moreover, this kind of organization is something that is both needed and asked for by many in federal service.

Preliminary consideration of a national-level communication strategy may suggest having one entity (such as the Whitehouse) control the development of objectives and themes as useful in providing a centralized source for strategic communication. On closer examination, it becomes clear that having one organization comprised of several key claimants is a better construct. There are two reasons for this.

The first reason relates to the global nature of communication. With the evaporation of the traditional "news cycle" and the advent of the internet, there are no more boundaries or borders affecting communication. The line between foreign and domestic is more imaginary than it ever was. Any organization that seeks to develop and promulgate communication objectives and themes for the U.S. needs to include representation from the various departments and agencies that are claimants to specific segments of global audiences, whether foreign or domestic.

The second reason can be summarized as "No Communication Without Representation." There will be considerable resentment and frustration among the several departments and agencies if they are simply told what to say to their respective audiences without being able to bring their specific knowledge of the audience to the development table. Much time and effort can be saved by having representatives from many agencies at the table to deconflict and synchronize national-level objectives and themes. When the objectives and themes are finally promulgated throughout the federal pantheon, the recipients can know that their agency interests have already been voiced.

A JIATF-SC should be more inclusive than exclusive. Members should include representatives from the Department of State, Department of Defense, Department of Justice, Central Intelligence Agency, and National Security Council, to name just a few obvious organizations. There should also be representation from the Department of Homeland Security (DHS). Indeed, the *Homeland Security Act of 2002* that established DHS opens the door for the creation of such a JIATF under the purview of the DHS Secretary:

> The Secretary may establish and operate a permanent Joint Interagency Homeland Security Task Force composed of representatives from military and civilian agencies of the United States Government for the purposes of anticipating terrorist threats against the United States and taking appropriate actions to prevent harm to the United States . . .

As SECDEF indicated, the U.S. is not at any disadvantage when exerting our military might on the battlefield. Our disadvantages relate to our national difficulty in countering adversary communications while competently and consistently asserting our own messages to global audiences. A JIATF-SC would provide the U.S. with a strong command-and-control organization for the development and promulgation of a national strategic communication strategy.

It is important not to allow any one department or agency to posture itself for control of a JIATF-SC. The President should be seen as the head of the JIATF and ultimate authority for the approval of objectives and themes. Those organizations comprising JIATF-SC would participate as equals and would as a body report to the President. Keeping the President as the titular head of the JIATF-SC will help solidify all that the JIATF does and preempt attempts at lower levels to deflect or debate the JIATF's products.

Certainly there is ample room for debate about the merits of establishing a JIATF-SC and how it should be structured. That said, the debate should begin with the acknowledgement that whatever we as a nation are doing to develop or support national-level communication is not working in the global arena. It may seem an over simplification to say improvement requires change but our collective national actions regarding strategic communication suggest we do not understand or accept this truism yet. We know what we are doing is not working the way we want it to, and we sense that there will be tremendous benefits that come from having a solid strategic communication program at the national level. A JIATF-SC is the right bridge for these two points and will be an effective means for shaping and promulgating strategic communication.

About the Author

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LEGISLATION AND POLICY

Offsets in Defense Trade
Eleventh Report to Congress, January 2007

By
U.S. Department of Commerce's Bureau of Industry and Security Office of Strategic Industries and Economic Security

[The following are extracts of the eleventh annual report released January 2007. Some of the footnotes and tables have been omitted from this excerpt; however, the footnotes and table numbers remain the same as in the original document. The complete report is available at the following web site: http://www.bis.doc.gov/DefenseIndustrialBasePrograms/OSIES/offsets/FinalOffsetsElevenReport.pdf.

Introduction

This is the eleventh annual report on the impact of offsets in defense trade prepared by the U.S. Department of Commerce's Bureau of Industry and Security (BIS), Office of Strategic Industries and Economic Security pursuant to Section 309 of the *Defense Production Act of 1950*,[1] as amended (DPA). The report analyzes the impact of offsets on the defense preparedness, industrial competitiveness, employment, and trade of the United States.

Offsets in defense trade encompass a range of industrial compensation arrangements required by a foreign government as a condition of purchase of U.S. defense articles and services. This mandatory compensation can take many forms; it can be directly related to the purchased defense system and related services, or it can involve activities or goods unrelated to the defense system. The compensation can be further classified as a subcontract, purchase, co-production, technology transfer, licensed production, credit assistance, overseas investment, or training.

Some have raised concerns about the effects of offsets on the U.S. industrial base, since most offset arrangements involve purchasing, subcontracting, and co-production opportunities for U.S. competitors, as well as transferring technology and know-how. The official U.S. government policy on offsets in defense trade states that the government considers offsets to be "economically inefficient and trade distorting," and forbids government agencies from helping U.S. contractors to fulfill their offset obligations.[2] U.S. prime contractors generally see offsets as a reality of the marketplace for companies competing for international defense sales. Several U.S. prime contractors have informed BIS that offsets are usually necessary in order to make a defense sale.

In order to assess the impact of offsets in defense trade, BIS obtained data from U.S. defense firms involved in defense exports and offsets. These firms report their offset activities to BIS annually,[3] This report covers offset agreements entered into and the offset transactions carried out to fulfill these offset obligations from 1993 through 2005.

1. Codified at 50 U.S.C. pp. § 2099 (2000).
2. *Defense Production Act Amendments of 1992* (Publ L. 102-558, Title 1, Part C, § 123).
3. Pursuant to 15 CFR Part 701 (1944).

Statutes and Regulations

In 1984, the Congress enacted amendments to the *Defense Production Act* (DPA), which included the addition of Section 309 addressing offsets in defense trade.[8] Section 309 requires the President to submit an annual report on the impact of offsets on the U.S. defense industrial base to the Congress's then-Committee on Banking, Finance, and Urban Affairs of the House of Representatives[9] and the Committee on Banking, Housing, and Urban Affairs of the Senate. Section 309 authorized the Secretary of Commerce to develop and administer the regulations necessary to collect offset data from U.S. defense exporters. The Secretary of Commerce delegated this authority to the Bureau of Industry and Security (BIS). BIS published its first offset regulations in 1994.[11]

Every year, U.S. companies report offset agreement and transaction data for the previous calendar year to BIS. The 1992 amendments to Section 309 of the DPA reduced the offset agreement reporting threshold from $50 million to $5 million for U.S. firms entering into foreign defense sales contracts subject to offset agreements. Firms are also required to report all offset transactions for which they receive offset credits of $250,000 or more.

United States Government Policy

The U.S. government policy on offsets in defense trade was developed by an interagency offset team. On April 16, 1990, the President announced a policy on offsets in military exports.[12] In 1992, Congress passed the following provision, which closely reflects the policy announced by the President:[13]

> (a) In General. Recognizing that certain offsets for military exports are economically inefficient and market distorting, and mindful of the need to minimize the adverse effects of offsets in military exports while ensuring that the ability of United States firms to compete for military export sales is not undermined, it is the policy of the Congress that:
>
> (1) No agency of the United States government shall encourage, enter directly into, or commit United States firms to any offset arrangement in connection with the sale of defense goods or services to foreign governments
>
> (2) United States government funds shall not be used to finance offsets in security assistance transactions, except in accordance with policies and procedures that were in existence on March 1, 1992
>
> (3) Nothing in this section shall prevent agencies of the United States government from fulfilling obligations incurred through international agreements entered into before March 1, 1992
>
> (4) The decision whether to engage in offsets, and the responsibility for negotiating and implementing offset arrangements, reside with the companies involved

8. See Pub. L. 98-265, April 17, 1984, 98 Stat. 149.
9. Section 309 of the DPA was amended in 2001 to reflect the change in the name of the House committee to the "Committee on Financial Services of the House of Representatives." See 50 U.S.C. app. § 2099(a)(1).
11. See 59 Fed. Reg. 61796, Dec. 2, 1994, codified at 15 C.F.R. § 701.
12. See April 16, 1990 statement by Press Secretary Fitzwater on offsets in military exports.
13. Congress incorporated this policy statement into law with the *Defense Production Act Amendments of 1992* (Pub. L. 102558, Title 1, Part C. § 123, 106 Stat. 4198).

(b) Presidential Approval of Exceptions. It is the policy of the Congress that the President may approve an exception to the policy stated in subsection (a) after receiving the recommendation of the National Security Council.

(c) Consultation. It is the policy of the Congress that the President shall designate the Secretary of Defense to lead, in coordination with the Secretary of State, an interagency team to consult with foreign nations on limiting the adverse effects of offsets in defense procurement. The President shall transmit an annual report on the results of these consultations to the Congress as part of the report required under section 309(a) of the DPA.

Provisions in the *Defense Offsets Disclosure Act of 1999*[14] supplemented the offset policy:

(1) A fair business environment is necessary to advance international trade, economic stability, and development worldwide; this is beneficial for American workers and businesses, and is in the United States' national interest.

(2) In some cases, mandated offset requirements can cause economic distortions in international defense trade and undermine fairness and competitiveness, and may cause particular harm to small- and medium-sized businesses.

(3) The use of offsets may lead to increasing dependence on foreign suppliers for the production of United States weapons systems.

(4) The offset demands required by some purchasing countries, including some close allies of the United States, equal or exceed the value of the base contract they are intended to offset, mitigating much of the potential economic benefit of the exports.

(5) Offset demands often unduly distort the prices of defense contracts.

(6) In some cases, United States contractors are required to provide indirect offsets which can negatively impact non-defense industrial sectors.

(7) Unilateral efforts by the United States to prohibit offsets may be impractical in the current era of globalization and would severely hinder the competitiveness of the United States defense industry in the global market.

The *Defense Offsets Disclosure Act of 1999* continues with the following declaration of policy:

> It is the policy of the United States to monitor the use of offsets in international defense trade, to promote fairness in such trade, and to ensure that foreign participation in the production of United States weapons systems does not harm the economy of the United States.

Offsets Terminology

Several basic terms are used in discussions of offsets in defense trade.

- Offsets. Compensation practices required as a condition of purchase in either government-to-government or commercial sales of "defense articles" and/or "defense services" as defined by the *Arms Export Control Act* (AECA) (22 U.S.C. § 2751, et. seq.) and the *International Traffic in Arms Regulations* (ITAR) (22 C.F.R. §§ 120-130).

14. See Pub. L. No. 106-113 Stat. 1536, 1510A-500 to 1501A-505 (1999) (enacting into law Subtitle D of title XII of Division B of H.R. 3427 (113 Stat. 1501A-500) as intruduced on Nov. 17, 1999) (found at 50 U.S.C. App. 2099. Note).

- Direct Offsets. Contractual arrangements that involve defense articles and services referenced in the sales agreement for military exports. These transactions are directly related to the defense items or services exported by the defense firm and are usually in the form of co-production, subcontracting, technology transfer, training, production, licensed production, or financing activities.

- Indirect Offsets. Contractual arrangements that involve defense goods and services unrelated to the defense items or services export referenced in the sales agreement. The kinds of offsets that are considered "indirect" include purchases, investment, training, financing activities, marketing/exporting assistance, and technology transfer.

General Overview

Table 2-1 provides a summary of all offset agreement and transaction activity for the thirteen-year period from 1993 through 2005. In 2005, the total value of offset agreements was $1.5 billion. These agreements were made in conjunction with U.S. defense system exports totaling $2.3 billion in 2005. Eight prime contractors reported that they entered into 25 offset agreements with 18 countries that year. The average offset percentage (offset value ÷ value of exported system) for 2005 was 64.8 percent, down from 87.9 percent in 2004, continuing the downward slope from the high of 124.9 percent recorded in 2003. The average offset agreement for the thirteen-year period was worth 71.2 percent of the value of the defense systems exported. The upward trend in offset requirements is also evident in Table 2-1. For the time period of 1993-1998, offset agreements totaled 54.7 percent of the value of the defense systems exported; for the time period of 1999-2005, that percentage had grown to 86.6 percent.

The recent decline in multipliers, witnessed in recent years, seems to have halted as multipliers rose for the first time in six years. The average multiplier in 2005 was 1.152, still below the average of 1.181 for the thirteen-year period. The highest multiplier, 1.363, came in 1999. Multipliers are granted on a decreasing level of transactions over time. A declining multiplier indicates that countries demanding offsets have granted lower credit values associated with offset agreements. Multipliers are used to target offset obligations toward a desired type of fulfillment.

Types of Offset Transactions

Table 2-2 presents offset transaction data by offset type (direct, indirect, or unspecified) and the percent distribution for each year from 1993 to 2005. Table 2-2 also shows the total actual and credit values of the transactions for each year.

The actual value of offset transactions completed during 2005 was $4.7 billion, second only to 2004 in the 1993-2005 period. This is due to the high level of export sales and related offset agreements since 2000. Transactions lag a few years behind the offset agreements that they fulfill.

In 2005, the percentage of offset transaction value attributed to indirect offset transactions rose to 61.8 percent after declining to 46.6 percent in 2004, the second lowest level in the period. Direct transactions correspondingly decreased from 53.4 percent of all offset transactions completed in 2004 to 38.2 percent in 2005. 2004 recorded the second highest percentage for transactions classified as "direct;" 1998 had the highest percentage with 63.6 percent of offset transactions being direct. Percentages recorded in 2005 align more closely with those recorded from 1999-2003 than those recorded in 2004. For the thirteen-year period of this report, 39.8 percent of offset transactions by value were direct (down from 40.4 percent for 1993-2004), and 59.5 percent were indirect (up from 58.9 percent in 1993-2004).

Table 2-1. General Summary of Offset Activity, 1993-2005
($ Millions)

Offset Agreements

Year	Export Value	Offset Value	Percentage Offset	Companies	Agreements	Countries
1993	$13,935.0	$4,784.4	34.3%	17	28	16
1994	$4,792.4	$2,048.7	42.7%	18	49	20
1995	$7,529.9	$6,102.6	81.0%	20	47	18
1996	$3,119.7	$2,431.6	77.9%	16	53	19
1997	$5,925.5	$3,825.5	64.6%	15	60	20
1998	$3,029.2	$1,768.2	58.4%	12	41	17
1999	$5,656.6	$3,456.9	61.1%	10	45	11
2000	$6,576.2	$5,704.8	86.7%	10	43	16
2001	$7,017.3	$5,460.9	77.8%	11	34	13
2002	$7,406.2	$6,094.8	82.3%	12	41	17
2003	$7,293.1	$9,110.4	124.9%	11	32	13
2004	$4,927.5	$4,329.7	87.9%	14	40	18
2005	$2,259.9	$1,464.1	64.8%	8	25	18
Total	**$79,468.5**	**$56,582.7**	**71.2%**	**42**	**538**	**41**

Offset Transactions

Year	Actual Value	Credit Value	Multiplier*	Offset Fulfillers	Transactions	Countries
1993	$1,897.9	$2,213.6	1.166	43	444	27
1994	$1,934.9	$2,206.1	1.140	38	566	26
1995	$2,890.5	$3,592.6	1.243	57	11	26
1996	$2,875.8	$3,098.0	1.077	54	634	26
1997	$2,720.6	$3,272.3	1.203	51	578	26
1998	$2,312.2	$2,623.2	1.135	50	582	29
1999	$2,059.7	$2,808.3	1.363	41	513	25
2000	$2,208.2	$2,846.4	1.289	40	627	24
2001	$2,555.8	$3,274.4	1.281	53	617	25
2002	$2,616.0	$3,284.5	1.256	50	729	26
2003	$3,565.5	$4,010.7	1.125	56	689	31
2004	$4,933.1	$5,364.3	1.087	62	706	33
2005	$4,709.6	$5,426.6	1.152	61	611	30
Total	**$37,279.7**	**$44,021.1**	**1.181**	**298**	**8,007**	**45**

Source: BIS Offsets Database.
Note: Due to rounding, totals may not add up exactly.
*Multipliers are used only in a small percentage of the total number of transactions.

Table 2-2. Offset Transactions by Type, 1993-2005
($ Millions)

	Actual Value				Percent Distribution		
Year	Total	Direct	Indirect	Unspecified Direct or Indirect	Direct	Indirect	Unspecified Direct or Indirect
1993	$1,897.9	$583.6	$1,250.5	$63.9	30.7%	65.9%	3.4%
1994	$1,934.9	$599.8	$1,230.8	$104.3	31.0%	63.6%	5.4%
1995	$2,890.5	$1,108.8	$1,756.8	$24.9	38.4%	60.8%	0.9%
1996	$2,875.8	$1,248.8	$1,625.6	$1.4	43.4%	56.5%	0.0%
1997	$2,720.6	$1,041.7	$1,657.5	$21.4	38.3%	60.9%	0.8%
1998	$2,312.2	$1,469.7	$842.4	$0.1	63.6%	36.4%	0.0%
1999	$2,059.7	$685.2	$1,363.1	$11.4	33.3%	66.2%	0.6%
2000	$2,208.2	$785.6	$1,411.9	$10.6	35.6%	63.9%	0.5%
2001	$2,555.8	$940.9	$1,614.9	NR	36.8%	63.2%	NR
2002	$2,616.0	$941.8	$1,673.0	$1.3	36.0%	63.9%	0.1%
2003	$3,565.5	$1,113.0	$2,447.0	$5.6	31.2%	68.6%	0.2%
2004	$4,933.1	$2,635.2	$2,297.4	$0.5	53.4%	46.6%	0.0%
2005	$4,709.6	$1,797.5	$2,912.1	NR	38.2%	61.8%	0.0%
Total	**$37,277.0**	**$14,850.4**	**$22,180.0**	**$249.1**	**39.8%**	**59.5%**	**0.7%**

	Credit Value				Percent Distribution		
Year	Total	Direct	Indirect	Unspecified Direct or Indirect	Direct	Indirect	Unspecified Direct or Indirect
1993	$2,213.6	$684.3	$1,460.6	$68.7	30.9%	66.0%	3.1%
1994	$2,206.1	$774.1	$1,323.2	$108.8	35.1%	60.0%	4.9%
1995	$3,592.6	$1,302.6	$2,250.7	$39.3	36.3%	62.6%	1.1%
1996	$3,098.0	$1,182.0	$1,880.0	$36.0	38.2%	60.7%	1.2%
1997	$3,272.3	$1,183.5	$2,039.1	$49.7	36.2%	62.3%	1.5%
1998	$2,623.2	$1,629.4	$991.3	$2.5	62.1%	37.8%	0.1%
1999	$2,808.3	$1,119.4	$1,618.7	$70.3	39.9%	57.6%	2.5%
2000	$2,846.4	$1,146.4	$1,689.5	$10.6	40.3%	59.4%	0.4%
2001	$3,274.4	$1,292.3	$1,982.1	NR	39.5%	60.5%	NR
2002	$3,284.5	$1,111.2	$2,171.9	$1.3	33.8%	66.1%	0.0%
2003	$4,010.7	$1,215.5	$2,783.2	$12.0	30.3%	69.4%	0.3%
2004	$5,364.3	$2,764.3	$2,599.5	$0.5	51.5%	48.5%	0.0%
2005	$5,426.6	$1,870.9	$3,555.7	NR	34.5%	65.5%	0.0%
Total	**$44,018.4**	**$17,174.9**	**$26,442.6**	**$403.5**	**39.0%**	**60.1%**	**0.9%**

	Multiplier*				Number of Transactions			
Year	Total	Direct	Indirect	Unspecified Direct or Indirect	Total	Direct	Indirect	Unspecified Direct or Indirect
1993	1.166	1.173	1.168	1.076	444	132	308	4
1994	1.140	1.291	1.075	1.043	566	157	404	5
1995	1.243	1.175	1.281	1.579	711	204	505	2
1996	1.077	0.947	1.156	25.714	634	228	404	2
1997	1.203	1.136	1.23	2.326	578	202	372	4
1998	1.135	1.109	1.177	19.538	582	241	340	1
1999	1.363	1.634	1.187	6.152	513	203	305	5
2000	1.289	1.459	1.197	1.000	627	216	409	2
2001	1.281	1.374	1.227	NR	617	224	393	NR
2002	1.256	1.18	1.298	1.000	729	194	534	1
2003	1.125	1.092	1.137	2.151	689	179	506	4
2004	1.087	1.049	1.131	1.000	706	375	330	1
2005	1.153	1.041	1.221	1.000	611	206	405	NR
Total	**1.181**	**1.157**	**1.192**	**1.620**	**8,007**	**2,761**	**5,215**	**31**

Source: BIS Offsets Database.
NR = None Reported
Note: Due to rounding, totals may not add up precisely.
*Multipliers are used only in a small percentage of the total number of transactions.

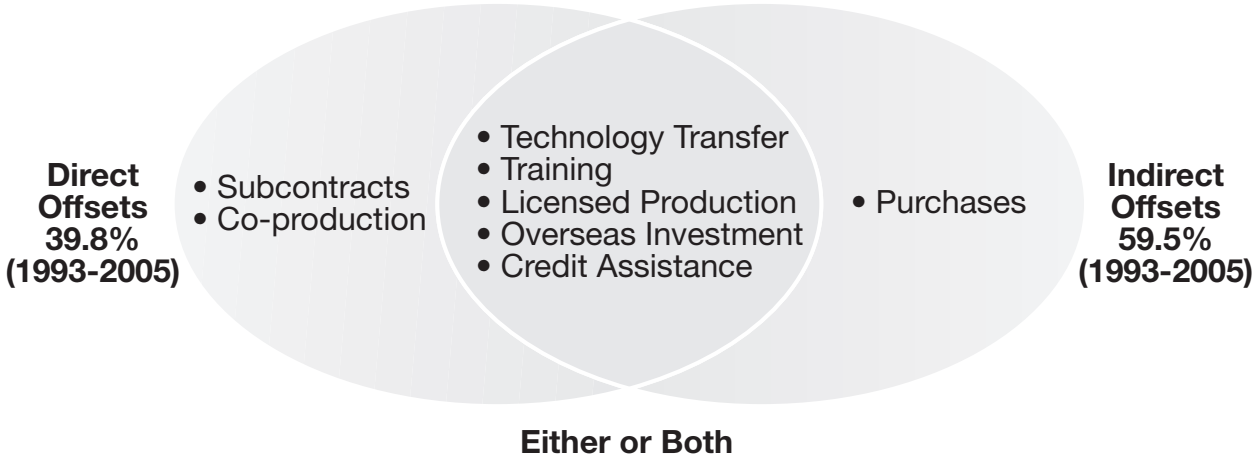
The multiplier, also shown in Table 2-2, is the percentage difference between the actual value of offset transactions and the credit value.[15] This multiplier means that, for the database as a whole, the total credit value of the transactions is 18.1 percent more than the actual value; this is a slight decrease from 18.5 percent for 1993-2004. In 2005, the multiplier rose to 1.153, temporarily halting the steady drop witnessed since the 1999 level of 1.363. Whether this break is temporary or indicative of a larger trend remains to be seen. The great majority of offset transactions neither include multipliers nor have multipliers that provide a credit value less than the actual value of the transaction.

Offset Transaction Categories

In addition to classifying offset transactions by type (direct or indirect), offset transactions are identified by various categories, which more specifically describe the nature of the arrangement or exchange. These categories include:

- Purchases
- Subcontracts
- Technology Transfers
- Credit Assistance
- Training
- Overseas Investment
- Co-production
- Licensed Production
- Miscellaneous

The diagram below shows that each category is considered direct, indirect, or could be either one (e.g., Technology Transfer, Training).



15. The credit value is sometimes more than the actual value assigned to transactions; some foreign governments give greater credit as an incentive for certain kinds of offset transactions. This incentive, called a multiplier, varies by country and by the kind of transaction - usually indirect offset transactions (i.e., purchase, technology transfer, and investment) receive higher credit value than direct offset transactions.

Purchases result in overseas production of goods or services usually for export to the United States. Purchases are always classified as indirect offsets to distinguish them from subcontracts, because the purchases are of items unrelated to the exported defense system. The U.S. exporter may make the purchase, or they can also use brokering and marketing assistance services that result in purchases by a third party. For 1993-2005, purchases represented 37.9 percent of the actual value of all offset transactions, more than any other category. They made up 63.6 percent of the value of indirect offsets. Aerospace-related offset transactions made up over 57 percent of the value of purchases during 1993-2005.

Subcontracts result in overseas production of goods or services for use in the production or operation of a U.S. exported defense system subject to an offset agreement. Subcontracts are always classified as direct offsets. During 1993-2005, subcontracts made up over one-fifth of the actual value of all offset transactions, and over 57 percent of the value of all direct offsets. Over 75 percent of the value of subcontracts was aerospace-related.

Technology transfer includes research and development conducted abroad, exchange programs for personnel, data exchanges, integration of machinery and equipment into a recipient's production facility, technical assistance, education and training, manufacturing know-how, and licensing and patent sharing. Technology transfer is normally accomplished under a commercial arrangement between the U.S. prime contractor and a foreign company. A major subcontractor may also accomplish the technology transfer on behalf of the U.S. prime contractor. For 1993-2005, technology transfer totaled just under $6.2 billion, up from $4.7 billion for 1993-2004. During the reporting period, 41.6 percent of the value of technology transfers was classified as direct offsets and 56.3 percent was indirect offsets; the balance was unspecified. Technology transfers accounted for approximately 16.6 percent of the actual value of all offset transactions.

Co-production is overseas production based upon a government-to-government agreement that permits a foreign government or producer to acquire the technical information to manufacture all or part of a U.S.-origin defense system. Co-production is always classified as a direct offset. It includes government-to-government licensed production, but excludes licensed production based upon direct commercial arrangements by U.S. manufacturers. During 1993-2005, 77 percent of the value of co-production reported was aerospace-related.

Co-production accounted for 6.6 percent of the value of offset transactions for 1993- 2005, unchanged from 1993-2004. Past Co-production transactions have involved constructing major production facilities in foreign countries (primarily at the expense of the foreign government) for the assembly of entire defense systems, such as aircraft, missiles, or ground systems. Co-production arrangements of this kind generally impose a high cost on the foreign government, including up front construction and tooling costs and increased unit costs for limited production runs. Some countries negotiate with prime contractors for production or assembly contracts related to future sales to third countries of the defense systems or system components.

Credit assistance includes direct loans, brokered loans, loan guarantees, assistance in achieving favorable payment terms, credit extensions, and lower interest rates. Credit assistance transactions accounted for 4.0 percent of the actual value of all transactions for 1993-2005. Credit assistance is nearly always classified as an indirect offset transaction but can be either direct or indirect. Indirect transactions made up 99.5 percent of the actual value of credit assistance for the period.

Table 2-3: Offset Transactions by Category and Type, 1993-2005

Transaction Category	Actual Values in $ Millions				Percent by Column Total			
	Total	Direct	Indirect	Unspecified Direct or Indirect	Total	Direct	Indirect	Unspecified Direct or Indirect
Purchase	$14,119.1		$14,119.1		37.9%		63.6%	
Subcontract	$8,540.9	$8,540.9			22.9%	57.5%		
Technology Transfer	$6,190.4	$2,573.5	$3,497.1	$132.2	16.6%	17.3%	15.8%	53.9%
Miscellaneous	$2,352.3	$377.1	$1,965.4	$9.8	6.3%	2.5%	8.9%	4.0%
Coproduction	$2,457.9	$2,457.9			6.6%	16.6%	0.0%	
Credit Assistance	$1,489.7	$7.2	$1,482.5		4.0%	0.0%	6.7%	
Overseas Investment	$1,041.9	$304.6	$659.8	$77.5	2.8%	2.1%	3.0%	31.6%
Training	$824.9	$484.7	$338.3	$1.9	2.2%	3.3%	1.5%	0.8%
Licensed Production	$262.7	$104.4	$134.2	$24.0	0.7%	0.7%	0.6%	9.8%
Total	**$37,279.7**	**$14,850.4**	**$22,196.4**	**$245.4**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Transaction Category	Credit Values in $ Millions				Percent by Column Total			
	Total	Direct	Indirect	Unspecified Direct or Indirect	Total	Direct	Indirect	Unspecified Direct or Indirect
Purchase	$15,656.8		$15,656.8		35.6%	0.0%	59.2%	0.0%
Subcontract	$9,462.3	$9,462.3			21.5%	55.1%		
Technology Transfer	$7,381.8	$2,861.0	$4,366.2	$154.6	16.8%	16.7%	16.5%	38.7%
Miscellaneous	$3,486.6	$897.9	$2,516.2	$72.4	7.9%	5.2%	9.5%	18.1%
Coproduction	$2,422.9	$2,422.9			5.5%	14.1%		
Credit Assistance	$1,691.9	$72.7	$1,619.2		3.8%	0.4%	6.1%	
Overseas Investment	$2,105.4	$584.4	$1,392.8	$128.2	4.8%	3.4%	5.3%	32.1%
Training	$1,359.6	$752.3	$593.9	$13.4	3.1%	4.4%	2.2%	3.4%
Licensed Production	$453.9	$121.4	$301.2	$31.2	1.0%	0.7%	1.1%	7.8%
Total	**$44,021.2**	**$17,174.9**	**$26,446.4**	**$399.8**	**35.6%**	**0.0%**	**59.2%**	**0.0%**

Transaction Category	Multiplier*				Number of Transactions			
	Total	Direct	Indirect	Unspecified Direct or Indirect	Total	Direct	Indirect	Unspecified Direct or Indirect
Purchase	1.109		1.109		3,933		3,933	
Subcontract	1.108	1.108			1,763	1,763		
Technology Transfer	1.192	1.112	1.249	1.169	919	385	520	14
Miscellaneous	1.482	2.381	1.280	7.385	522	104	413	5
Coproduction	0.986	0.986			316	316		
Credit Assistance	1.136	10.091	1.092		119	8	111	
Overseas Investment	2.021	1.919	2.111	1.655	132	27	100	5
Training	1.648	1.552	1.756	7.193	265	127	133	5
Licensed Production	1.728	1.162	2.244	1.300	38	27	9	2
Average	1.181	1.157	1.191	1.629	8,007	2,757	5,219	31

Source: BIS Offsets Database.
Note: Totals are rounded figures.
*Multipliers are used only in a small percentage of the total number of transactions.

Overseas investment includes capital invested to establish or expand a subsidiary or joint venture in the foreign country as well as investments in third-party facilities; the latter received the highest multipliers. Overseas investments accounted for just 2.8 percent of the actual value of all offset transactions during the period of 1993-2005; 63.3 percent of the value of overseas investment transactions was classified as indirect and 29.2 percent as direct.

Training transactions relate to the production, maintenance, or actual use of the exported defense systems or a component thereof. Training transactions, which can be either direct or indirect, may be required in areas such as computers, foreign language skills, engineering capabilities, or management. During the reporting period, direct offset transactions made up 58.8 percent of the value of training transactions; 41.0 percent was indirect. Training accounted for only 2.2 percent of the total value of offset transactions between 1993 and 2005.

Licensed production is overseas production of a U.S.-origin defense article. Licensed production differs from co-production in that it is based on commercial arrangements between a U.S. manufacturer and a foreign entity as opposed to a government-to-government agreement. In addition, licensed production virtually always involves a part or component for a defense system, rather than a complete defense system. These transactions can be either direct or indirect. Licensed production is the smallest among the offset categories, accounting for only 0.7 percent of the total value of offset transactions; 39.8 percent of the licensed production transactions (by actual value) were directly related to the defense systems sold.

Industry Classification – Standard Industrial Classification Codes

Table 2-4 shows the offset transactions classified by major industrial sector for the thirteen year period, 1993-2005. Each industry sector is defined using the Standard Industrial Classification (SIC) system.[16] Forty-four SIC categories are listed, which represent a wide cross section of the U.S. defense industrial base.

Of the various sectors, transportation equipment (SIC 37) accounted for more than half – 52.4 percent from 1993-2005 of the actual value of all offset transactions completed during the period. Transportation equipment made up 59.0 percent of the value of direct offset transactions, 47.7 percent of the value of indirect offset transactions, and 84.7 percent of the value of unspecified offset transactions. Transactions in this sector were composed mostly of aerospace products, including aircraft parts and components, engines and parts, hydraulic subsystems, and guided missiles and components.

Other major industry groups include electronic and electrical equipment (SIC 36) with 13.6 percent of the actual value of all transactions. SIC 36 includes products such as radar, communications equipment, and electronic components, as well as completed avionics equipment and material inputs for avionics such as circuit boards. Combined, transactions falling in SIC 37 and SIC 36 constitute 66 percent of the total value of offset transactions for the thirteen year period.

Technical services and consulting (SIC 87) made up 4.8 percent of the value of all transactions. Industrial Machinery (SIC 35) and Measuring and Analyzing Instruments (SIC 38) each accounted for 4.4 percent of the actual value of transactions. These three industry groups, along with transportation equipment and electronic/electrical equipment, comprised 79.6 percent of the total value of all transactions reported to date.

16. Standard Industrial Classification codes are used because conversion to NAICS has not been fully implemented.

Table 2-4. Offset Transactions by Major Industrial Sector and Offset Type, 1993-2005
(in $ millions)

	2-Digit SIC Code and Description	Total	Direct	Indirect	Unspecified Direct or Indirect	Total	Direct	Indirect	Unspecified Direct or Indirect
7	Agriculture	$53.6		$53.6		0.1%		0.2%	
9	Fishing, Hunting, and Preserves	$7.9		$7.9		0.0%		0.0%	
10	Metal Mining	$3.2		$3.2		0.0%		0.0%	
13	Crude Petroleum and Natural Gas	$21.2		$21.2		0.1%		0.1%	
15	Building Construction	$35.9	$20.8	$15.1		0.1%	0.1%	0.1%	
16	Heavy Construction	$1.5	$1.2	$0.3		0.0%	0.0%	0.0%	
17	Construction and Special Trades	$21.2	$1.0	$20.2		0.1%	0.0%	0.1%	
20	Food and Kindred Products	$15.5		$15.5		0.0%		0.1%	
22	Textile Mill Products	$6.4		$6.4		0.0%		0.0%	
23	Apparel and Other Fin Products	$3.8		$3.8		0.0%		0.0%	
24	Lumber and Wood Products	$0.3		$0.3		0.0%		0.0%	
25	Furniture and Fixtures	$0.3		$0.3		0.0%		0.0%	
26	Paper Mills and Allied Products	$21.9	$0.9	$21.1		0.1%	0.0%	0.1%	
27	Printing and Publishing	$34.0	$23.9	$10.1		0.1%	0.2%	0.0%	
28	Chemicals and Allied Products	$442.9	$20.3	$422.7		1.2%	0.1%	1.9%	
29	Petroleum Refining	$3.2		$3.2		0.0%		0.0%	
30	Rubber and Miscellaneous Plastic Products	$7.5	$0.7	$6.8		0.0%	0.0%	0.0%	
32	Cut Stone and Stone Products	$12.9		$12.9		0.0%		0.1%	
33	Primary Metal Industries	$266.3	$9.4	$256.8		0.7%	0.1%	1.2%	
34	Fabricated Metal Products	$1,217.9	$739.5	$478.4		3.3%	5.0%	2.2%	
35	Industrial Machinery, Exc Electricity	$1,624.8	$157.0	$1,467.2	$0.5	4.4%	1.1%	6.6%	0.2%
36	Electronic and Electrical Equipment	$5,073.4	$2,112.2	$2,957.0	$4.2	13.6%	14.2%	13.3%	1.7%
37	Transportation Equipment	$19,547.1	$8,764.7	$10,574.6	$207.8	52.4%	59.0%	47.7%	84.7%
38	Measuring and Analyzing Interest	$1,647.3	$799.2	$848.1		4.4%	5.4%	3.8%	
39	Miscellaneous Manufacturing Industries	$15.2	$0.6	$14.5		0.0%	0.0%	0.1%	
42	Motor Freight and Warehousing	$2.8		$2.8		0.0%		0.0%	
44	Water Transportation	$60.6		$60.6		0.2%		0.3%	

Table 2-4. Offset Transactions by Major Industrial Sector and Offset Type, 1993-2005 (Continued)
(in $ millions)

	2-Digit SIC Code and Description	Total	Direct	Indirect	Unspecified Direct or Indirect	Total	Direct	Indirect	Unspecified Direct or Indirect
45	Transportation By Air	$70.2	$54.7	$15.5		0.2%	0.4%	0.1%	
47	Transportation Services	$3.5	$0.0	$3.4		0.0%	0.0%	0.0%	
48	Communications	$217.3	$106.1	$111.2		0.6%	0.7%	0.5%	
49	Electric, Gas, and Sanitary Service	$2.5		$2.5		0.0%		0.0%	
61	Non-Depots Credit Interest	$734.3	$10.2	$724.1		2.0%	0.1%	3.3%	
62	Security and Communication Brokers	$131.2	$2.1	$129.1		0.4%	0.0%	0.6%	
67	Holding and Other Investment Offsets	$666.9	$205.5	$437.8	$23.6	1.8%	1.4%	2.0%	9.6%
70	Hotels and Other Lodging	$0.4		$0.4		0.0%		0.0%	
73	Business Services	$1,410.3	$324.0	$1,078.6	$7.7	3.8%	2.2%	4.9%	3.1%
76	Miscellaneous Repair Shops	$8.5	$2.4	$6.1		0.0%	0.0%	0.0%	
80	Health Services	$0.0		$0.0		0.0%		0.0%	
81	Legal Services	$0.1		$0.1		0.0%		0.0%	
82	Educational Services	$769.1	$285.6	$483.6		2.1%	1.9%	2.2%	
87	Technical Services and Cons	$1,797.1	$569.6	$1,225.9	$1.7	4.8%	3.8%	5.5%	0.7%
89	Miscellaneous Services	$124.7	$39.6	$85.1		0.3%	0.3%	0.4%	
96	Administration of Economic Programs	$12.0		$12.0		0.0%		0.1%	
99	Unclassifiable Establishments	$1,183.1	$599.1	$583.9		3.2%	4.0%	2.6%	
	Total	**$37,279.7**	**$14,850.4**	**$22,183.9**	**$245.4**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: BIS Offsets Database.
Note: In some cases, the amounts were too small to show in $ millions

Countries and Regions

Table 2-5 shows various countries' offset requirements as a percentage of the underlying contract value, calculated from the data reported by U.S. prime contractors as well as the offset percentages required by each country's current official offset policy.

The first column, "Percent Offsets," is an average percentage derived from the BIS Offsets Database for the period covering 1993 to 2005, which is calculated by dividing the offset value by the export value. These thirteen-year average percentages tend to be lower than the official offset policy percentage. Offset demands have increased significantly over time, so the thirteen-year average percentage lags behind the actual current offset percentage required by the foreign government.

The second column, "Country Percent," reflects current offset percentages as required by the government of each individual country. Most countries set a single target percentage offset value; however, a few countries vary the percentage depending on the significance of the individual offset agreement to the local economy. Some countries have formulas which place more emphasis on indirect offset agreements rather than direct, thereby reflecting a country's desire to develop civilian industry rather than the defense sector of the economy. Other countries demand almost entirely direct offsets, reflecting the desire to maintain and enhance their defense sector. Therefore, offset percentages and type depend on the importance of each contract with respect to the economic direction of any given country government.

Regional offset percentages are greater in Europe and North and South America, with demands of 98.8 percent and 97 percent respectively, followed by the Middle East and Africa with 43.2 percent and Asia with 38.8 percent.

Defense Preparedness

The revenue generated by export sales, and the exports themselves, are important to U.S. defense prime contractors and to U.S. foreign policy and economic interests. Exports of major defense systems can help defray high overhead costs for the U.S. producer and help maintain production facilities and workforce expertise for current and future U.S. defense needs. The production capabilities and workforce are also available in case they are needed to respond to a national emergency. Exports also provide additional business to many U.S. subcontractors and lower-tier suppliers, promote interoperability of defense systems between the United States and allied countries, and contribute positively to U.S. international trade account balances. Prime contractors believe that they must make their systems more attractive in the sales competition by adding offsets. In fact, nearly all governments other than the United States require offsets as a condition of sale.

When an offset package requires a high proportion of subcontracting, co-production, licensed production, or purchases, it can negate many of the economic and industrial base benefits accrued through the export sale. U.S. defense subcontractors and suppliers, and in some cases portions of the prime contractor's business, are displaced by exports that include subcontract, co-production, or licensed production offsets. Purchases, which are indirect offsets, can displace sales from the commercial manufacturing sectors of the U.S. economy. Over 80 percent of offset transactions reported for the 1993-2005 period fell in the manufacturing sectors of the U.S. economy.

Table 2-5: Offset Percentages by Country and Groups 1993-2005

Europe

Country, Groups	Percent Offsets	Country Percent
Austria	174.2%	200%
Belgium	80.1%	Case-by-Case
Czech Republic	W	100%
EPG	27.8%	N/A
Denmark	100.0%	100%
Finland	100.0%	100%
France	84.6%	100%
Germany	100.0%	Up to 100%
Greece	113.4%	80% to 300%
Hungary	W	
Italy	93.8%	Min. 70%
Lithuania	W	100%
NATO	55.8%	N/A
The Netherlands	118.6%	Up to 150%
Norway	104.8%	100%
Poland	W	100%
Portugal	27.9%	100%
Romania	W	80%
Slovenia	W	100%
Spain	88.5%	Up to 100%
Sweden	103.9%	100%
Switzerland	78.9%	100%
United Kingdom	83.9%	100%
Region Total	**98.8%**	

North and South America

Country	Percent Offsets	Country Percent
Brazil	W	100%
Canada	97.0%	100%
Chile	W	100%
Region Total	**97.0%**	

Middle East and Africa

Country	Percent Offsets	Country Percent
Egypt	N/R	Case-by-Case
Israel	48.6%	50%
Kuwait	32.7%	35%
Saudi Arabia	W	35%
South Africa	116.0%	30%
Turkey	46.6%	Minimum 50%
United Arab Emirates	57.1%	Minimum 60%
Region Total	**43.2%**	

Asia

Country	Percent Offsets	Country Percent
Australia	45.8%	60%
Indonesia	N/R	100%
Malaysia	37.3%	100%
New Zealand	W	30%
Philippines	100.0%	80%-100%
Singapore	W	Case-by-Case
Republic of Korea	60.3%	30%
Taiwan	20.0%	40%
Thailand	26.6%	50%
Region Total	**38.8%**	

Source: BIS Offsets Database and Country Policy Research.
N/A = Not Applicable
N/R = None Reported
W = Withheld to protect company-proprietary information

Previous studies and discussions indicate that U.S. prime contractors sometimes develop long-term supplier relationships with overseas subcontractors based on short-term offset requirements.[17] These new relationships, combined with mandatory offset requirements and obligations, can endanger future business opportunities for U.S. subcontractors and suppliers, with possible negative consequences for the domestic industrial base. Other kinds of offsets can increase research and development spending and capital investment in foreign countries for defense or non-defense industries. They can also help create or enhance current and future competitors for U.S. subcontractors and suppliers, and in some cases prime contractors.

Employment

Given the variety of defense systems sold, the number of offset transactions carried out, and the limited data available, it is difficult to determine precisely the impact of offset agreements and transactions on employment in the U.S. defense sector. BIS has developed an estimate by using a five-year average of aerospace-related employment and value added data collected by the U.S. Department of Commerce's Bureau of the Census for the 2000-2004 period.[18] Since sales of aerospace defense systems accounted for an average of 76.8 percent of the value of defense exports connected with offset agreements during 2000-2004, this method appears to provide a reliable estimate of the effect that all defense offset agreements have on employment (2004 data is the most recent available for comparison from the Bureau of the Census). This method takes into account work-years maintained because of the export sales as well as the work-years lost through certain kinds of offset transactions carried out in fulfillment of offset agreements.

U.S. prime contractors reported an average of $5.1 billion in defense export contracts (agreements) with offset agreements for the 2001-2004 period. According to the Census Bureau's *Annual Survey of Manufacturers*, the average yearly value added per employee for the aerospace product and parts manufacturing industry during 2001-2004 was $162,216. Dividing this figure into the 2001-2004 average yearly defense export contract value total results in an average annual total of 31,440 work-years that were maintained by defense exports associated with offset agreements during 2001-2004.[19]

For 2001-2004, the average annual defense export contracts of $5.1 billion in had a related $4.9 billion in offset commitments. It takes on average almost seven years of offset transactions to fulfill an offset agreement. In order to more accurately assess the impact of offset transactions on work-years, BIS compared the export contract value to the value of the prime contractor's offset obligation contractually committed at the time of the sale.

Subcontracting, purchasing, co-production, and licensing offset transactions are most likely to shift production and sales from U.S. suppliers to overseas firms. Other categories of offset transactions, technology transfer, training, overseas investment, and marketing, in the short or long run, can shift sales from U.S. suppliers as well. However, their impact is more difficult to calculate. Therefore, BIS bases its estimate of employment impacts only on subcontracting, purchasing, co-production, and licensing offset transactions.

17. See GAO report on offset activities, *Defense Trade: U.S. Contractors Employ Diverse Activities to Meet Offset Obligations*, December 1998 (GAO/NSIAD-99-35), pp. 4-5.
18. BIS's offset database uses SIC codes to define industries; in preparing its value added estimates, the Census Department uses the North American Industrial Classification System (NAICS). The SIC definition of the aerospace industry differs slightly from the NAICS definition, but the results are not significantly altered.
19. This calculation is based on the supposition that this value represents 100 percent U.S. content in all exports, which is not necessarily an accurate assumption.

These conservative calculations for employment impact are based on the assumption that the offset obligations entered into during 2001-2004 are made up of nearly the same proportion of offset transaction categories as past offset obligations. Those categories that can be most directly related to employment, subcontracting, purchasing, co-production, and licensing, accounted for an average of 82 percent of the total value of offset obligations during 2001-2004, or about $1.5 billion. Applying the same value added figure used above $162,216 leads to the loss of 9,047 work-years annually associated with the offset agreements entered into in 2001-2004.

Based on these calculations, it appears that 2001-2004 defense export sales averaging $5.1 billion annually had a net positive effect on employment in the defense sector during the five-year period (an annual average of 22,393 work years). It should be noted that the 2001-2004 analysis does not include the potential impacts of an additional $691 million annually of technology transfer, training, and overseas investment transactions.

Offset Agreements, 1993-2005

From 1993 to 2005, 42 prime contractors reported entering into 538 offset agreements valued at $56.6 billion. The agreements were signed in connection with defense system exports totaling $79.5 billion to 41 different countries. The value of the offset agreements represented 71.2 percent of the total value of the related export contracts during the entire thirteen-year period. The average term for completing the offset agreements with specific transactions was 81.5 months, or six years and eight months. Sales of aerospace defense systems (i.e., aircraft, engines, and missiles) made up 84 percent of all defense system export contracts, totaling $66.8 billion.

The data for defense export contracts and related offset agreements (including offset percentages) are presented in Chart 4-1. The value of the offset agreements as a percentage of the value of defense export contracts increased an average of 2.5 percentage points per year over the thriteen-year reporting period. In 2003, offset agreements as a percentage of export contracts (by value) reached the highest point during the thirteen-year period: 124.9 percent;[22] this ratio declined to 87.9 percent in 2004 and to 64.8 percent in 2005. The lowest percentage was recorded in 1993 at 34.3 percent of the value.[23]

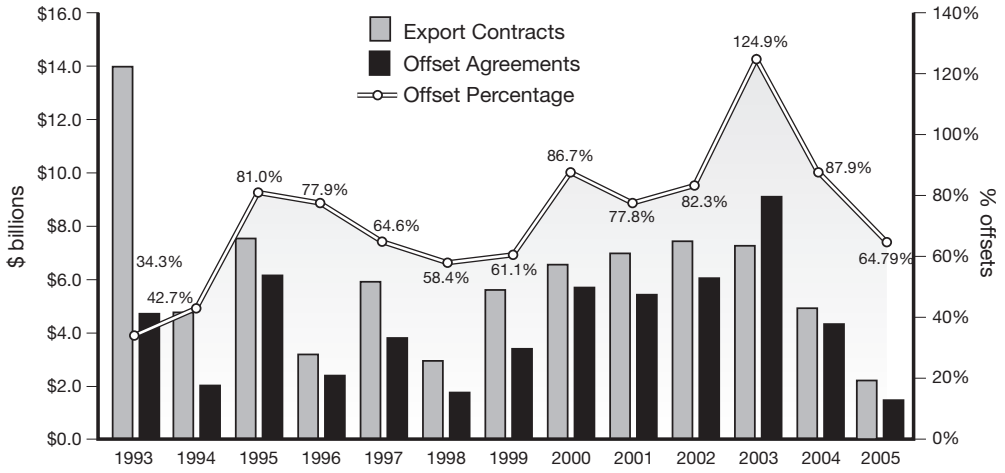
Concentration of Offset Activity

The data reported by U.S. firms confirm that agreements involving a small number of companies, countries, and defense systems dominated offset agreements between 1993 and 2005. The top five U.S. exporters (of 42 companies reporting data on offsets over the thirteen-year period, 8 of which reported offsets in 2005) accounted for 80.2 percent of the value of defense export contracts and 82.2 percent of the value of offset agreements. This market concentration reflects industry consolidation, the high costs of developing and manufacturing defense systems, and the small number of firms that have the financial and productive resources to produce and export them. Each prime contractor coordinated the activities of hundreds, if not thousands, of subcontractors and suppliers that contributed to the systems' production, as well as the work of thousands of employees.

Similarly, offsets and related defense system exports appear to be concentrated among a few purchaser governments or groups. Table 4-1 lists the top 25 governments or groups and their total export contract and offset agreement values for 1993-2005.

22. One large defense system export in 2003 with an offset percentage of more than 170 percent skewed the data for that year. Without this export and its related offset agreement, the average offset percentage for 2003 would fall to 81.3 percent (from 124.9 percent with the sale). This export also affected the average offset percentage for the entire period. With this sale and offset, the average offset percentage for 1993-2005 is 71.2 percent; without it, the percentage is 66.5 percent.
23. Much like the outlier from 2003 (above footnote), a similar occurrence took place in 1993 when two large exports with low offset percentages skewed the average offset percentage downward.

Chart 4-1. Export Contracts and Offset Agreements 1993-2005



Source: BIS Offsets Database

Table 4-1. Top 25 Governments by Export Contracts (Total, 1993-2005)

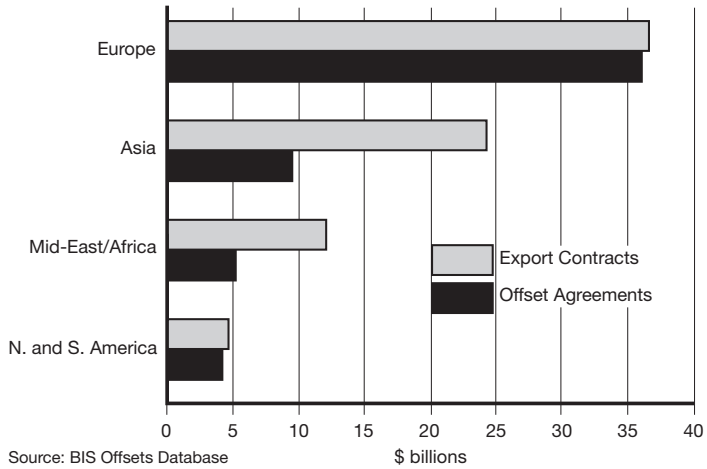
Country or Groups	Number of Agreements	Export Contracts	Offset Agreements
1. United Kingdom	43	$12,123,201,286	$10,166,492,643
2. Taiwan	39	$10,844,770,700	$2,171,542,030
3. Republic of Korea	59	$8,669,008,808	$5,231,339,429
4. Greece	49	$6,309,342,343	$7,155,872,271
5. Canada	27	$4,621,362,694	$4,482,332,872
6. Israel	47	$4,250,630,606	$2,065,076,626
7. Saudi Arabia	Withheld	$4,091,600,000	$1,427,400,000
8. Poland	Withheld	$3,716,100,000	$6,244,100,000
9. Australia	17	$3,499,462,000	$1,603,885,000
10. Turkey	18	$2,695,043,000	$1,255,350,000
11. Italy	9	$2,680,257,000	$2,515,257,000
12. Switzerland	10	$2,556,712,040	$2,016,712,040
13. The Netherlands	44	$2,006,645,677	$2,379,205,667
14. Spain	25	$1,848,492,588	$1,636,313,004
15. Norway	28	$1,237,901,824	$1,296,801,824
16. NATO	Withheld	$989,749,000	$552,000,000
17. Kuwait	11	$871,353,822	$284,537,066
18. Denmark	33	$800,319,000	$800,329,000
19. France	4	$785,200,000	$664,200,000
20. Malaysia	4	$759,100,000	$283,500,000
21. Thailand	6	$539,729,463	$143,696,539
22. EPG	Withheld	$539,500,000	$150,200,000
23. United Arab Emirates	7	$539,300,000	$308,200,000
24. Portugal	3	$442,061,000	$123,393,000
25. Czech Republic	Withheld	$312,600,000	$62,500,000
Total	**492**	**$77,729,442,851**	**$55,020,236,011**
All Countries	**538**	**$79,468,479,073**	**$56,582,622,244**

Source: BIS Offsets Database.

According to data provided by U.S. prime contractors, five out of the top six defense systems exported were aircraft systems. The five aircraft system exports accounted for 40.1 percent of the value of all export contracts and 43.0 percent of the offset agreements during the reporting period. Nine of the top 10 defense systems were aerospace-related; the top 10 accounted for 55.5 percent of the export contracts and 57.5 percent of the offset agreements during the thirteen-year period.

Regional Distributions

Chart 4-2. Regional Totals of Export Contracts and Offset Agreements 1993-2005 in $ Billions



Source: BIS Offsets Database

Chart 4-2 shows offset agreements and export contracts by region for 1993-2005. European countries accounted for the majority of offset activity and defense system exports, reporting 46.9 percent of the value of U.S. defense export contracts and 65.0 percent of the value of offset agreements. Asian countries ranked second in both categories, with 31.5 percent of related U.S. export contract values and 17.4 percent of the value of offset agreements.

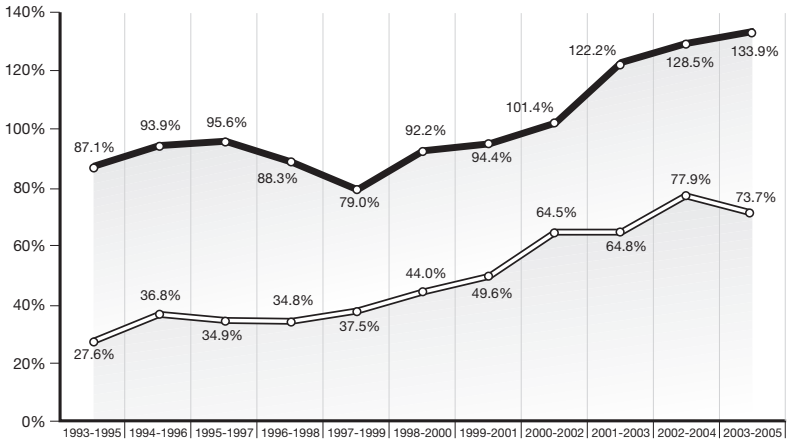
In 1999, 2000, 2003 and 2005, contracts and agreements with the Middle East and Africa increased significantly from the preceding years. In 2003 and again in 2005, the Middle East and Africa share of annual offset defense systems sales and associated agreements exceeded those of Asia.

Participating countries in the Western Hemisphere have consistently played the smallest role, signing only 30 contracts in the thirteen-year reporting period. In summary, exports of defense systems to North and South America made up 5.9 percent of all defense system exports, at a value of $4.7 billion, and included 8.1 percent of the total offset agreements, at a value of $4.6 billion, between 1993 and 2005.

Are Offset Demands Increasing?

The data show not only that offset demands are increasing over time, but also that more countries outside Europe are demanding higher offset percentages. Chart 4-3 shows that, although historically lower than European demands, offset requirements outside Europe are on an upward trend. Almost 77 percent of the non-European offset agreements valued at 100 percent or more of the export contract value has occurred since 1998, of these 33 agreements with offset requirements of 100 percent or more, 10 were with Canada and another four were with

Chart 4-3: Percent Offsets for Europe vs. Rest of the World: Weighted Moving Average, 1993-2005.



Source: BIS Offsets Database

Australia. Moreover, in the last three years, countries entering into offset agreements with U.S. firms for the first time have demanded offsets worth 100 percent or more of contract value, emulating their European counterparts.

In the last decade, shrinking worldwide defense expenditures and the overcrowding in the defense supplier sector have forced defense industries in many nations to consolidate. As sales opportunities narrowed, competition for such sales and related offsets became more intense. Higher-than-normal overhead related to low levels of capacity utilization in defense industries coupled with competitive pressures on prices also have squeezed corporate profits.

At the same time, foreign purchasing governments are under pressure to sustain their indigenous defense companies or to create new ones, defense and commercial, and accordingly, are demanding more offsets. Significant, but decreasing, public outlays for foreign-made defense systems become even more controversial, leading to higher offset demands to deflect political pressure and increase domestic economic development. In a growing number of cases, foreign governments' defense purchases are being driven by the competitiveness of the offset package offered by U.S. industry rather than the quality and price of the defense system purchased.

Executive Summary
Interagency Team

In December 2003, President Bush signed into law a reauthorization of, and amendments to, the *Defense Production Act of 1950* (DPA). Section 7 (c) of P.L. 108-195 amended Section 123 (c) of the DPA, which required the President to designate a chairman of an interagency team to consult with foreign nations on limiting the adverse effects of offsets in defense procurement without damaging the economy, defense industrial base, defense production, or defense preparedness of the United States. The statute further provided that the team be comprised of the Secretaries of Commerce, Defense, Labor, and State, and the U.S. Trade Representative. P.L. 108-195 requires the interagency team to meet quarterly, and to send to Congress an annual report describing the results of the consultations and meetings. On August 6, 2004, President Bush formally established the interagency team chaired by the Secretary of Defense. Within the Department of Defense, chairmanship was delegated to the Under Secretary of Defense for Acquisition Technology and Logistics. The interagency team subsequently established a working group to conduct the background research and prepare for the consultations, execute the consultations, analyze the results, and write the annual and final reports, all with oversight and approval by the interagency team.

Domestic Consultations

In preparation for the foreign consultations, the interagency team and working group identified and consulted with domestic entities affected by offsets:

- U.S. defense prime contractors
- Subcontractors (or first-tier suppliers or small and medium enterprises) to the prime contractors
- Labor representatives and industry advisors from the U.S. Trade Representative (USTR)
- Department of Commerce (DoC) administered Industry Trade Advisory Committees (ITACs)

The consultations were designed to allow the various domestic entities to inform the interagency team of their views regarding offsets in defense trade and to make suggestions on what specific issues

should be raised when consulting with U.S. trading partners. The organizations that participated in the domestic consultations are shown in Table ES-1.

Table ES-1. Domestic Entities Consulted

Category	Entity
U.S. defense prime contractors	Aerospace Industries Association American Shipbuilding Association Defense Industry Offset Association National Defense Industrial Association
U.S. defense subcontractors	U.S. Business and Industrial Council
U.S. labor organizations	American Federation of Labor and Congress of Industrial Organizations International Association of Machinists and Aerospace Workers International Union, United Automobile, Aerospace Agricultural Implement Workers of America
DOC/USTR-ITACs*	Industry Trade Advisory Committee–1, Aerospace Equipment Industry Trade Advisory Committee–4, Consumer Goods Industry Trade Advisory Committee–6, Energy and Energy Services

*ITACs included representatives from defense prime and subcontractors.

Consultations with Foreign Nations

During domestic consultations, the domestic entities were also asked to recommend foreign entities for consultation. Based on those recommendations and its own deliberations, the interagency team selected the following countries for consultation:

Canada	Netherlands
Denmark	Republic of Korea
France	Spain
Germany	Sweden
India	United Kingdom
Italy	

These countries were selected primarily because their governments require high levels of offsets or industrial compensation when purchasing defense systems and services from U.S. defense contractors. Department of Commerce data for 1993–2004 show that these countries, with the exception of India, which is new to offsets, account for approximately 50 percent of all offset agreements (by value). Eight of the eleven countries are in Europe. Europe accounts for slightly more than 65 percent of all offset agreements (by value). The nations consulted were divided into four categories, as Table ES-2 shows.

Table ES-2. Categories of Nations Consulted		
Category	**Number of Nations**	**Demanders or Providers of Offsets**
1. Nations that execute offsets without a national policy, that is, on a customary basis	2	Demanders and providers
2. Nations that execute offsets under transparent, flexible and transnational oriented policies	1	Demander and provider
	3	Primarily demanders
3. Nations that execute offsets based on less flexible and more nationalistic-oriented policies	4	Primarily demanders
4. Nations that execute offsets under national statute which results in an inflexible and nationalistic offsets policy	1	Primarily a demander

Interagency Team Findings

The interagency team and working group analyzed all the statements made by domestic and foreign entities during consultations and other information collected during two years of consultations. From these consultations, it was clear that the United States is not alone in its concerns about the use of offsets in defense trade. Other nations, which also are major providers of offsets, expressed concerns about the adverse effects of offsets on their sales of defense weapons systems. These provider nations expressed interest in a multinational dialogue to address their concerns. From both providers and demanders of offsets, most nations agree with the United States' view that there is a real cost to offsets. The following describes these key findings in more detail.

General Offset Findings

- Most nations purchasing defense systems demand offsets.
- Offsets are persistent and increasing.
- Offsets in their many forms may never be completely eliminated.
- Most national offset policies are executive branch policies, usually not found in law. They range from the explicit to the customary. The ministries of defense in the consulted countries are concerned that offsets unduly increase the purchase price of weapons systems.
- Many nations believe that the United States has a de facto offsets policy; most foreign systems that it purchases are produced in the United States. Many nations note that offsets are necessary to mitigate U.S. domestic preferences.
- Some countries believe that the United States is enforcing its export control regime in a protectionist manner.
- U.S. domestic entities' perceptions on offsets are both positive and negative, depending on whether work is gained or lost as a result of a successful defense sale and its associated offset.

Adverse Offset Effects

- Direct offsets reduce the near-term benefits of the sale by reducing the amount of domestic work supported in the United States
- Offsets are not free; estimates indicate that they increase the price of defense equipment by as much as 15 to 30 percent
- Certain types of offsets distort the ability of the provider to fulfill the offset requirement in accordance with best business practices:
  - Those demanded solely for political reasons
  - Those that attempt to turn offsets into a type of foreign aid or economic assistance program
- Defense-related indirect offsets may create business incentives for prime contractors to place future defense work in foreign countries that would otherwise be performed by U.S. domestic subcontractors.
- Certain offset provisions are perceived to be particularly adverse by U.S. industry, including the following:
  - Short timeframes to meet offset milestones
  - Excessive, non-liquidating penalties (as an incentive to meet milestones)
  - Required bank guarantees to pay penalties
  - Restrictions on the use of multipliers
  - Directed subcontracts
- Offsets can decrease competition and innovation when prime contractors are directed to use specific foreign subcontractors without regard for their competitiveness and best value.

Other Offset Effects

There are other effects of offsets, which demonstrate why the United States government should not unilaterally preclude offsets:

- U.S. prime contractors view offsets as a necessary part of doing business and, accordingly, execute offsets as a profit-making enterprise.
- Offsets are perceived by the U.S. aerospace industry and others as giving U.S. defense prime contractors a competitive advantage in opening foreign defense markets and winning foreign competitions.
- Industry stated that those offsets that allow U.S. prime contractors and foreign subcontractors to team based on competition and best value may increase global defense industry competition by encouraging prime and subcontractors to be innovative and responsive to customer needs.

- Industry also stated that requirements to fulfill offsets can lead prime contractors to discover innovative, reliable, and cost-effective foreign subcontractors that they would not have found on their own.
- Industry stated that offsets are usually necessary to make a defense sale, which may provide benefits, including the following:
  - Defense sales often keep U.S. production lines open for defense systems not being procured or procured in uneconomic volumes by the Department of Defense.
  - Defense sales introduce economies of scale, which often reduce weapon system unit costs for all purchasers over the long term.
  - Defense sales often support additional work, at both prime and subcontractors, for exports of portions of the defense system that are not subject to mandatory offsets.
  - Defense sales promote interoperability with U.S. and coalition partner forces for weapon systems using common parts, components, and support systems.
- To the extent that offsets make it politically feasible for foreign governments to spend money on defense purchases, offsets help:
  - Maintain defense funding for our allies and partners
  - Increase net sales to U.S. industry and exports for the United States
  - Provide military capability and promote interoperability

Interagency Team Offset Recommendations

Based on its findings and collective judgment, the interagency team recommends that:

- The United States should continue to consult and dialogue with nations and international organizations involved with offsets. The goal of these consultations and dialogues should remain the same, utilizing the existing Department of Defense-led interagency approach. The consultations and dialogues should include all potentially affected national ministries and departments, and always include the ministries or departments of defense.
- Nations demanding offsets should be encouraged to give contractors maximum flexibility in fulfilling offset requirements so they can make sound business decisions.
- More international cooperative projects should be encouraged because they do not require offsets among the partnering nations. Participation of national contractors should be based on competition and best value.

Limiting Adverse Effects of Offsets

The interagency team also proposes the following strategies for limiting the adverse effects of offsets, while recognizing that the United States must be cautious about taking any action that could possibly damage its economy, defense industrial base, defense production, or defense preparedness.

- The United States should encourage and promote multilateral dialogue with and within selected defense and trade forums and organizations for the following purposes:

- Promote global understanding of how the different types and the adverse effects of offsets, including indirect defense and non-defense related offsets, affect the defense industrial base and market place.
- Develop a global, uniform defense offset policy, with model offset agreements, to guide the execution of defense offsets.

- The United States should encourage and promote bilateral and multilateral dialogue with other major offset-providing nations to include the affected national ministries or departments of defense and then with major offset-demanding nations to:
  - Harmonize approaches and limit the adverse effects of offsets
  - Give contractors maximum flexibility in fulfilling offset requirements using sound business practices
- The Unites States should develop a national strategy for encouraging and promoting more international cooperative projects because they eliminate the need for participants to invoke offsets. Participation of partnering nations should be based upon equitability of benefits, while participation of contractors from partnering nations should be based on competition and best value.

2007 International Narcotics Control Strategy Report

By
Anne W. Patterson
Assistant Secretary of State for International Narcotics and Law Enforcement Affairs

[As Prepared Statement on the Publication of the *24th International Narcotics Control Strategy Report*, Washington, D.C. March 1, 2007.]

The Department of State (DoS) releases its *24th Annual International Narcotics Control Strategy Report* (INCSR), which is mandated by law and produced by the Bureau for International Narcotics and Law Enforcement Affairs. While the INCSR delves into substantial detail on a country by country basis, I would like to highlight major trends and accomplishments. In 2006, the United States and our partners in the international community continued to combat narcotics and money-laundering activities vigorously throughout the world. Nonetheless, we saw both progress and setbacks last year.

The Western Hemisphere

Many countries in the Western Hemisphere demonstrated the necessary political will and are confronting the drug trade head on. In Mexico, the Fox and Calderon administrations have cracked down on traffickers and drug related violence more than any previous Mexican governments. In cooperation with the United States, they have seized drugs, eradicated illegal crops, prevented chemical diversion, and extradited some of Mexico's most notorious traffickers. There is still much work to be done. Mexico remains the primary corridor for drugs entering the United States. Over the past year, methamphetamine production increased, and drug-related violence and homicides escalated. We are pleased with the Calderon Administration's strong actions to address these problems, and we look forward to our continued cooperation.

In the Andes, Colombia continued to attack the drug trade and terrorist organizations which profit from it. The Government of Colombia eradicated a record amount of coca last year. Though cultivation persists, aggressive eradication resulted in the destruction of what could have become billions of dollars of cocaine. The number of cocaine addicts in the United States has also dropped from 3.4 million in 1995 to roughly 1.5 million today. It has been almost eight years since the inception of Plan Colombia and our joint efforts are helping reinforce the rule of law and restore order. Since 2002, homicides have declined by 40 percent, kidnappings by 76 percent, and the number of terrorist attacks by 61 percent. This is starkly different from the mid-1990s when Colombia was reeling from drug cartels and insurgent violence. To build on these successes, Colombia has developed a new Strategy for Strengthening Democracy and Social Development. This strategy continues current programs and policies, while emphasizing economic growth, trade, and rural development. The Administration is now seeking Congressional support for this new strategy.

In contrast to the strong stands taken by the governments of Mexico and Colombia, political will in Venezuela and Bolivia faltered last year. The President determined last September that Venezuela, for the second year in a row, demonstrably failed to adhere to its obligations under international narcotics agreements, or cooperate with the United States. Venezuela is now a principal transit country for Andean cocaine. Despite an influx of drugs transiting the country, Venezuela's permissive and corrupt environment led to fewer seizures in the past twelve months. The number of suspected drug flights departing Venezuela also substantially increased, more than doubling in 2005 and continuing

to rise last year. From 2005 to 2006 there was a 167 percent increase in cocaine trafficked via air to Hispaniola.

Over the past year, Bolivia experienced an erosion of previous successes. Bolivian President Evo Morales remains the leader of six coca growers' federations and advocates for increased cultivation and the "industrialization" of coca. While Bolivia met its eradication goal by destroying 5,000 hectares of coca in 2006, this represents the lowest amount of eradication in ten years. Moreover, President Morales announced a plan to increase legal coca cultivation from 12,000 to 20,000 hectares, which would be in violation of international agreements if implemented. Bolivia's interdiction and seizure efforts did improve all around, but this may be due, in part, to increased cultivation and trafficking.

South and Central Asia

Another region of major concern is South and Central Asia. Afghanistan's opium poppy cultivation increased by an alarming 59 percent, making last year's crop the largest on record. Afghanistan produced over 90 percent of the world's opium and has the dubious distinction of being the world's largest producer and trafficker of heroin. Of particular concern to the U.S. government is the increasing involvement of the Taliban in the drug trade. The Taliban have publicly linked themselves to poppy cultivation, and drug profits now support elements of the Taliban and fund attacks on U.S. and the North Atlantic Treaty Organization (NATO) forces. Counternarcotics efforts intensified last year, but results to date are insufficient. More must be done. The flourishing opium trade is also harming Afghanistan's neighbors, some of the poorest countries in the world, who are suffering from the addiction, corruption, and violence left in the wake of traffickers.

Synthetic Drugs

Demand for methamphetamine and synthetic drugs continues to steadily increase in both the industrialized and developing world. The relative ease and low cost of manufacturing these drugs from readily available chemicals not to mention their addictive properties has undoubtedly led to their popularity worldwide.

In 2006, Mexico was the principal foreign supplier of methamphetamine destined to the United States and a transit country for precursor chemicals. Fortunately, methamphetamine use in the United States has declined, although our communities must still cope with the dire societal effects of this dangerous drug.

Ecstasy use continues to plummet in the United States among the teenage population most at risk. Global demand, however, remains strong and ecstasy use in Europe and Canada is significant. Labs in Eastern Europe are major suppliers to the European market with the United Kingdom and the Nordic countries among the heaviest consumers.

Combat Methamphetamine Epidemic Act Reporting Requirements

In response to domestic methamphetamine production and abuse, Congress passed the *Combat Methamphetamine Epidemic Act* last year. The Act requires the INCSR to contain a specific report identifying countries that are the five largest importers and five largest exporters of the methamphetamine precursor chemicals pseudoephedrine, ephedrine, and phenylpropanolamine. I would like to note that this report does not comply with all the technical requirements of the Act. First, we did not include the chemical phenylpropanolamine, as it is not an important methamphetamine precursor. There is also insufficient data available on trade in the chemical to meet the Act's reporting requirements. Second, information on exports and imports of pharmaceutical preparations, such as cold medicines, is commercially proprietary information and we were unable to obtain it. Finally, we do not have estimates of legitimate requirements this year. We

should, however, have them next year as a result of a 2006 United Nations (U.N.) Commission on Narcotic Drugs resolution, which requests countries provide this information to the U.N. International Narcotics Control Board. For this reason, the countries listed as major importers are those with the largest imports, not necessarily those with the highest rates of illegal diversion.

On this basis, the top five exporters and importers of ephedrine and pseudoephedrine in 2005 were Belgium, China, Germany, India, Indonesia, Mexico, Singapore, South Africa, South Korea, Switzerland, Taiwan, and the United Kingdom. The President has determined that all of these countries have cooperated fully with the United States or have taken adequate steps on their own to achieve full compliance with the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

Anti-Money Laundering and Terrorist Financing

The second volume of the INCSR is devoted to money laundering and terrorist financing. It describes the efforts of countries around the world to improve their anti-money laundering and counter-terrorist financing regimes. It also details important U.S. and multilateral initiatives to address these issues. While money laundering has long been intertwined with the drug trade, it has been since September 11, 2001, that we have become more aware of terrorists using trade-based money laundering and underground systems to move money and transfer assets. They are attracted to alternative remittance systems, such as the hawala system in Asia and the Middle East because they can avoid the scrutiny of financial transparency reporting requirements.

Of note, the Department of State helped establish Trade Transparency Units in the Tri-Border region of South America. Within six months, the unit in Brazil was investigating 238 individuals allegedly involved in a fraud scheme that cost the government of Brazil more than $200 million in revenues. In the first week of January, the Colombian police, working with U.S. law enforcement, seized more than $80 million in cash and gold. This is the single largest seizure of drug-related illicit profits ever to occur in the Western Hemisphere.

Conclusion

Without the cooperation of foreign governments and U.S. law enforcement none of this would be possible. I would like to thank all of our partners and particularly the U.S. Drug Enforcement Agency which has had a banner year abroad. Making communities worldwide safe from drugs and the associated violence and corruption is a daunting task. Drug trafficking organizations are well funded, dynamic, and capable of adapting to pressure from law enforcement. We must continue to target the financial networks that allow criminals to reap their ill-gotten gains, and terrorists to finance their activities. Directly confronting these scourges is a task of vital necessity. The toll suffered by nations and law-abiding citizens when legal, economic, and social institutions are undermined is too great to be ignored.

Fiscal Year 2008 Testimony on Foreign Assistance Budget

By
Randall L. Tobias
United States Director of Foreign Assistance and Administrator of United States Agency for International Development

[The following are excerpts of the testimony presented to the Subcommittee on State, Foreign Operations, and Related Agencies of the Senate Appropriations Committee, Washington, D.C., March 28, 2007.]

Responsiveness to this Subcommittee

Before discussing the budget, I would like to note our efforts to address your concerns raised, and re-emphasized in fiscal year (FY) 2006 report language, and again in FY 2007 report language. This subcommittee directed that Congressional Budget Justification materials improve in both the timing of their delivery and the quality of information put forth. I am happy to say that this year, we delivered material to support the Congressional Budget Justification on February 14, 2007 nearly a month before the March deadline. Further, we included standardized budget tables per country to allow the public to meaningfully compare request levels per country. In addition, we have addressed the coordination concerns between United States Agency for International Development (USAID) and the Department of State (DoS) programs raised in FY 2007 report language by bringing DoS and USAID staff and senior managers to the same table to discuss budget priorities for FY 2008.

We have done far more than make process changes, however. With the new budget package comes a carefully considered set of budget priorities that, combined, will help advance our national security strategy. I realize that not all of the changes that we are proposing will sit entirely comfortably with each member of this distinguished subcommittee. To the contrary, it is more likely that at least one of the changes we propose will raise concerns with you about our prioritization. Part of my drive, to lay out the budget transparently in a way that can be compared across countries, is so that we can have a discussion, using common understandings and terminology, about just where our foreign assistance dollars are going and what we are trying to accomplish by allocating them as we have.

We have taken big steps to increase transparency, accountability, and coherence of strategy in the allocation of our resources, including the creation of one office, under my direction, to oversee all USAID and DoS foreign assistance resources. I hope to make your oversight responsibility less burdensome by laying our principles and priorities clearly on the table, and providing tools by which we can consistently assess results.

Specifically, we applied six principles to the allocation of the FY 2008 budget, in response to concerns raised by Congress and the President himself about the lack of coordination and coherence in our planning, allocation and monitoring of foreign assistance funds. I would like to take a moment to elaborate on them now. The Principles The FY 2008 DoS and USAID foreign assistance request is $20.3 billion, a $2.2 billion or 12 percent increase over FY 2006 enacted levels, the last year for which we have completed allocations. Given current budget pressures and a shared commitment with Congress for deficit control, this increase reflects the importance this Administration places on foreign assistance, not just as a moral obligation to alleviate suffering, but as a foundation of our national security strategy.

As a result of foreign assistance reform, this year's request reflects a different approach to building the budget from previous years methods, and I would like to take a moment now to explain the six principles that governed our prioritization.

First, we integrated planning based on the totality of U.S. government resources and the commitment to a shared goal. Consistent with your request that we improve coherence and coordination of State and USAID foreign assistance, for the first time in our nation's history, all $20.3 billion of U.S. foreign assistance under the authority of the DoS and USAID, as well as resources provided by the Millennium Challenge Corporation, are being applied to the achievement of a single over arching goal transformational diplomacy. In response to input received from many of you, our colleagues in the international development community, and our host government counterparts, that goal now reads:

> To help build and sustain democratic, well-governed states that respond to the needs of their people, reduce widespread poverty and conduct themselves responsibly in the international system.

Over 100 interagency teams, organized by country, were tasked with ensuring that all State and USAID resources were coordinated for maximum efficiency and impact, and targeted to the achievement of shared objectives. Teams considered investments from the President's Emergency Plan for Acquired Immunodeficiency Syndrome Relief (PEPFAR) and the Millennium Challenge Account (MCC) when allocating resources. As a result, in countries that will receive MCC Compact funds in 2008, you will see funds allocated to programs that will support the success of these investments, such as an increase in trade and investment funds and private sector competitiveness in Honduras, and in Ghana, a shift in funding to enhance the capacity of local government, who will be responsible for implementing the MCC Compact's programs.

Second, we focused on country progress. The ultimate goal of transformational diplomacy is to support recipient country efforts to move from a relationship defined by dependence on traditional foreign assistance to one defined by full sustaining partnership status. Now, I will spend a bit of time on this principle, because, while it seems like this is what we have been doing all along, this year's approach was quite different.

In past budget years, funds were allocated first by account, then by sector, and lastly, by country. Much of the budget was built by determining so much for family planning, so much for basic education, so much for security assistance, and so on. Funding from within these sector levels was then parceled out to countries on the basis of multiple sector-based strategies - one for family planning, etc. You get the picture.

It is not that these sectors are not critical to a country's development strategy clearly they are, and we continue to evaluate resources by sector, ensure appropriate targeting, and incorporate best practices. It is a matter of what should drive the country's development program, country-prioritized need or a set global amount for a sector. We must tailor programs to the unique needs of each recipient country in reaching the transformational diplomacy goal. This year, we led with country progress. We brought together teams of experts from USAID and DoS in consultation with their field counterparts, and we gave them an overall planning number for each country -- not by account, not by sector, just a total.

We gave them data on the status of country progress against independent indicators assessing poverty, human capacity, life expectancy, governance, and barriers to economic growth. We gave them the new *Strategic Framework for U.S. Foreign Assistance*, which outlines interventions according to countries' common country traits. We then asked them to allocate that budget to the areas that would

best advance individual country progress, based on the opportunities and challenges that exist on the ground, and in turn, advance U.S. policy. The result is an FY 2008 budget focused on country progress.

Third, consistent with concerns raised by this subcommittee to align our foreign assistance resources with our National Security Strategy, we invested in states critical to long-term regional stability and prosperity. As many of you are aware, the new Strategic Framework for Foreign Assistance categorizes each country receiving U.S. foreign assistance based on common traits and places them on a trajectory to measure their development progress against standardized indicators. The country categories are largely explained by their category name: Rebuilding, Developing, Transforming, Sustaining Partnership and Restrictive.

In the FY 2008 budget request, you will find that 51 percent of DoS and USAID program assistance resources are concentrated in Rebuilding and Developing countries. These are the countries that are farthest away from sustaining partnership status, as measured by instability, poverty, human capacity, life expectancy, governance, and barriers to economic growth – all critical barriers to regional stability and success in the War on Terror.

We have seen the risks that ungoverned spaces can pose to our national security and to their regional neighbors; we are also very aware of the costs of these ungoverned spaces to their own citizens. States like Somalia, Afghanistan, Sudan, and the Democratic Republic of the Congo are among the poorest in the world. Their citizens are among the least able to access basic needs including security. At the same time, to truly transform the development landscape, we need to focus on developing States such as Nigeria, Ukraine, Georgia, Pakistan, Jordan, and Indonesia. States that are on the cusp of transitioning to economic, political and social self-sustenance, and that, with continuing progress, can serve as anchors for regional stability and prosperity. We need to work with them to help them strengthen their institutions to make their progress permanent.

Fourth, we focused on demand-driven interventions that are critical levers for sustainable progress and transformation. Foreign assistance in the past has run the risk of being a mile wide and an inch deep. With a thousand agendas embedded in our foreign assistance programs, our impact was diluted and diffuse. It is important to note, as I often do, that there is very little that we do in our development portfolio that is bad. Someone, some community, is benefiting from the services we are providing and the interventions we are supporting.

But that is not the point. The real question is, are we achieving sustainable impact? Are we, in fact, enabling transformation? Are we giving people what they need to sustain further progress on their own? Based on the new country-driven process, we have prioritized resources to the areas that we believe will promote and sustain long-term country progress. Funding is increased to programs targeted to improving governance and democratic participation, programs mitigating diseases that threaten the human and economic capacity of countries to progress on their own, programs that expand access to and improve the quality of education, and programs that enhance economic opportunity and the skills needed to participate in the global economy. These resource allocations reflect the wisdom of our interagency teams of country experts.

I often think about our past practice of allocating funds as being similar to teaching an individual a little French, a little German, and a little Spanish. If we keep doing it, that person will very slowly be able to speak a little more French, a little more German, and a little more Spanish. But if we instead took the resources spent on each language and put them toward one language, that person would be able to communicate fluently, and would then be better able to learn the other languages on his or her own.

Similarly, when we split up our resources into too many sectors in one country, progress will be slow and often imperceptible. If we instead focus our resources, we enhance the ability of countries to gain enough strength and stability in areas critical to sustaining further progress on their own. Focusing resources in this way has its tradeoffs. When one area goes up, unless there is an abundance of new resources, other areas go down. While the FY 2008 budget increased by $2.2 billion over FY 2006 enacted levels, we squeezed far more in the budget. The budget includes important increases for human immunodeficiency virus (HIV) and AIDS, malaria, and humanitarian assistance; and for countries in which there are new requirements and opportunities such as in Kosovo, Iran, and Cuba. The FY 2008 budget also reflects efforts to continue to shift program funding, where requirements are predictable, from supplemental requests for Iraq, Afghanistan, Sudan and avian influenza into the base budget.

Within the country-level requests, you will also find quite a bit of smaller, yet equally important, shifts. Country teams prioritized interventions that would help a country's institutions to build the capacity to take on challenges in the longer term. So you will see increases in resources for conflict mitigation, justice systems, executive branch institution-building, anti-corruption, basic education, energy services, agriculture policy, workforce development, and clean environment. But with these increases, certain sectors were not prioritized by the country teams to the degree that they have been funded in the past. These areas include sectors that we realize are important to members of Congress, including family planning, maternal and child health, and biodiversity. We know that putting decreases forward in these areas requires a robust justification of our reasons, and I hope we will have a substantive dialogue about why our teams made the choices that they did.

At the outset of the reform process, some members of this Committee expressed concern that greater alignment between DoS and USAID foreign assistance resources would result in a short-shrifting of long-term development goals. I am pleased to note that in fact the opposite occurred. In FY 2008, resources for the three objectives targeted to achieving long-term development:

- Governing justly and democratically
- Investing in people
- Economic

Growth has increase by 19 percent over FY 2006 levels for these objectives. The FY 2008 request includes the largest request this Administration has ever made for basic education, and when projected FY 2008 MCC disbursements are considered, investments in these objectives increased by 29 percent over FY 2006.

Fifth, we allocated funds intended for country programs to country-level budgets. In the past, ambassadors and mission directors often did not have a full picture of the resources being implemented in their countries, because some activities were planned and implemented from Washington. Consequently, they did not exercise full oversight over these programs, and doing so from Washington was costly and time-consuming.

To empower our mission directors, ambassadors, and country teams, who are our people in the field with the best knowledge of country circumstances, the reform process maximized resources implemented at the country level into country-level budgets. Resources within global or regional budgets that had been planned for specific countries were accordingly shifted to those countries budgets and planned together with other country-based support. As a result, such resources can be implemented consistent with country strategies and benefiting from expertise on the ground.

Recognizing that not all foreign assistance is most effectively implemented on a country basis, and that issues that transcend a single country's borders are best addressed as part of a global or regional strategy, activities such as support to regional institutions, multilateral organizations, or cross-cutting research remain funded within global and regional budgets. Humanitarian assistance, which is allocated on the basis of emerging crises, also remains funded within global budgets.

Finally, we matched accounts with country circumstances and the priorities the county categories are designed to address. Many of you may be used to hearing about the budget less in terms of countries and more in terms of accounts. There is a specific reason I have not mentioned accounts until now.

Account levels did not drive our allocation process. Country progress did. After the country teams submitted their allocations by program, we centrally aggregated them to their appropriate accounts. In doing so, we sought to maximize the use of account authorities and establish clear priorities in support of effective implementation of foreign assistance programs. This means that, overall, funding for the development assistance account (DA), which has traditionally supported assistance in poor countries that demonstrate performance or a commitment to development, has been prioritized to Developing and Transforming countries. The economic support fund (ESF), which focuses primarily on providing economic support under special economic, political, or security conditions, has been prioritized to support activities in the rebuilding and restrictive country categories.

However, activities to support the poor and invest in development have not changed. For the three objectives supporting long-term development:

- Governing justly and democratically
- Investing in people
- Economic growth

The DA and ESF totaled $3.7 billion in FY 2006. For FY 2008, DA and ESF in these objectives total $3.8 billion. The real change is within restrictive and rebuilding countries. Total funding in the three objectives supporting long-term development increased by 63 percent over FY 2006 levels. However, the balance between DA and ESF changed, with DA declining from $331 million in FY 2006 to $42 million in FY 2008; and ESF increasing from $525 million in FY 2006 to $1.4 billion in FY 2008. Now I realize that this may have many of you worried that this DA decrease and ESF increase means that foreign assistance will now be used increasingly for political ends and that poor people will suffer. I know there is often a skepticism between our two branches when one side or the other presents a series of numbers, so let me address any doubts by citing a group many consider an honest broker the Global Leadership Campaign. In their February 26, 2007, analysis, they point out, "Overall development-type activities do not decline in FY 2008 due to the shift between DA and ESF, and in fact, increase in the aggregate." Let me assure you of this point. Our intent in shifting funds from DA to ESF is to draw cleaner lines around their use, as identified by country characteristics. These cleaner lines allow us to justify to you why we have requested amounts for each account. There is no intent to take the development out of any of our development resources.

Regional Funding Trends

Consistent with the principles mentioned above, I would like to review briefly the regional funding trends you will see in the FY 2008 budget.

Africa

When projected MCC disbursements are included, the FY 2008 request for Africa represents a 54 percent increase over FY 2006. Including actual disbursements and projected FY 2008 disbursements from the MCC, resources for Africa have nearly quadrupled from 2001-2008. Over 75 percent of the FY 2008 budget will focus on investing in people in order to address the crippling effects of disease and poverty, a $2 billion increase from FY 2006. These increases are largely due to HIV/AIDS resources, but not entirely. When HIV/AIDS, MCC and the emergency-oriented accounts of P.L. 480 Title II food aid, Migration and Refugee Assistance, and International Disaster and Famine Assistance are excluded in both FY 2006 and FY 2008 (as allocation of emergency funds is often unknown until the end of a fiscal year), there is actually a 15 percent increase in resources to Africa.

East Asia and the Pacific

With projected FY 2008 MCC disbursements included, proposed FY 2008 funding for the region increases by 15 percent over FY 2006. Democratic challenges and terrorist threats require that peace and security programs emphasize counterterrorism and conflict mitigation while also maintaining military assistance for key War on Terror partners. Resources for these types of key security programs make up 18 percent of the request for the region. Countries such as Indonesia, the Philippines, and Mongolia collectively receive 53 percent of the region's request.

Near East

The FY 2008 request for the Near East represents a 4 percent increase over FY 2006, including reduced levels for Egypt and Israel under glidepath agreements. The FY 2008 request emphasizes continued investments in Peace and Security and political reform. Accordingly, funding for Peace and Security increase by 4 percent, while investments in Governing Justly and Democratically increase by more than 80 percent. The FY 2008 request is concentrated in Iraq, Israel, Egypt and Jordan, representing 93 percent of the region's budget.

South and Central Asia

Funding to South and Central Asia increased by 6 percent in the FY 2008 request compared to FY 2006 levels for the region. Funding will continue to support the global war on terror through security, reconstruction, development and democracy efforts, particularly in Afghanistan and Pakistan, which represent 84 percent of the region's request. Success in these countries is critical to achieving peace, stability, and development progress throughout South and Central Asia. Funding for the five Central Asian countries declined by nearly 24 percent from FY 2006 to FY 2008. Much of the decline comes in Uzbekistan, where the government has worked actively to limit U.S. assistance related to reform, and in Kazakhstan, whose oil wealth lessens the need for our assistance.

Western Hemisphere

Foreign assistance for Latin America has risen dramatically since the start of the administration, rising from $862 million in FY 2001 to a requested $1.4 billion in FY 2008 for DoS and USAID administered programs. If the FY 2008 request is fully funded and MCC FY 2008 disbursements are taken into account, resources to the Western Hemisphere will have doubled under this Administration, from $862 million in FY 2001 to $1.66 billion in FY 2008, a 4 percent increase over FY 2006. The focus of resources within the region has also changed. The Western Hemisphere, in general, has made significant progress over the last decade, although major challenges remain. Funds have therefore shifted from service-delivery in health and basic education, where the region has made progress relative to other regions, to economic growth and activities to help consolidate democratic gains. Our programs are targeted to improve government capacity and provide access to economic opportunity to

all citizens, especially the poor and marginalized, by catalyzing private sector investments, reducing the cost of doing business, and expanding access to microcredit. With MCC disbursements considered, economic growth resources are up 80 percent in FY 2008. Resources to improve government capacity and strengthen democratic institutions are up 5 percent.

I am aware of recent briefings where concern has been expressed about declining funding for our neighbors. In fact, my very first trip since submitting the FY 2008 budget was to Bolivia, Ecuador, and Peru, three countries that have sustained decreases in the FY 2008 budget. In each of these countries, the positive impact of our past investments was clear, and our ability to build on them with innovative programming and partnerships was also evident.

Europe and Eurasia

This region represents another success story in development. The FY 2008 request for Europe and Eurasia represents a 26 percent decrease from FY 2006, reflecting success achieved in the region. When projected FY 2008 MCC disbursements in Georgia and Armenia are included, the reduction is 13 percent from FY 2006. While U.S. assistance has played a substantial role in supporting further integration of countries in Eastern Europe and the Western Balkans into Euro-Atlantic institutions, a number of difficult challenges remain across the range of foreign assistance objectives. Funds for Kosovo and Serbia represent 27 percent of the region's request. Countries at the forefront of reform Ukraine, Georgia, and Moldova and countries that present democratic challenges Russia and Belarus together represent 30 percent of the region's budget.

Conclusion

The debate between Congress and the Administration regarding foreign assistance has lacked focus. Very much like a ship with too many calibrations, the foreign assistance boat would move in one direction for a while, then shift directions with a new administration or a new congress, oftentimes back-tracking over the same course it had traveled just a few years ago. As a consequence, many recipient countries have not been given the tools they need for a long enough period of time to help their countries sustain progress. Globally, progress has been slow and often imperceptible.

The FY 2008 Foreign Operations budget, built on the basis of the principles and methodologies described above, reflects country-based strategies for progress, evaluated within the context of regional challenges and opportunities, and responsive to a shared goal and objectives targeted to achieve that goal. And since budget planning was thoroughly integrated, the FY 2008 budget, like a Rubics Cube, relies on each individual piece to maintain the integrity of the whole.

In addition to developing the new *Strategic Framework for Foreign Assistance*, we have developed a standardized set of definitions or a development dictionary of the programs that relate to our five priority objectives, and ultimately to the transformational diplomacy goal. The development dictionary describes what we mean, across all programs and sources of funding, when we describe a program as justice system reform or conflict mitigation. We published this reference on line and have invited comments from your staffs and the non-government organizations community. Every dollar of the FY 2008 budget is identified against these common definitions, making comparisons across fiscal years, countries, programs, and regions transparent and easy.

We have developed common indicators for each of the programs defined in the development dictionary, such that we will be able to compare partner, program, and country performance across agencies and sources of funding. We developed these indicators with input from the non-government organizations community and have posted them on line, together with an e-mail address to collect comments. We have wrapped the money, definitions, and indicators into one system that will be able to tell you who is getting the money, what they are spending it on, and what results we expect to be

achieved. This information will come together in an annual operational plan submitted to Washington for each country where foreign assistance funds are provided. For the first time, starting with FY 2007 funds, we will be able to tell you what a $1 million change from X activity to Y activity will mean for a program so that you can better determine whether such a change, and its opportunity cost, best reflects the impact you want to have.

In making these changes, we sought explicitly to be responsive to concerns raised by Congress about the transparency of our decision making, the coherence of our resources, and our ability to account for results. My hope is that the first steps taken over the past nine months will support a robust dialogue between the legislative and executive branches about funding priorities. Because with this new transparency of information comes a new responsibility on both of our parts to raise concerns where we feel our differing priorities will have a detrimental impact on transformational diplomacy progress.

Far more than just moving the deck chairs, the reform reflected in the FY 2008 budget represents the re-calibration of the ship. But only when we discuss our differing priorities, in the spirit intended by the balance of powers between the executive and legislative branches, will the ship find its most appropriate and progressive course.

The President's Fiscal Year 2008 Budget for International Organizations and Peacekeeping

By
Kristen Silverberg
Assistant Secretary of State for International Organization Affairs

[The following statement are excerpts of what was presented to the House Appropriations Committee, Subcommittee on State, Foreign Operations, and Related Programs Washington, D.C., March 27, 2007.]

The President has requested $1.107 billion for the Contributions to International Peacekeeping Activities (CIPA) account, $1.354 billion for the Contributions to International Organizations (CIO) account, and $289 million for the International Organizations and Programs (IO&P) account. Our CIPA request for fiscal year (FY) 2008 is $1.107 billion for payments of United States' assessed contributions for the United Nations (U.N.) peacekeeping operations. The President's FY 2008 budget also requests legislative language to lift the 25 percent rate cap on U.S. peacekeeping assessments in order to be consistent with the rates assessed by the U.N. during calendar years 2005 through 2008. We thank Congress for including in the FY 2007 Continuing Resolution the President's full CIPA request of $1.135 billion.

The CIO request will pay U.S. assessed contributions, following in most cases from U.S. ratification of an international treaty or convention, to the U.N. and 44 other international organizations, including:

- The International Atomic Energy Agency (IAEA)
- World Health Organization (WHO)
- Organization of American States
- North Atlantic Treaty Organization (NATO)
- The World Trade Organization (WTO)

Finally, our request for IO&P will provide U.S. contributions to over twenty voluntarily funded organizations and programs. This includes large U.N. organizations such as UNICEF and UNDP, and smaller funds and programs such as the U.N. Environmental Program (UNEP).

All of the funds in the President's FY 2008 request will support the DoS efforts to advance peace and security, help spread freedom and democracy, provide humanitarian assistance, invest in education and health, and promote global economic growth through support for trade, free markets and development.

Advancing Peace and Security

Let me say a word about the role the U.N. is playing in helping to promote peace and security. Just this last week, we negotiated, in the Security Council, a second unanimous sanctions resolution on Iran. This resolution builds on the elements of Resolution 1737, adopted in December 2006, which was a significant milestone following two years of diplomacy with our P5+1 partners and represented a turning point in the resolve of the international community to increase the pressure on Iran to change course and end its pursuit of a nuclear weapons capability.

In addition to reaffirming the requirements set out in U.N. Security Council Resolution (UNSCR) 1737, the new resolution:

- Establishes additional travel restrictions for persons involved in Tehran's nuclear and ballistic missile programs
- Expands the number of individuals and organizations subject to UNSCR Resolution 1737's travel restrictions and assets freeze
- Imposes a ban on arms exports from Iran
- Calls upon countries to exercise restraint in transferring certain types of arms to Iran
- Encourages countries and international financial institutions to halt new financial-assistance agreements and loans with the Iranian government

All of these measures are carefully targeted to isolate the Iranian regime and make it clear that Iran will face increasing costs for its continued defiance. While we are acting to isolate the Iranian government in the U.N. Security Council through sanctions, we are also offering to it a diplomatic way forward by seeking engagement with Iran. Following the adoption of the resolution last week, the United States, with our P5+1 partners, again reaffirmed our wish to negotiate and stressed that the proposals we presented to Iran in June 2006, which include cooperation with Iran on civil nuclear energy, legally-binding guarantees on the supply of nuclear fuel, and wider political security and economic cooperation, remain on the table. We strongly hope the Iranian regime will reflect on its isolation and decide to meet us at the negotiating table.

As the Secretary announced last May, the United States will join our P5+1 (United States, the Soviet Union, Britain, France and China, plus Germany) colleagues in direct discussions with Iran regarding nuclear and other issues "at any place and at any time," provided Iran verifiably suspends its enrichment-related and reprocessing activities. This avenue represents the best opportunity for Iran and the United States to begin resolving our differences.

We also worked to adopt sanctions on North Korea, which helped to spur progress in the Six-Party Talks. And we worked in the Council last summer to pass UNSCR 1701, which helped to end the crisis in Lebanon. We work actively through the Council on U.N. peacekeeping missions. Demand for U.N. peacekeeping has grown substantially in recent years; there are now approximately 80,000 troops and police deployed in 16 U.N. peacekeeping missions. Increasingly, the mandates for peacekeeping missions involve post-conflict peace building through work on elections, rule of law, human rights, disarmament, and security sector reform. In the last year we have seen U.N. peacekeeping missions contribute significantly to peace in key trouble spots.

- The quick deployment of U.N. peacekeepers in Lebanon (UNIFIL) helped bring an end to Hizballah's hostilities against Israel last summer.
- The U.N. Mission in Liberia (UNMIL) facilitated the establishment of a new legitimate government in Liberia under Africa's first elected female head-of-state. Speaking before Congress last year, Liberian President Ellen Johnson Sirleaf thanked Congress for its leadership, which paved the way "for a U.N. force that secured our peace and guaranteed free and fair elections."
- The U.N. Mission in Haiti (MINUSTAH) established the security conditions leading to the February 2007 election of a fully legitimate government under President Preval.

Since that time MINUSTAH, working with the Haitian National Police, has made significant progress in improving security conditions in Haiti.

At the same time, there are also very serious challenges to the U.N.'s ability to provide peace and security, most disturbingly in Darfur. Although UNSCR 1706 called for a transition from an African Union to a robust U.N. peacekeeping force in Darfur with the authority to use force to protect civilians, the hostility of the Sudanese regime has created obstacles to its deployment, allowing the suffering in Darfur to continue.

Helping Nations Govern Justly and Democratically

The United States' work in international organizations also helps to support democracy, protect human rights and fundamental freedoms, and promote respect for the dignity of all human beings.

- We worked through the General Assembly and the Security Council to condemn human rights abuses in Belarus, Burma, Iran and North Korea.
- We worked to pass a resolution condemning Holocaust denial and demanding that governments, like Iran, withdraw their support for such outrageously false assertions.
- The U.N. Democracy Fund, a U.S. initiative, disbursed its first round of grants this year worth $36 million to 125 projects. The Democracy Fund provides tangible support for democracy-related projects implemented by civil society organizations in 100 countries around the world. It serves as a focal point of our democratization efforts within the U.N. and as a counterweight to the authoritarian forces striving to gain ascendancy in the organization.

Providing Humanitarian Assistance

Our request also recognizes the critical role that international organizations play in our efforts to feed the hungry, prevent and mitigate disasters, and provide other types of humanitarian assistance.

- With U.S. support, the Office of the Coordinator for Humanitarian Affairs (OCHA) is working to strengthen its ability to assure adequate, predictable, and timely responses to new and existing emergencies.
- The World Food Program (WFP) provides food to over two hundred-twenty thousand displaced people in Darfur every month. And, after a devastating earthquake in Pakistan and Kashmir in 2005, WFP reached approximately one million survivors and guaranteed winter food supplies for hundreds of thousands in remote mountain communities. We are particularly pleased by our successful campaign to have Ambassador Josette Sheeran selected as the new WFP Executive Director beginning this year.

Investing in People

International organizations support our efforts to invest in people by reducing the spread of disease and promoting education.

- The World Health Organization (WHO) and Food and Agriculture Organization (FAO) are at the forefront of efforts to combat the current H5N1 strain of highly pathogenic avian influenza.
- The U.N. Children's Fund (UNICEF) provides nearly 40 percent of children's vaccines around the world. UNICEF often uses the opportunity of immunization drives to deliver

other life-saving measures such as Vitamin A supplements and insecticide-treated mosquito nets that guard against malaria.

- At the United Nations Education Scientific and Cultural Organization (UNESCO), successful programs such as teacher training initiatives have increased literacy and basic education in forty-six countries.

Promoting Global Economic Growth

Finally, international organizations encourage global economic growth by supporting our efforts to promote free markets, transparency and anti-corruption measures.

- The World Trade Organization's work to liberalize trade and settle trade disputes, and the International Labor Organization's programs on small business and entrepreneurship also support our economic growth objectives by enabling developing countries to benefit from wider markets and by helping them create indigenous private sectors that can leverage the opportunities that such trade creates.

- This year's budget includes a request to complement U.S. contributions to the UNDP and other development activities with a $10 million founding donation to the U.N. Initiative for Innovation and Entrepreneurship (UNIIE).

- UNIIE will employ technical assistance grants to encourage U.N. agencies, developing countries, business groups and non-government organizations to create positive entrepreneurial environments by advocating simplified property registration, liberalized access to credit, better enforcement of contracts, reformed labor markets, and easier business licensing.

United Nations Reform

Although we see many opportunities to pursue U.S. objectives effectively through international organizations, there is still work to do to ensure these organizations use valuable member state resources effectively and transparently. We are pleased that the new U.N. Secretary-General, Ban Ki-moon, has demonstrated a clear commitment to holding the U.N. to the highest ethical standards. He has led by example by releasing his own financial disclosure forms. He responded quickly to revelations of UNDP mismanagement of its programs in North Korea, ordering an external audit of UNDP programs there.

The U.N. has now established an Ethics Office, which has launched a mandatory ethics-training program and put in place procedures for administering its whistle-blower protection policy and a financial disclosure program. The U.N. has taken steps to address scandalous incidents of sexual exploitation and abuse in U.N. peacekeeping missions.

Overall, however, we are very disappointed that there has not been greater progress on U.N. reform. For example, the General Assembly has postponed taking action on two U.S. priorities establishing an independent audit advisory committee and strengthening the authority and operational independence of the Office of Internal Oversight Services (OIOS). We will continue to make the case with other member states that a more ethical, effective, transparent and accountable U.N. will be better equipped and better able to advance the shared goals of the international community.

Foreign Affairs – Somalia

By
James Swan
Deputy Assistant Secretary of State for African Affairs

[The following are excerpts of the remarks presented to the Balitmore Council relative to Foreign Affairs in Somalia, March 7, 2007.]

I know that a lot of ink has recently been dedicated to this subject in the domestic and international press. Yet, Somalia remains a country that is not well known to many Americans. Somalia attracted great attention in the Ogaden conflict with Ethiopia in 1977-78 for its impact on superpower relations. We remember Zbigniew Brzezinski's trenchant comment that the United States and the Soviet strategic arms treaty was, as he put it, "buried in the sands of the Ogaden." Americans also of course vividly recall the 1992 U.S. led humanitarian intervention and the subsequent confrontation with Mogadishu warlord Mohamed Farah Aideed after his forces killed some two dozen Pakistani peacekeepers in June 1993. The downing of two U.S. helicopters and deaths of eighteen American troops in October 1993 not only had a significant policy impact in terms of future U.S. participation in peacekeeping operations, but also left emotional scars that continue to influence American public attitudes toward Somalia.

Developments over the past eighteen months have again attracted widespread interest in Somalia: first in the rapid rise of the Islamic Courts Council and then in its even-more-rapid fall at the hands of Ethiopian forces backing those of the Somali Transitional Government. To help put these developments in context, what I would like to do tonight is outline U.S. interests in Somalia, provide some historical background, then offer an assessment of the events of the last year or so, and finally describe the U.S. government's very active policy response. To preview the conclusion, our policy is designed to seize what we see as the first real opportunity in many years to help Somalis rebuild their country and restore effective governance representative of all aspects of Somali society. Our response to this opportunity can and will be purposeful. As many of you know, Assistant Secretary of State for African Affairs Jendayi Frazer, my boss, has made two trips to the Horn of Africa since January 2007 in support of our efforts to achieve lasting stability in Somalia.

If there is one lesson she took away from her trip it is this: the Somali people are ready for peace; they are tired of war. While the Transitional Federal Government and the Transitional Federal Institutions are not yet ready to stand entirely on their own, they offer a promising vehicle forward for Somalia. And the United States is committed to supporting that effort.

Somalia's Strategic Importance

First, I will outline U.S. interests in Somalia, which of course must drive our goals and policies for that country. Somalia has been the world's clearest example of a failed state since 1991. This condition threatens our broader interest in regional stability in the Horn of Africa. The country sits at the crossroads of sub-Saharan Africa and the Near East. The overall security of the region is affected by Somalia's continued lack of internal stability. The Horn has historically been a fragile region in terms of environment, economic livelihoods and security. With the longest coastline in Africa, Somalia's lack of effective governance has contributed to offshore piracy. More broadly, its status as a failed state has undercut longer-term foreign policy interests including promotion of democracy and economic development.

Most dramatically, of course, Somalia's ungoverned spaces opened opportunities for terrorists who directly threatened U.S. persons and facilities. Al-Qaida East Africa members responsible for

the August 1998 U.S. Embassy bombings in Nairobi and Dar es Salaam found refuge in Somalia. So did individuals responsible for the bombing of an Israeli-owned hotel in Mombasa, Kenya and an attempted missile attack on an Israeli airliner, both in 2002. As we will see later, the opportunities afforded terrorist-affiliated individuals increased significantly in Somalia during the period of the Islamic Courts' control.

In keeping with U.S. interests in the Horn, our goals in Somalia are to help Somalis secure their country, move forward with process of inclusive dialogue and reconciliation, and begin reconstruction. If this sounds like a massive undertaking in what has been a failed state, it is. And at this point, it is fair to ask, how did Somalia get here?

Somali History In Brief

So now, let me review some of the background to the current situation. Prior to independence in 1960, most of present-day Somalia was ruled by the Italians, with the northwest by the British. As in many African countries at the time, independence ushered in a contentious period of democratic governance that was followed by a coup. In Somalia's case, the October 1969 coup brought to power Major General Mohamed Siad Barre. Siad Barre ruled brutally and increasingly concentrated power in the hands of his Marehan clansmen. He asserted irredentist claims to territories in neighboring countries with Somali populations, notably the Ogaden region of Ethiopia. Initially within the orbit of the Soviet Union, he switched to the Western camp after rival Ethiopia allied with the Soviets, who helped Ethiopia decisively win the 1977-1978 Ogaden war that I mentioned earlier in my remarks.

By the end of the 1980s, disaffected members of other clans had taken up arms against Siad Barre's government, first in the north (especially former British Somaliland) but later spreading to the central and southern regions. Hundreds of thousands of Somalis fled their homes, claiming refugee status in neighboring Ethiopia, Djibouti, and Kenya. The Somali army disintegrated, and members rejoined their respective clan militias. Barre's effective territorial control was reduced to the immediate areas surrounding Mogadishu, as he came to be ridiculed as "the Mayor of Mogadishu."

In January 1991, armed opposition factions drove Barre out of power, resulting in the complete collapse of the central government. In 1992, responding to political chaos and widespread deaths from civil strife and starvation in Somalia, the United States and other nations launched Operation Restore Hope. Led by the Unified Task Force (UNITAF), this operation was designed to create an opening to assist Somalis suffering from the effects of dual catastrophes, one man-made and one natural. UNITAF was followed by the United Nations Operation in Somalia (UNOSOM). The United States played a major role in both operations until withdrawing completely in 1994. UNISOM pulled out in spring 1995, with Somalia still lacking a government.

Following the fall of Siad Barre, Somalia has largely been divided among clan-based fiefdoms, many dominated by strongmen from the region. Some regions pursued more formal structures: Northeastern Somalia (or Puntland) established a quasi-autonomous government that enjoyed relatively greater stability. Most notably, the self-declared Republic of Somaliland asserted its independence in 1991. While unrecognized by any other government, Somaliland has held elections, issued its own currency and travel documents, and sought to distance itself from insecurity prevalent in much of the rest of the country. In the capital, Mogadishu, the city was carved into neighborhoods controlled by sub-clan based warlords. In part as a result of insecurity and impunity, by the mid-1990s local Islamic courts were established by many communities to provide basic justice and some protection for the population. Over time, these courts acquired their own militia forces and effectively became the local authorities. Some leaders of some of the courts, however, had extremist tendencies and harbored individuals affiliated with al Qaeda's East Africa cell. By early 2006, Mogadishu was essentially divided into zones controlled by warlords and zones controlled by the courts. There were more than

a dozen efforts after the fall of Siad Barre to negotiate among the contenders to form a new national government. The latest of these a two-year reconciliation process led by the inter-governmental authority on development (IGAD) concluded in 2004, having formed a transitional government with the objective of organizing national elections in 2009. The components of that transitional government are known as Transitional Federal Institutions (TFIs) and include a transitional parliament, as well as a Transitional Federal Government (TFG) with a transitional President, Prime Minister and a cabinet. This government lacked broad legitimacy, however, particularly among key clans and sub-clans in Mogadishu that felt under-represented. This essentially brings us to the situation that existed last year.

Decisive Moments

Beginning in early 2006, there were increased clashes between the warlords, some of them grouped in a loose coalition known as the Alliance for Peace and Combat Against Terrorism, and the Islamic Courts militias known as the Union of Islamic Courts. The warlords steadily lost ground and by early June had been driven from Mogadishu. Despite issuing an initial statement calling for dialogue and peace, the Court militia quickly moved to attack and capture the city of Jowhar, where the Transitional Government's cabinet was based, and over the next three months took control of most of southern Somalia.

From the beginning, the U.S. recognized that the Courts were not monolithic, and we hoped for emergence of moderates within the Courts' leadership. At the time, the United States was encouraged by the June 22, 2006 agreement between the Somali Transitional Federal Institutions (TFIs) and the then-Union of Islamic Courts. The United States supported this agreement, which came to be known as the Khartoum Declaration, including the points of mutual recognition and cessation of hostilities. For a time, the Islamic Courts also appeared to have success in improving security in Mogadishu and other areas under their control.

While negotiations initially offered great promise, by late July the Islamic Courts' actions were beginning to counter the spirit and reality of dialogue and to lead to further violence. Immediately after the Khartoum Declaration, the Union of Islamic Courts re-named themselves Council of Islamic Courts (CIC) and Hassan Dahir Aweys, designated by both the United States and the United Nations as a terrorist, was elected to be the Chairman of the CIC Consultative Council. On July 19, 2006, the CIC attempted to provoke Ethiopia into a broader conflict by advancing towards the interim capital of Baidoa. In succeeding months, extremist elements within the CIC - particularly the radical al Shabaab organization, hijacked the broader Courts movement, driving the CIC towards an agenda of military expansion and aggression.

Despite international efforts to encourage dialogue between the CIC and the TFIs, the CIC chose repeatedly to violate the terms of the Khartoum Declaration by bombing the Parliament building in Baidoa on September 18, 2006 taking over the port city of Kismaayo September 24, 2006, and increased their military presence near Baidoa and Puntland. In November 2006, the Courts' leadership asserted irredentist claims to a "greater Somalia" including areas of Kenya and Ethiopia. Ethiopia, already a strong supporter of the Transitional Federal Government, provided additional military trainers and other support to the government. These were decisive moments. Ultimately, the CIC miscalculated Probing attacks by the CIC near Baidoa provoked the Transitional Federal Government (TFG) and Ethiopia to launch a counter-offensive against the CIC on December 24, 2006. Within a week, the CIC had abandoned Mogadishu, and by January 1st 2007, no longer controlled any city in Somalia. The CIC structure evaporated more quickly than anyone had anticipated, and suffered from both strategic and tactical failures, such as challenging superior Ethiopian conventional forces on open ground. The Courts were also weakened immensely by the withdrawal of support from the

Somali population. The extremists within the CIC very clearly did not reflect the will of Somalis, as represented by civil society and their government.

A Hopeful Moment In Time

So where are we now? We see the current situation in Somalia as an opportunity. To capitalize on this opportunity, the U.S. has moved quickly to engage Somalia's various stakeholders and regional governments. This approach is in keeping with Secretary Rice's Transformational Diplomacy approach. The United States' strategy for Somalia includes three major priorities.

- First, encourage inclusive political dialogue between the leadership of the Transitional Federal Institutions (TFIs) and other key Somali stakeholders.
- Second, mobilize international support to help build the governance capacity of the TFIs and provide development and humanitarian assistance for the Somali people.
- Third, although perhaps most urgent, move forward with the deployment of an African stabilization force in Somalia.

On January 5, 2007 less than a week after the Courts were routed, Kenyan Foreign Minister Raphael Tuju, Norway's Deputy Foreign Minister Raymond Johansen, and Assistant Secretary Jendayi Frazer co-chaired a meeting of the International Contact Group on Somalia. This gathering demonstrated the depth of the international community's commitment to supporting a sustainable political solution in Somalia through broad-based national dialogue and providing appropriate development, security, and humanitarian assistance.

The Contact Group issued a communiqué at the meeting's end that recognized the historic opportunity now within the grasp of the Somali people, as they seek a sustainable political solution based on the framework of the Transitional Federal Charter. The Contact Group also affirmed the importance of inclusive governance and additionally emphasized that funding to facilitate the deployment of a stabilization force in Somalia, based on U.N. Security Council Resolution 1725, remained urgent. This communiqué and the other views expressed by Contact Group members that day demonstrate the international community's unity on Somalia. A follow-up meeting on February 9, 2007, reaffirmed these points.

Political Dialogue

The United States believes that the key to long-term stability in Somalia now lies in a process of inclusive dialogue and reconciliation leading to the formation of an inclusive government of national unity within the framework of the Transitional Federal Charter. We see a role in the future of Somalia for all those who renounce violence and extremism, and we strongly believe that the TFG must reach out to groups that have previously been marginalized from the political process. To a great extent, this process will rely on the government's willingness to reach out and create an inclusive political process. This remains the greatest challenge.

President Yusuf has announced plans for a National Reconciliation Conference to be held in Somalia later this spring. We welcome this initiative. To be successful, however, careful preparations and informal dialogue will be essential.

Security and Stability

This national dialogue must move forward very quickly to help stabilize the situation in Somalia. But further assistance will be needed to support stability in this fragile failed stage. The United States has been working closely with the African Union (A.U.), as it prepares for the deployment of

a stabilization force. On January 19, the A.U. Peace and Security Council endorsed the deployment of this force. Several A.U. member-states have expressed their desire to contribute troops or provide logistical support for this effort.

Uganda came forward first, offering to deploy 1,600 troops based on UNSCR 1725. Ugandan President Museveni's initial offer has since been followed by other countries, including Ghana, Nigeria, and Burundi, expressing a desire to provide troops for this effort. The U.S. is actively supporting the deployment of this force, particularly the Ugandan contingent, providing strategic transportation, equipment, and other logistical assistance. Immediate U.S. support includes $2 million for strategic transportation and $8 million for equipment for the Ugandan force. A first contingent of some 300 Ugandan troops deployed to Mogadishu yesterday, March 6, and the Ugandan deployment continues.

The A.U. is leading and coordinating this effort. Africans have developed considerable experience in conflict resolution and peacekeeping in recent years. As Nigeria took the lead in Liberia and South Africa did in Burundi, we are hopeful that Africans will once again help one of their "sister countries" move beyond strife and toward reconciliation. In taking the long view of Somalia's security, the U.S. government remains deeply troubled that foreign terrorists associated with al Qaeda succeeded in establishing a safe haven in Somalia. Somalia's continued exploitation by terrorist elements would threaten the stability of the entire Horn.

Consequently, the U.S. continues to work with East African countries to build their capacity to counter terrorism and criminality that originates in Somalia. The U.S. government remains committed to neutralizing the threat that al Qaeda poses to all Americans, Somalis, and citizens in neighboring African countries. The U.S. will continue working with Somalis, regardless of clan, religious, or secular affiliation to eliminate this common threat.

Supporting the Transitional Federal Institutions

Meanwhile, support to the transitional institutions and the Somali people is critical to prevent spoilers and extremists from undermining stability. Given the absence of functioning governance institutions in Somalia for more than fifteen years, building governance and security institutions will largely involve starting from scratch and require significant external assistance. It is critically important that the U.S. help enhance the governance capacity of the Transitional Federal Institutions, as well as at the local and regional level. In this regard, U.S. assistance aimed at supporting short term, quick-impact, and high-visibility programs will be a critical element in building support for the Transitional Federal Institutions and demonstrating to the Somali people that their government offer a means of improving their overall quality of life.

At the January 5, 2007, meeting of the International Contact Group on Somalia, Assistant Secretary Frazer signaled the U.S. government's intention to provide $40.5 million in new assistance for Somalia as a "down payment" toward further support. And, indeed, more funding has already been identified. This contribution is a reflection of our commitment to Somalia's revitalization. Funds will be used for deployment of a peace support mission and to provide development assistance for the Somali people. The DoS has requested $60 million in FY 2007 supplemental funding for Somalia, including $40 million for peacekeeping and $20 million in humanitarian assistance, for those affected by the current humanitarian crisis in Somalia.

Conclusion

To sum up, the situation inside Somalia has changed a great deal over the past year or so. While conditions are highly fluid, on balance we see developments as positive, representing a new opportunity for Somalis.

The United States, along with our international partners, has made significant progress toward supporting the transitional institutions, encouraging reconciliation, and moving forward with rapid deployment of African peacekeeping forces. All of these measures add to stability and reduce the risk of Somalia remaining a failed state and terrorist safe haven.

This will be hard work and there will be setbacks along the way. But one important factor continues to work strongly in our collective favor. The Somali people are tired of war and yearn for stability, security, and representative governance. With the international community in an important supporting role, we are hopeful the Somalis will see more progress during the course of 2007.

The United States Creates Military Command for Africa

By
Al Pessin, *Voice of America*
February 6, 2007

[The following is an excerpt from the *Al Pessin Report* written for the Voice of America (VOA). The report is available in its entirety at the following web site: http:..www.voanews.com/english/portal.cfm.]

The Bush administration has announced the creation of a new U.S. military command for Africa by September of next year. The long-anticipated move will consolidate responsibility for U.S. military activities on the continent under one top-level commander, rather than dividing responsibility for Africa among three commanders whose primary duties are elsewhere. The new command will cover all of Africa except Egypt, which will remain under the responsibility of Central Command, the unit that also handles the rest of the Middle East and Central Asia.

The assistant secretary of defense for African affairs, Theresa Whelan, says the move is designed to provide more focus for the U.S. military's efforts in an increasingly important part of the world.

> The decision was made based on an analysis of the changing environment, the changing global security environment, and the changing role of Africa in that global security environment, she noted.

Whelan says Africa Command will embody a key phrase from a major Defense Department policy document published last year. "We want to prevent problems from becoming crises and crises from becoming catastrophes." And Africa Command is going to sort of put that phrase in action," she added. Whelan says while other U.S. regional commands focus on using diplomacy and combat power to address problems, Africa Command will have larger diplomatic and aid components and will focus on helping local governments prevent problems ranging from terrorism to acquired immunodeficiency syndrome (AIDS). "Africa Command is not going to reflect a U.S. intent to engage kinetically in Africa," she said. "This is about prevention. This is not about fighting wars."

Still, the chairman of the House of Representatives Africa subcommittee, Congressman Donald Payne, expressed concern in a VOA interview about how the creation of Africa Command will be seen by ordinary Africans and their governments. "I think there will be a lot of skepticism, because there has been so little attention given to Africa, as other regions have gotten," he said. "All of a sudden to have a special military command, I think the typical person would wonder why now and really what is the end game?" Congressman Payne says he wishes the Bush administration had consulted with his committee before creating Africa Command. But he says if part of the emphasis is on training African militaries in human rights and respect for civilian authority, that will be a good thing. Assistant Secretary Whelan says training is part of the plan, and that now that President Bush has made his decision official, she and others in the U.S. government will be consulting with African governments about how to move forward.

"We have decided that we are going to take the journey," she said. "We have decided the vehicle we want to drive in. But what we do not know really is what path we want to take. And that is what we want to go and consult with the Africans on so that we essentially take the journey with them." Theresa Whelan says in her more than fifteen years working on African issues, she has frequently heard African leaders call for the creation of a single U.S. military command for the continent.

"We have been listening and we have heard the perspectives from our colleagues, our partners, in Africa," she said. "This is a response to both that and to also our evolving strategic and security needs."

Former Assistant Secretary of State for African Affairs Chester Crocker welcomed the creation of Africa Command.

> It has the potential to add additional coherence, or to overcome incoherence in the way we approach this region," he said. "Africa is a region of weak states, sometimes failing states. So one is hoping that by being able to do some capacity-building and upgrading the skill set of African militaries that they will be in a stronger position to participate in regional peacekeeping operations, for example.

But the former official, who now teaches at Georgetown University, cautions that the increased U.S. military focus on Africa must be managed carefully. "I don't think that one would want people to draw the impression from this announcement that American policy toward Africa is becoming militarized," he added. "That isn't really the point. The point is let's have a coherent approach, strategic approach to the region." Crocker says that message needs to be delivered to African governments, and Assistant Secretary Whelan says she plans to do exactly that.

An Africa Command transition team will begin work soon at European Command headquarters in Germany. Eventually, Theresa Whelan says, the Defense Department hopes to establish Africa Command headquarters somewhere on the continent, or perhaps at several locations.

The increased focus on Africa by the U.S. Defense Department has been in the works for years. A series of aid initiatives has delivered military training and civilian construction projects to many countries on the continent. And a policy document issued by the department a year ago identified Africa as a "key operational area" for the U.S. military.

In the current structure, most of Africa falls under European Command. Assistant Secretary Whelan says the countries of North Africa will continue to maintain a relationship with that command, particularly regarding cooperation with NATO. But she says most of their dealings with the U.S. military will be shifted to Africa Command. East Africa, which is now under Central Command, and Mauritius and Madagascar, which are under Pacific Command, will also shift to Africa Command.

United States and China Relations

By
Thomas J. Christensen
Deputy Assistant Secretary of State for East Asian and Pacific Affairs

[The following are excerpts of the statement presented to the House Committee on Foreign Affairs, Subcommittee on Asia, the Pacific, and the Global Environment Washington, D.C., March 27, 2007.]

President Bush has stated that he welcomes a China that is peaceful and prosperous. He has called for a U.S. and China relationship that is candid, constructive, and cooperative. The relationship as a whole has a solid foundation and has improved in recent years in some key areas of cooperation. That said, we continue to engage China candidly where we have real differences and concerns, including in areas such as human rights, trade, and military affairs. We engage China through a broad array of dialogues. In all of our interactions with China, we seek to further U.S. national interests by encouraging China to adopt measures at home and abroad that will benefit the United States, the international community, and China itself as it seeks long-term, stable development and greater integration into the international economy and multilateral institutions. Rather than trying to contain China, we are trying to help shape its choices as it rises in influence so that China plays a responsible and stabilizing role in the international system. Despite some areas of real friction, U.S. and China relations are far from a zero-sum game, and if we manage the relationship well on both sides of the Pacific, we should be able to keep it that way.

There is little to debate in the proposition that China is a growing power and a leader in the Asia Pacific region with significant influence around the globe. We witnessed China's impact on the international system late last month. A sharp drop in the Shanghai stock market helped set off a wave of stock selling around the world. Fortunately, the global sell-off was a short-term phenomenon, but the Chinese market drop was a factor in triggering it, something hard to imagine just a few years ago. That event reminds us that what now happens in China can affect us and the rest of the world. The stock sell-off in Shanghai should serve as a lesson for China, as well. To ensure continued prosperity, China must continue down the path of reform of its financial and other sectors in its economy, while also embracing change in its society. More broadly, China having integrated into and benefited from the global system must ensure that its actions and its policies are good not just for China, but also for the world community, on which China and economic progress so heavily depends.

After almost thirty years of unprecedented, increasingly market-driven, economic growth, China has become one of the world's largest economies. It is now the world's third-largest trading nation. China has become one of the world's top manufacturers. Its middle class seeks all the material benefits of a modern economy. The flow of its overseas direct investment increased 81 percent in 2005 to $7 billion, according to China's Ministry of Commerce.

It is also important, however, to note that China faces enormous challenges at home. In general, it remains a poor country, with per-capita gross domestic product about one twenty-fifth that of the United States. The income gap between rural and urban residents is large and widening, and there is significant social unrest, particularly in semi-rural areas surrounding China's booming industrial centers. By the Chinese government's own count, there were some 87,000 disturbances of public order in China in 2005. Environmental degradation is widespread and has only belatedly emerged as a public issue. More than 300 million Chinese do not have access to clean water. The country lacks an adequate social safety net, amid an aging society. It is deficient in the energy resources and infrastructure it needs to fuel continued economic growth.

China's leaders are struggling to root out systemic corruption. The choices that Chinese leaders make to promote continued economic growth, while addressing the very real challenges at home, will have repercussions around the globe. China must address its growing global trade surplus and increase the flexibility of its currency, to ensure the health of its own economy as well as that of the world. China's voice matters on key international issues, such as ensuring a denuclearized Korean Peninsula, stemming Iran's nuclear weapons ambitions, and ending the violence in Darfur. China also needs to play a positive role in international efforts to promote:

- Energy security
- Combat terrorism, proliferation, and organized crime
- Safeguard against pandemic disease

China has increasing interests in areas where it did not have a significant presence before, such as Africa, the Middle East, and Latin America. As China's integration into the international system deepens and as its diplomatic influence increases, it becomes even more important that we encourage China to join us in actions to strengthen and support global security and prosperity for both our countries and the world. Our goal is to help China frame its choices, to encourage it to act responsibly in a manner commensurate with its growing wealth, stature, and influence. It is also important that we address the issues that divide us in a forthright and constructive manner. With that goal in mind, we have dozens of ongoing dialogues with China, on issues ranging from international security to investment regulations, to rule of law, to health care to nonproliferation to science and technology cooperation. Two of the most important are the Senior Dialogue, which focuses on broad political and strategic themes and is led by Deputy Secretary of State Negroponte, and the Strategic Economic Dialogue, led by Treasury Secretary Paulson. Our discussions are frank and candid, and where we have found common ground, we have made progress. Where we have differences, we encourage China to understand our concerns and change its behavior in ways that will advance not only our interests, but also its own.

When our differences cannot be resolved through dialogue, we turn to other mechanisms available to us, such as seeking resolution of trade disputes through the World Trade Organization or imposing sanctions on Chinese companies that sell to other countries materials and technology for weapons of mass destruction. We press China hard on matters we believe are fundamental to the world's security and peace.

We maintain a robust presence throughout Asia and strong bilateral alliances in the region. This posture is the bedrock of our Asia policy, and it is fully in keeping with our efforts to encourage China to engage responsibly in the international community. Through our diplomatic interaction and in our regional presence, we provide strong incentives for Beijing to use its rising influence in ways that will benefit China, the region, and the world.

Please allow me to outline the areas in which we are working with China to advance global peace and security, to strengthen respect for human rights and religious freedom, and to foster our countries economic prosperity.

Global Peace and Security

The United States encourages China to work with us to build and strengthen the global system and advance global peace and security. We appreciate China's positive contributions, and we urge China to do more. China has played a critical role as host of the Six-Party Talks aimed at achieving a denuclearized Korean Peninsula. China was instrumental in brokering the September 19, 2005, Joint Statement, which, when implemented, will get North Korea out of the nuclear business. In February

2007 in Beijing, China again played a key role in helping get North Korea back to the Six-Party Talks and reaching agreement on the initial actions plan. China has supported strong measures, including sanctions, in the U.N. to press North Korea to end its nuclear program and has been key to getting Pyongyang to negotiate on a multilateral basis. The administration is committed to continuing to work closely with China to achieve North Korea's complete, irreversible, and verifiable denuclearization; adopt more responsible behavior; and, implement the September 2005 Joint Statement.

As Assistant Secretary Hill has pointed out, the Six Party Talks process is focused on denuclearization but also has broader goals. Through working groups and the prospect of a future Northeast Asia security mechanism following on from a successful Six-Party process, the talks aim to reduce mistrust and tensions between former enemies, including China and Japan, over the long haul. China shares our assessment that Iran must not obtain nuclear weapons capability. Last week, China joined the United States, Soviet Union, Britain, France, and China (P-5) in urging quick approval by the U.N. Security Council of a draft resolution that would impose additional Chapter VII sanctions on Iran as a result of its failure to comply with UNSCR 1737, which required Iran to completely and verifiably suspend its uranium enrichment activities. We also expect China, as a permanent member of the U.N. Security Council, to expand its efforts to increase targeted pressure on the Iranian regime through bilateral financial measures, by increasing efforts to block transit of proliferation sensitive materials to and from Iran, including between Iran and North Korea, and by ending its unhelpful weapons sales to Tehran. On this last point, we expect China will implement its obligations under UNSCR 1747 to curtail sales of certain arms equipment to Iran. We, of course, remain concerned over reports that Chinese companies may be moving toward investments in Iran's oil and gas sector. We have made clear to Beijing that these types of investments, along with continued arms sales, send the wrong signal to the Iranian regime and raise serious concerns under U.S. law.

China needs to do more on vital multilateral issues. This is particularly true on Sudan, where China, with some justification, is seen as Khartoum's patron and benefactor. We appreciate China's public support of the conclusions of the November 16, 2006, high-level consultations in Addis Ababa and the three-phase plan for the deployment of a robust U.N. and A.U. hybrid peacekeeping force under U.N. command and control. At the same time, we expect China, which purchases the majority of Sudan's oil exports, to do much more to exercise its significant leverage with Khartoum to persuade President Bashir to unequivocally accept the U.N. and A.U. force. Such action has gained urgency with Bashir's March 6, 2007, letter to U.N. Secretary-General Ban Ki-moon, which represents a rejection of the Addis Ababa conclusions and commitments under the Darfur Peace Agreement.

There are other areas where we have differences. China has resisted international efforts to put pressure on the military regime in Burma, vetoing a related UNSCR. It has a mixed record on efforts to stem the proliferation of weapons, especially those related to missile technology and weapons of mass destruction. It needs to do more to rein in the proliferation activities of its own companies. We, and its neighbors, view with increasing concern China's lack of transparency on the pace, scope, and direction of its military modernization. Its January 11, 2007, test of a direct ascent anti-satellite weapon, a test that China still has not sufficiently explained, highlighted these concerns. The development and deployment of such an offensive system appears inconsistent with China's stated goal of peaceful rise. We also remain deeply concerned about the growing arsenal of missiles and other military systems arrayed against Taiwan, as well as Beijing's refusal to renounce the use of force against Taiwan. We believe these circumstances constitute important factors for instability in cross-Strait relations. We continue to urge China to reduce those threats and increase cross-Strait dialogue, including direct talks with Taiwan's democratically elected leaders. At the same time, we remain mindful of our obligations under the *Taiwan Relations Act* (TRA) to make available to Taiwan defense articles and services necessary for Taiwan to maintain a sufficient self-defense. We will

continue to implement our successful and quite stabilizing one-China policy based on the three U.S. and China Joint Communiqués and the TRA.

- We insist on a peaceful resolution of cross-Strait differences
- We do not support Taiwan independence
- We oppose unilateral changes to the status quo by either side of the Taiwan Strait

With China seeking markets for its products and looking for new or untapped sources of energy and other raw materials to meet growing domestic demand, its involvement in Africa and other regions has broadened and intensified. While we welcome many positive features of this engagement, we also have expressed our concerns about potentially negative impacts of China's approach to development assistance and lending. We are concerned that China's stepped-up lending to developing countries risks saddling them with additional debt, and we would like China to do more to coordinate its aid programs with other donors. In addition, we are troubled by China's continuing close relations with problematic regimes, relations that may be encouraged by China legitimate need for energy and resources, but that do not always take into account larger ramifications for peace and security. Sudan and Iran are obvious examples, but we could point to Beijing's relations with Zimbabwe and Venezuela as well. We encourage China to become involved overseas in ways that enhance rather than undercut international efforts to nurture good governance, democracy, human rights, and sustainable growth.

These issues with human rights, which I will address later are among the important matters that we discuss in the Senior Dialogue, which grew out of a commitment made in 2004 between President Bush and President Hu to develop a regular forum to discuss longer-term political and security issues. We have held three rounds of the Senior Dialogue, and Deputy Secretary Negroponte is scheduled to host the next round in Washington in June 2007. The dialogue allows both sides not only to discuss the pressing issues of the day, but also to take a broader look at our relations and discuss how we might better cooperate and coordinate actions in various regions of the world and on transnational issues that affect us all. In addition, the DoS has held regional sub-dialogues under the Senior Dialogue framework.

As we focus on China's rising power, we must not neglect mention of China's relationship with its western and southern neighbors, India, the nations of Central Asia, and Association of Southeast Asian Nations (ASEAN). We find it helpful that India and China are talking about a range of issues, including economic cooperation, combating terrorism, and efforts to settle outstanding border disputes. China also has sought improved relations with Central Asian countries and has supported regional efforts to promote greater economic cooperation and security, goals we support. China offers the potential to serve as an economic partner, particularly by providing an additional route for the export of the region energy to world markets. We encourage China to work jointly with the United States and others to facilitate new trade links that will further integrate Central Asian countries into the global economy. We support the World Trade Organization (WTO) membership for all Central Asian countries and believe China, as a member, can help to encourage reforms and policies consistent with its principles. As with China's robust multilateral and bilateral engagement with Southeast Asia, we do not perceive a zero-sum competition between Chinese and American diplomatic efforts in South and Central Asia.

Respect for Human Rights

The United States and China engage in frank exchanges of views on issues on which we have strong disagreements. This is particularly true in regards to human rights. We urge China at every opportunity to respect the basic human rights of its people, rights that not only are provided in China's

own constitution, but also are internationally recognized standards. We have expressed our concerns about the monitoring, harassment, intimidation, and arrest of journalists, internet writers, defense lawyers, religious and social activists, and human rights defenders seeking to exercise their rights under Chinese and international law. We also have consistently called on China to respect its people's right to speak, assemble, and publish; worship; and plan their families as they choose, free of coercion. We will continue to raise these and other issues of concern, as well as individual cases of political prisoners. We also will support efforts by China and its people to engage in systemic reform, through our rule of law and civil society programming.

Under Secretary Dobriansky recently testified on our ongoing efforts to promote greater dialogue by the Peoples' Republic of China (PRC) government with the Dalai Lama and his representatives and to safeguard Tibet's unique cultural and religious heritage. Let me simply reiterate that Tibet issues remain important human rights and religious freedom concerns for the United States, as does the treatment of minority communities in areas such as Xinjiang.

On all of these fronts, our message is clear: Whenever China restrains its people's freedoms, it limits their ability to achieve their full potential and to contribute to the "harmonious society" that President Hu has invited all Chinese citizens to build. China cannot be considered a leader in the international system until it develops a more open, transparent, and free society, unleashing the innovation and creativity of its own people. There also are clear international benefits for China. Much has been said and written about China's peaceful rise. However, without a more open and democratic domestic system, based on the rule of law, and, therefore, a predictable political environment, it will be more difficult for China to achieve and maintain the internal stability and the trust among its neighbors necessary to achieve a smooth transition to a leading role in the international community.

Fostering Economic Prosperity

Together, the United States and China accounted for more than 50 percent of the world's economic growth over the last five years. Increasingly, China's continued economic success is tied to our own success. Since joining the WTO, China has been our fastest growing major export market, demonstrating the benefits of engagement with China on trade issues. U.S. exports to China grew 32 percent last year, while imports from China grew 18 percent. Clearly, our companies are finding increasing opportunities in China, and these provide important economic benefits to U.S. investors, U.S. producers that benefit from low-cost inputs to production. American workers in companies are increasing profits and competitiveness by capitalizing on the efficiencies involved in our economic interactions with China, and consumers benefit from the low cost of goods. A growing number of U.S. firms are seeking to take advantage of the opportunity to provide goods and services to the rapidly increasing Chinese middle class.

That said, there are significant challenges in the U.S. and China economic relationship, brought about by China's incomplete transition to a market economy and underscored by our $232.5 billion trade deficit. To meet those challenges, we work with China on economic and trade issues in a number of forums. The high-level Strategic Economic Dialogue addresses the entire range of our economic relations and how our respective policies affect the global economy as a whole. Other dialogues, including the Joint Commission on Commerce and Trade and the DoS dialogue with China's National Development and Reform Commission, continue to address important issues and produce significant accomplishments. The essential goal is to ensure that the benefits of our growing economic relationship are fairly shared by citizens of both countries.

In many of our economic dialogues, we address some of the underlying causes of the imbalances in our economic relations, and we do so in ways that we believe will benefit not only the United States, but also China itself over the longer run. For example, China needs to do more to protect

and enforce intellectual property rights. Its failure to do so not only causes our companies to incur millions of dollars in losses through counterfeiting and piracy and raises health and safety concerns, but also deters certain foreign investments in China and removes incentives for its own industries to innovate. In the near term, we continue to encourage China to increase the flexibility of its exchange rate and strengthen and reform its financial markets. As Secretary Paulson has said, "Strengthening and reforming financial markets will ultimately allow the Chinese to freely float their currency." Perhaps the best long-term answer to large-scale deficits lies in the long-term restructuring of China's economy, so that domestic demand, not exports, will fuel its growth. Chinese leaders have outlined the goal of weaning their country off excessive dependence on exports and fixed-asset investment and toward a more consumption-based society. China also must face up to serious domestic problems, including the need for a public and private social safety net with health and retirement programs that would instill in Chinese families the confidence to spend more and save less. But, as Secretary Paulson has argued, "Beijing is moving cautiously and perhaps too slowly as it is attempts to rebalance the economy."

We work with China to promote balanced and strong growth and prosperity in our two nations. We seek ways to ensure that our economic relationship is mutually beneficial. At every opportunity, we remind the Chinese that their market-opening reforms not only are beneficial to us and the world, but also serve their own long-term interests. Staying on the reform path will ensure the continued growth and stability of their economy, something we underscore when we see Beijing backslide or pursue mercantilist-style policies. Through this cooperative approach, we have seen positive results. Tomorrow, United Airlines will launch the first direct flight between Washington and Beijing a symbol of the increased interaction between our countries. To further expand civil aviation and tourism, we have been pressing for an open skies agreement within the Strategic Economic Dialogue.

We are working in other ways to increase exchanges between China and the United States, for example, making our system for processing visa applications as efficient as possible, in a manner that facilitates legitimate travel by China's rapidly growing middle class, yet maintains security. Meanwhile, China needs to bring home the more than 40,000 Chinese who have been convicted of crimes or are in the United States illegally and have received final orders for their deportation.

We also are witnessing progress in our cooperation on energy and environment issues. The United States and China are the world's largest energy consumers, both heavily dependent on coal and oil. We both understand the need to work together to ensure stable energy markets and to support energy-efficient and cleaner technologies and the common goal of energy security. We encourage China to continue its cooperation with the International Energy Agency (IEA) and coordinate with IEA and other major consuming countries as it develops its Strategic Petroleum Reserves, which will contribute to global energy security and minimize shocks to the energy market. China's commitment to clean energies, including nuclear power, was demonstrated in its decision in December 2006 to purchase four nuclear reactors from Westinghouse in a deal valued at between $8 billion and $10 billion a deal signed, not coincidentally, in conjunction with the Strategic Economic Dialogue in Beijing in December 2006. China has said it plans to build 30 more reactors over the next 15 years.

China's dependence on industrial expansion to achieve fast economic growth has hurt its environment. Chinese leaders have begun to take notice, but solutions that would improve energy efficiency and reduce pollution have moved more slowly than China's recent economic growth. A shift to market pricing in China's energy sector including the elimination of remaining price controls on fuels and liberalization of electricity prices would spur more efficient use of energy.

More broadly, China's leaders have come to recognize that inefficient energy use restrains the nation's economic growth. China is starting to address pollution issues as it prepares to host the

2008 Olympics in Beijing. Through our dialogues, we are working with them on ways to tackle environmental problems throughout China. We also believe that American firms, with world-leading technologies, can profitably work in China on these problems.

We are engaged with China in a multitude of bilateral and multilateral forums dealing with energy and the environment. China brought together the United States, South Korea, Japan, and India in the first Five-Party Energy Ministerial in December 2006, which addressed energy stability, security, and sustainability. We are partners in the Asia-Pacific Partnership on Clean Development and Climate, a collaborative effort with the private sector to implement projects that will improve energy security, air pollution, climate change, and efficiency in a variety of energy-intensive sectors. We work together in the Asia Pacific Economic Cooperation (APEC) Energy Working Group in pursuit of the goals of the APEC Energy Security Initiative.

Although we believe that we have many common interests with China, we are realistic and recognize that dialogue does not always produce desired results. So, whenever appropriate, we take tough action to resolve our economic and trade disputes with China. Under this Administration, thirty-one anti-dumping orders have been issued against China. We requested consultations with China through the WTO over China's discriminatory treatment of imported auto parts and its use of prohibited subsidies. A month after filing our complaint on subsidies, China abolished one of the disputed subsidy programs, and we hope China will follow with action on the remainder soon. In addition, the United States Trade Representative (USTR) is in discussions with China about our concerns over China's compliance with its WTO obligations in the area of IPR enforcement.

Conclusion

We seek China's continuing integration as a responsible member of the global economy and international system. With China's rise to global prominence, its leaders must heed how their security, economic, environmental, and social policies affect not just China's population of 1.3 billion, but the 5.2 billion people beyond its borders. As a regional power with increasing global reach, China will be expected to use its increasing influence to support international efforts to safeguard peace and security. As a mature trading partner, China will be expected to play a greater role in strengthening the global trading system including the Doha round. We continue to work hard to ensure China recognizes the benefits of these roles.

We also work hard to ensure that China recognizes the mutual benefits of cooperation. I have outlined this afternoon the numerous areas where we cooperate. I also have identified the serious differences we continue to discuss with the Chinese. We seek to build a mature relationship with China based on an increasing sense of mutual trust and to confront and resolve our differences. Whenever possible, we will continue in the spirit of cooperation in our ties with China, aiming for a relationship that is productive and prosperous and benefits not just the United States and China, but also the world.

The United States and Turkish Relations and the Challenges Ahead

By
Daniel Fried
Assistant Secretary of State for European and Eurasian Affairs

[The following are excerpts of the testimony presented to the House Foreign Affairs Committee Subcommittee on Europe, Washington, D.C., March 15, 2007.]

United States Secretary of State Rice instructed me to seek to shift the focus of the United States and Turkey relationship from just managing challenges to finding ways the United States (U.S.) and Turkey can work together in the world on issues where we agree. Turkey, a majority Muslim state, with a tradition of secular governance, a deepening democracy and a thriving free market is of strategic importance to the United States. Its legacy of modernization can inspire people throughout the broader Middle East

Washington and Ankara have developed a blueprint to invigorate our bilateral relations, the Shared Vision statement that Secretary Rice and Foreign Minister Gul concluded last July. We have made progress implementing the statement, though much work remains and in Turkey, as you said, sir, public anti-Americanism remains at a historic high. We have made steady progress over the past two years in elevating U.S. and Turkish relations from their low point on March 1, 2003, when the Turkish parliament voted not to allow U.S. forces to deploy through Turkey to Iraq. Today, Turkey does support U.S. objectives in Iraq and has urged us not to abandon the Iraqi people. In turn, the United States depends greatly on Turkey to pursue shared objectives in support of the Iraqi and Afghan peoples.

Turkey, for example, provides extensive logistic support to our troops in Iraq. This critical lifeline includes: the cargo hub at Incirlik Air Base, through which, as you said, we ship 74 percent of our air cargo to Iraq. The land border crossing between Turkey and Iraq at the Habur Gate accounts for delivery to Iraq of a substantial portion of the fuel used by coalition forces and the fuel, food and water consumed by Iraqis. Turkey is the source of many imports of electricity into Northern Iraq. Turkey has used technical and financial assistance effectively to train Iraqi political parties:

- To live in their new democratic world
- To rebuild infrastructure and spark commercial development
- To deliver to average Iraqis the necessities of daily life

Turkey's grant of blanket overflight clearances of U.S. military aircraft is of critical importance to our military operations in both Iraq and Afghanistan. In Afghanistan itself, Turkey has commanded the International Security Assistance Force (ISAF) twice and is now sharing joint rotational command of ISAF Capital Region Command with France and Italy. Turkey also has participated generously in civilian reconstruction efforts in Afghanistan. We continue to urge Turkey, a dependable North Atlantic Treaty Organization (NATO) ally to continue to contribute to Afghanistan and to remove existing caveats. In the broader Middle East, Turkey is part of the robust international coalition working to achieve a diplomatic solution to Iran's continuing noncompliance with international nuclear obligations. Turkey has committed itself to implement fully the provisions of the United Nations (U.N.) Security Council Resolution 1737, which imposes sanctions on Iran and is helping to apply targeted financial pressure on the Iranian regime.

Turkey is a partner in the search for Israeli and Palestinian peace. Its leaders have conducted their own diplomacy between Tel Aviv and Arab capitals and have encouraged the Palestinians to accept the Quartet principles. Turkey has been actively engaged in Lebanon, notably by contributing about 900 troops to U.N. Interim Force in Lebanon (UNIFIL) in the fall of 2006. During last the summer of 2006 Israeli and Hezbollah clashes, Turkey helped evacuate almost 2000 American citizens from war-torn Lebanon.

On energy security, the United States has offered strong support to help realize the Baku-Tbilisi-Ceyhan oil pipeline, working with Turkey, Georgia and Azerbaijan and with companies to establish a public-private partnership that has resulted in one the most complex and successful pipeline projects of all time. A companion natural gas pipeline, the Baku-Tbilisi-Erzerum (BTE), a pipeline, is about to begin delivering Azerbaijani natural gas to Georgia and Turkey.

Over the next decade, we hope a trans-Caspian gas pipeline from Kazakhstan and even Turkmenistan will connect with this BTE pipeline. We have also just launched trilateral discussions with Ankara and Baghdad on developing gas production in northern Iraq This so-called Southern Corridor can change Eurasia's strategic map by offering Europe its best hope for large volumes of natural gas supplies that will allow diversification away from a deepening European reliance on Gazprom.

We are committed to eliminating the threat of the Turkish Kurdistan Workers' Party (PKK) terrorism in northern Iraq, where this terrorist group is headquartered and from which it continues to launch deadly attacks on Turkey. My colleague and friend, General Joe Ralston, former Supreme Allied Commander in Europe, has been appointed by Secretary of State Rice as the Special Envoy to counter the PKK.

The Turkish-American strategic partnership, though, rests on a foundation of Turkey's own democratic development. Turkey remains a secular, democratic state. But it is today a very different and a far more robust democracy than the Turkey of a generation ago. Former boundaries of expression and limits upon political options have gone or much widened. Basic freedoms are much more respected.

But with greater democratic freedoms have come deeper debate within Turkey about its strategic course, its identity, and about the role of religion in public life. These debates in turn have brought increased volatility. These intense debates within Turkey take place at a time of a very active political calendar. Turkey will hold presidential elections in May 2007 and parliamentary elections in November 2007.

Euro-skepticism, anti-Americanism and tensions over Turkey's identity and strategic course are present and sometimes growing as is a popular nationalism. One cause is Turkish citizens' frustration with PKK terrorism emanating from Iraqi territory. Many Turks feel humiliated by what they perceive as a shifting of accession requirements by the European Union (E.U.). As political tensions mount, additional political strains can undermine America's ability to sustain the recent improvement in U.S. and Turkish ties. But amid these difficult issues, we have confidence that the Turkish people will address their differences peacefully and within Turkey's deepening democratic process. Against this complex background, Mr. Chairman, Turkey now faces the possibility of a congressional resolution defining as genocide the mass killings and forced exile of as many as 1.5 million Armenians in the final years of the Ottoman Empire. The Administration has never denied, nor does it dispute or minimize, the historical facts of these mass murders and this ethnic cleansing. Each year, the President has issued a solemn statement on April 24th, Armenian Remembrance Day.

Our goal is to stimulate a candid exploration within Turkish society of these horrific events in an effort to help Turkey reconcile with its painful past and with Armenia. This is not easy. It was not easy

for the United States to address its own historic dark spots either. We will have to be persistent and we will have to be thoughtful. But after a long silence, Turkey is making progress addressing these issues. Dramatically in 2007, more than 100,000 Turkish citizens of all backgrounds demonstrated at the funeral of an Armenian-Turkish journalist murdered by a Turkish ultra-nationalist and they demonstrated in support of tolerance and a candid exploration of Turkey's past.

Political leaders across the political spectrum, including the President, the Prime Minister and the Chief of the General Staff condemned this killing. We are also seeing growing calls, including from Prime Minister Erdogan and Foreign Minister Gul, for changes to Article 301 of the Turkish Criminal Code which criminalizes insulting Turkishness. We welcome Turkish leaders' and opinion makers' calls to amend or repeal Article 301. Against this backdrop, we believe that House Resolution 106 would undercut voices emerging in Turkey who call for a truthful exploration of these events in pursuit of Turkey's reconciliation with its own past and with Armenia. Members of the Armenian-Turkish community tell us that such resolutions would stifle the dialogue they seek and would even raise popular emotions so dramatically as to threaten the progress they have made in Turkey. Our goal is an opening of the Turkish mind and the Turkish heart through honest, if painful, self examination. We fear that passage of any such resolutions would close minds and harden hearts.

A Future Unbound: The United States and India Relations

By
R. Nicholas Burns
Under Secretary of State for Political Affairs

[The following are excerpts of the remarks presented to the Heritage Foundation in Washington, D.C., May 23, 2007.]

When I was thinking about this opportunity to discuss the United States and India relations I recalled the title of a book by Gurcharan Das, the former CEO of Proctor and Gamble India. Das wrote a sweeping economic history of India from independence to the new millennium entitled *India Unbound*, which many of you have no doubt heard of. In *India Unbound*, Das describes one of the most extraordinary international stories of the late twentieth century India's evolution from socialism and a state-planned economy to a vibrant free-market economy.

The transformation Das so eloquently describes has brought about remarkable economic growth in India, and that growth has in turn launched India onto the world stage as a rising global power. Within the first quarter of this century, India will likely be among the world's five largest economies, and an undisputed global technology leader. It will soon be the world's most populous nation, with a huge, skilled, and youthful workforce. It will continue to possess large and ever more sophisticated military forces that will remain strongly committed to the principle of civilian control. And it will serve as an example of, and a partner for, democracy to its neighbors and to developing countries in each part of the globe.

With this unleashing of India's potential has come the opportunity for a different relationship with the United States. President Clinton and President Bush have both sought to take advantage of this great change to build a new and fundamentally different United States and India relationship over the last decade. Instead of an adversarial relationship, we have a cooperative one which is bilaterally, regionally, and internationally. Where once we were constrained from working together by history, politics, and distance, now we are global partners, tied together at the most fundamental levels. Our partnership rests on a solid foundation of shared values, shared interests, and our increasingly shared geo-strategic view of how best to promote stability, security, and peace worldwide. To borrow Gurcharan Das's metaphor, our shared future is indeed unbound, and its possibilities are limitless. I believe that the U.S. and India will continue to create a global partnership that will become for the 21st century a force for stability and peace in Asia. I also believe we Americans will count India as among our most important strategic partners worldwide for the coming century. I would like to review the state of our relationship as I see it now, and as I see it in the future.

The Present

We are witnessing between the American and Indian people an explosion of ties in culture, the arts, technology, and business. The relationship between two states is most often based on the quality of relations among its people.

People to People Ties

For the last three years, India has sent more students to the United States than any other country, even China. There are over 76,000 Indian students in the United States this year. This will pay dividends for decades to come, as the ties these students create here in America will create lasting bonds between our countries. In keeping with our long-term partnership, Americans are seeking

to understand India – its history, languages, cultures, and politics as never before. The number of American students attending Indian universities increased by 50 percent last year alone, and stands today at around 1,800. Our top universities, encouraged by recent decisions to open the Indian higher education sector to greater participation by foreign institutions, are setting up more partnerships and collaborative research programs with their Indian counterparts.

The growing number of Americans of Indian origin has now reached nearly 2.5 million. The Indian-American community is one of the most highly educated and highest-earning in the United States, and fosters important business, academic, and cross-cultural ties. The rate of legal immigrants from India who become American citizens has increased - from 56 percent in 1995 to 65 percent today. And, as we witnessed in 2006 with Congress' passage of the *Hyde Act*, the Indian-American community is making its voice felt here in Washington.

And this is not a one-way flow: many thousands of Americans now live and work in India, especially in Delhi, Mumbai, and Bangalore. To encourage even more contact between our people, the United States plans to open a new consulate in Hyderabad and also to build a new state-of-the-art American Center in New Delhi. I saw this first-hand in Hyderabad in December when I met with the local CEO of a U.S. high technology company who perfectly personifies this trend, he studied in the United States and helped grow a successful Silicon Valley company. Seeing the value of a bridge to India, he now manages a large and growing team in India that is keeping a U.S. company on the technological cutting edge.

Our strengthening ties have bolstered business confidence. India is welcoming more U.S. business delegations than ever before, including many sponsored by individual U.S. states. These state delegations have been successful not only at finding new export markets for their businesses, but also in enticing Indian companies to pursue investments and create jobs in these states.

Technology

Both Indians and Americans have long been recognized as leading innovators in agriculture, information technology and high-tech fields, biomedical research, and biotechnology. Increasing the linkages of the U.S. and Indian knowledge base our scientists, engineers, researchers, academics, and our private sectors is key to our mutual economic growth and prosperity and a goal of our science and technology collaborations. Together, we are exploring a host of technological initiatives ranging from agriculture to civil nuclear power.

We are building closer ties in space exploration, satellite navigation, and in the space science arena. Through mechanisms such as the United States and India Working Group on Civil Space Cooperation, we are exploring the potential for cooperation in earth observation, satellite navigation and its application, space science, natural hazards research and disaster management support, and education and training in space.

We are providing U.S. instruments for India's lunar mission Chandrayaan-1. At a time when the United States has not scheduled a Ki-moon mission for many years, this is an opportunity to collaborate on efforts to understand earth's closest neighbor.

Agriculture

While agriculture accounts for 20 percent of India's Gross Domestic Product, more than 60 percent of its people make their living through agricultural enterprises. Knowing how important agriculture is to the lives and livelihoods of Indians and Americans alike, President Bush and Prime Minister Singh launched the Agricultural Knowledge Initiative in July 2005. This initiative will provide $100 million to encourage exchanges between American and Indian scientists and promote joint research to

improve farming technology. Building on our earlier collaboration in India's Green Revolution forty years ago, the Agricultural Knowledge Initiative supports agriculture education, joint research, and capacity building projects including in the area of biotechnology.

Civil Nuclear Cooperation

I met with Indian Foreign Secretary Shivshankar Menon Washington on May 1, 2007 to discuss the outstanding issues in our bilateral agreement for peaceful nuclear cooperation. We are making progress in our negotiations and hope to conclude this historic agreement very soon. Further to the passage by the U.S. Congress of the *Hyde Act* in December 2006, several other important steps are now necessary to realize full civil nuclear cooperation. We must negotiate a bilateral agreement for peaceful nuclear cooperation (known as the 123 Agreement), which Congress will need to approve. India must negotiate a safeguards agreement with the International Atomic Energy Agency, and the Nuclear Suppliers Group must grant India an exception for civil nuclear commerce.

The civil nuclear initiative will bolster nonproliferation efforts by bringing India closer to the international mainstream; enhancing energy security, helping reduce harmful emissions, and creating opportunities for American companies. Its successful implementation will help India meet its growing energy needs and will be a cornerstone of our partnership.

The civil nuclear agreement has become, in many ways, the symbolic centerpiece of our overall relationship. Like all good things, it will continue to require hard work and difficult compromises to reach completion. Despite some difficulties of late, I believe we will reach the mountaintop and realize the enormous promise of this breakthrough agreement.

Economics

Underpinning our partnership in all these areas is the U.S.-India economic relationship. Since the wave of economic reforms initiated by then Finance Minister Singh's tenure in the early 1990s, Americans have looked to India as the next great opportunity, and Indian companies and entrepreneurs have responded with equal vigor. We both stand to gain by knitting together our two nations in a dense web of healthy economic interconnections. Our economic ties have expanded dramatically in the last decade our bilateral trade is growing over 20 percent per year and has doubled to $32 billion since 2002. The United States is India's largest investor, with over $6 billion of portfolio and foreign direct investment, and India has an estimated cumulative investment of over $2 billion in this country. However, with every billion dollar increase in trade and investment, new commercial disputes are created. To some extent, this is inevitable new economic opportunities, reforms, and growth are reshaping Indian society. The Indian government's challenge is to mediate these changes, ensuring that this growth provides an equitable rise in the incomes of the average Indian. The Indian government must also ensure that new regulations or old red tape do not impede growth, and that foreign companies have a clear path to settling commercial disputes when they arise. The Indian government should also continue the economic reforms and liberalizations that have been the basis of India's economic boom so far.

In order to achieve sustained higher growth rates as well as broad rural development, India requires world-class airports, irrigation, and communications networks. It needs modern power grids, ports and highways and many other infrastructural improvements that could be vastly accelerated by greater investment, both public and private. Our focus is on facilitating and promoting foreign direct investment, enhancing bilateral consultations on reducing tariff and non-tariff barriers to trade in industrial goods, services, and agriculture, preventing the illicit use of the financial system, and strengthening India's regime for intellectual property rights.

A key driver of our economic relationship has been the innovative CEO Forum which has brought to the table twenty top Indian and United States CEOs representing over a trillion dollars of capital. These CEOs provided a detailed set of policy and economic reform recommendations to President Bush and Prime Minister Singh that if implemented, would dramatically increase our bilateral trade and investment flows. At the CEO Forum Summit in New York last October 2006, attended by three U.S. cabinet secretaries and three Indian ministers, the U.S. government made progress in implementing these recommendations. We also heightened our engagement with the Indian government on issues related to the expansion of banking services in both countries. We pledged to implement an expedited license process for trade in dual-use items, known as the Trusted Customer program. Finally, we will hold extensive consultations with the Indian government and industry on data privacy standards to develop a framework of common practices in electronic commerce that will address data privacy standards to build confidence in the online marketplace.

For its part, the Indian government announced new initiatives designed to attract much-needed infrastructure investment in India. At the meeting, Citigroup and Blackstone agreed to launch a $5 billion infrastructure investment fund in partnership with the Indian government. In addition, the Indian government renewed their commitment to resolve some legacy commercial disputes. In the next meeting of the CEO Forum, we plan to consolidate the progress we have made so far; we also hope that the Indian government will be able to address more of the CEOs' recommendations. And, we achieved an important symbolic breakthrough on a long-festering trade dispute. After eighteen years, we have begun importing Indian mangoes into the U.S. market. Mangoes - such an important part of Indians' daily lives - can now be enjoyed by ordinary American citizens, which speaks volumes about our deepening trade ties. Let us hope this is a harbinger of similar progress on our overall trade ties in the future.

The Future

What does the future of our relationship hold? In the next year we will move forward in three principal areas:

Education

We believe that education, especially higher education and research, is a key element in our bilateral and multilateral relationships. Under Secretary of State for Public Diplomacy and Public Affairs Karen Hughes recently led a delegation of presidents of major American universities on a visit to India. We are encouraged by the enthusiastic reception they received, and we are encouraged in our belief that our countries must strengthen our partnership in education.

We are in discussions with the government of India to renegotiate our bilateral Fulbright treaty in order to permit funding from the Indian government. The additional resources would permit this highly successful program to expand dramatically and would support funding for more Indian researchers and scholars to pursue their studies and research in the United States. We are also exploring collaboration on public-private technical training in the fields of information technology, communications, and public health in India both for Indians and for others such as Central Asians and Afghans.

Regional Cooperation

India's emergence as a global power brings with it commensurate responsibility as a leader not only on regional issues but also on global ones such as promoting democracy and protecting the environment. Last year the United States and India launched our Global Democracy Initiative to promote democracy and development. We agreed to work closely in the region and globally by offering our experience and expertise for capacity building, training, and exchanges to third countries that request such assistance. India has demonstrated its commitment to democracy promotion

by contributing $10 million to the United Nations (U.N.) Democracy Fund. It is set to pledge an additional $10 million.

As the world's sixth largest consumer of energy, India shares our interest in developing new, affordable, and cleaner forms of energy. We will work together through the United States and India Energy Dialogue to strengthen energy security by promoting the development of stable, affordable, and clean energy supplies. Diversifying India's energy sector will help it meet its ever-increasing energy needs and set an example for balancing economic growth with protection of the environment the key to sustainable development.

Both India and the United States are committed to strengthening energy security and promoting development of stable and efficient energy markets. We are cooperating through the Asia Pacific Partnership on Clean Development and Climate along with other countries in the region to promote the development of cleaner, cost-effective, and more efficient energy-production technologies. Both India and the U.S. understand full well that both of our countries have a larger responsibility to be part of the global effort to combat global climate change.

India is demonstrating a leadership role regarding avian influenza. It was one of the first countries to join the International Partnership on Avian and Pandemic Influenza and has agreed to host the Partnership's 2007 global conference this December 2006.

Security

We have identified expanding defense relations and counter-terrorism cooperation as the next two big security initiatives between our countries. Growing military cooperation is becoming one of the most visible aspects of our bilateral relations. The 2005 Defense Framework is symbolic of a new era in closer military cooperation and sets forth a joint vision. The agreement reflects the increasing frequency, size, and complexity of military exercises between the Indian military and the United States. Our mutual interests also provide an environment for jointly addressing security and humanitarian issues, including disaster relief operations.

The presence of 42 U.S. defense firms in India during the Aero India show in Bangalore February 7 through 11, 2007, is evidence of our companies' willingness to invest in long-term relationships with Indian counterparts. The possibility of increased defense trade makes this a bright spot for future development. U.S. technology is highly advanced, and the Indians are strongly considering our defense industry to provide modern weapon systems such as the Multi-Role Combat Aircraft, anti-tank missiles, and long-range reconnaissance aircraft.

In keeping with our new relationship, our firms do not want to be merely suppliers to the Indian military, but also long-term partners during the modernization and development of India's defense industry. I hope very much that we will see a breakthrough in our defense relations in the next year. I believe American firms will be well-positioned to succeed in becoming major suppliers in the Indian market if the playing field is level.

We are also working together to combat the global scourge of terrorism. The 8th United States and India Counterterrorism Joint Working Group was held in New Delhi on February 28, 2007. India and the United States have many lessons learned to share with each other to confront this mutual threat. We have agreed to closer cooperation on terrorist financing, law enforcement, aviation security, and information sharing, as well as combating weapons of mass destruction terrorism and bioterrorism. India is a victim of terrorism, as is the U.S. We extend our condolences to the people of Hyderabad, who suffered in May 18, 2007 attack on the beautiful Mecca Masjid which I visited last December

2006. The U.S. intends to strengthen its commitment to India to be a good partner in combating terrorist threats.

Conclusion

The United States and India have an extraordinarily promising shared future. The multidimensional nature of our relationship, its range, and its depth all ensure that our ties will be enduring. With our shared future unbound, I am confident that we will be able to achieve the ambitious goals we have set out for our partnership. I believe the positive history of the 21st century will be written in large part by Indians and Americans together as we will stand together for the growth of democracy, free-market economies, and peace in Asia and around the world. When the history of our time in office is written, I am confident the great strategic leap forward in cementing the United States and India strategic partnership will count among the most important accomplishments of Presidents Bush and Clinton with Prime Minister Singh and his predecessors.

A Regional Overview of South Asia

By
Richard A. Boucher
Assistant Secretary of State for South and Central Asian Affairs

[The following are excerpts of the speech presented to the House Committee on Foreign Affairs, Subcommittee on Middle East and South Asia, Washington, D.C., March 7, 2007.]

There are few places more critical to our interests or in greater need of sustained United States (U.S.) attention than South Asia. With nearly a quarter of the world's population, the region has the potential to serve as a democratic and economically vibrant force, and a positive influence on neighboring regions. It is also home to some of the world's most dangerous threats weapons of mass destruction, violent extremism, terrorism, narcotics, poverty, pandemics, illiteracy, and corrupt institutions.

Our over arching aims in the region are to accomplish the following:

- Champion democracy and its foundations of education, information, and the rule of law
- Facilitate the integration of South and Central Asia
- Stop the flow of narcotics
- Bolster political and economic reform throughout the region

Specifically, we need to:

- Win the war, secure development and democracy in Afghanistan
- Jump-start the Pakistan Frontier Strategy
- Establish a firm partnership with India, including completion of the U.S. and India civil nuclear cooperation initiative
- Advance the President's Freedom Agenda

Failure to achieve our goals could lead to increasing threats from regional terrorism, an explosion of narcotics trafficking and a succession of dangerous failed states. To capitalize on the many opportunities and counteract the very real and immediate threats to this agenda, the DoS will practice what Secretary of State Rice calls transformational diplomacy, utilizing traditional diplomacy as well as harnessing the regional and bilateral assistance tools Congress provides us to pursue these goals.

In recent meetings with President Musharraf in Pakistan and President Karzai in Afghanistan, Vice President Cheney reinforced our commitment to fighting terrorism and strengthening security and reconstruction in Afghanistan and the tribal areas of Pakistan. We are meeting these challenges in both Afghanistan and Pakistan head on. In Afghanistan, in conjunction with the Afghan government and our international partners, we are taking a comprehensive approach that addresses not only security but also develops local capacity, builds infrastructure and democratic institutions, and promotes economic growth and trade. After being very heavily engaged in Afghanistan for five years, we believe it is the sustained combination of these elements that will give the Afghan people what they need and deserve.

To date for Afghanistan, we have provided over $14.2 billion dollars in security and reconstruction assistance, and we have just requested an additional $11.8 billion for the remainder of 2007 and for fiscal year (FY) 2008. This represents a significant increase in resources for Afghanistan compared to prior years. We think the time is right to reinforce all that we have done, and to send a clear signal that the U.S. has a long-term commitment to the people of Afghanistan. This funding, if approved, will go into:

- Training and equipping the police and the military
- Constructing a road system, principally in the south and the east
- Building electricity grid
- Extending government by building government and justice centers, and training government employees
- Fighting narcotics and building a new rural economy

At its core, it is an effort to extend the reach of the Afghan government more broadly throughout the country, especially in areas where there is conflict. There is international consensus on this approach. We will continue work with our partners not only within Afghanistan but also in foreign capitals to ensure that this effort is strengthened, broadened and coordinated. Pakistan continues to be a key ally in the War on Terror (WOT). More than that, the U.S. and Pakistan share a long-term strategic partnership that is strong and multi-dimensional. During his visit to Pakistan in March 2006, President Bush initiated a strategic partnership with Pakistan that is committed to making the region stable, open, and prosperous. In 2006, the U.S. and Pakistan signed a $64.4 million agreement to improve primary and higher education in Pakistan and designated $45.7 million for activities to improve maternal and newborn health services, accessibility and availability of family planning products, prevention of major infectious diseases and access to clean drinking water.

Pakistan is a vital partner and ally in our fight against the Taliban and al Qaeda. During his visit to Pakistan, Vice President Cheney held positive and serious talks with President Musharraf about how, together, we can take strong measures to eliminate the threats from the Taliban and al Qaeda. While we continue to encourage the government of Pakistan to take action against violent extremists, we recognize that purely military solutions are unlikely to succeed. We therefore strongly support President Musharraf's efforts to adopt a more comprehensive approach to combating terrorism and eliminating violent extremism in the border regions, which include the Federally Administered Tribal Areas (FATA), parts of Baluchistan, and the Northwest Frontier Province. We are committed to supporting this initiative, in order to bring economic and social development and governance reform that will render these areas inhospitable to violent extremists.

As Presidents Bush and Musharraf agreed in March 2006, another U.S. priority is assisting Pakistan to build strong and transparent democratic institutions on its path to sustainable democracy. We continue to support Pakistan's efforts to conduct fair, free, and transparent elections, expected later this year. We will continue to work with the government of Pakistan to develop a long-term strategic partnership that is multi-faceted and committed to the peace and security of South Central Asia.

Mr. Chairman, I would like to take a moment to thank you and also Chairman Lantos, Representative Ros-Lehtinen and so many other members of the House Foreign Affairs Committee, and your staffs, for their strong support for the *Henry J. Hyde U.S.-India Peaceful Atomic Energy Cooperation Act of 2006 (*the *Hyde Act*). Without your intensive efforts, close coordination with the Administration, and willingness to prioritize this initiative, this historic achievement would not have been possible. The

law represents a major step forward toward realizing President Bush's and Prime Minister Singh's vision of a strategic partnership between the world's oldest and largest democracies. Successful implementation of the civil nuclear cooperation initiative will help India meet its burgeoning energy needs, enhance cooperation on energy security and on global nonproliferation efforts, and increase economic investment opportunities. We look forward to working with India to fully implement this agreement. A number of key steps remain and they are listed below:

- Completing ongoing negotiations on a U.S. and India agreement for peaceful nuclear cooperation, as required under the *Atomic Energy Act of 1954* as well as the *Hyde Act*
- Approval of that agreement by the Congress
- Negotiation of a safeguards agreement between India and the International Atomic Energy Agency that will be applicable to India's separated civil nuclear sector
- The achievement of a consensus in the Nuclear Suppliers Group to make an India-specific exception to the full-scope safeguards requirement of the Group's export guidelines.

Progress is being registered on all these fronts, perhaps not as rapidly as we might desire, but in a manner that is consistent with the complexity and weight of the issues under consideration. Although I cannot predict when we will be in a position to recommend to the President the determinations required by the *Hyde Act* as a condition of submission of the bilateral cooperation act to Congress, recent meetings with the Indian government give us reason to hope that the necessary steps can be completed this year. We expect that cooperation in the civil nuclear arena, when it becomes a reality, will provide an impetus for heightened collaboration with India in many other areas.

Beyond the civil nuclear initiative, we are working to realize the President's vision of a strategic relationship with one of the world's rising powers that addresses global and regional political and security challenges, encourages mutual economic growth and prosperity, and fosters constructive Indian engagement in international organizations. We are deepening our security ties to undertake more complex joint military exercises, cultivate long-term partnerships between our defense industries, and enhance U.S. and Indian interoperability in global peacekeeping operations. Over the near term, we are encouraging India to adopt a more constructive role in forging a compromise between developed and developing nations in the Doha Development Round negotiations. We are also encouraging the government of India to open its higher education sector to U.S. institutions and exploring ways of partnering with India on joint educational programs for South and Central Asia. As our relationship continues to develop, we likely will encounter areas where we do not share the same approach. But as countries linked by a deep commitment to freedom and democracy, we believe our strategic partnership will grow and deepen.

Bangladesh has made impressive progress since gaining independence in 1971, but it still faces many daunting challenges, however. Severe poverty, rampant corruption and bitterly divisive politics dominated by polarized, dynastically-oriented parties exacerbate weak governance. Constructive engagement and assistance to Bangladesh are in the interests of the U.S. prosperity and stability would make Bangladesh a model for democratizing Muslim-majority states, while a floundering or failed Bangladesh could be a potential haven for anti-U.S. extremists and have a destabilizing effect on the entire region.

January 11, 2007, Bangladesh's president declared a state of emergency and indefinitely postponed planned parliamentary elections until after electoral reforms are implemented. Although we believe that elections should be held as soon as possible, the government and the Bangladeshi people must

determine exactly when and how they will hold free, fair, nonviolent, and credible elections in which all parties can participate. We encourage all parties to work to resolve issues peacefully and advance the democratic electoral process. In recent years, Bangladesh has also struggled with a rise in violent extremism, reaching a crisis point in 2005 with the near-simultaneous countrywide detonation of more than 400 bombs on August 17, 2006. Combating corruption is another long-standing priority of the U.S. government, and Bangladesh's interim caretaker government has embarked on a major anti-corruption campaign. We urge the caretaker government, however, to make certain those arrested in this campaign receive full due process and treatment consistent with Bangladeshi law and international standards.

In Nepal and Sri Lanka , we have remained engaged with the international community to support ongoing peace processes and conflict resolution. In Nepal, the historic People's Movement of April 2006 that forced the autocratic King to transfer power back to the parliamentary parties, as well as the Comprehensive Peace Agreement between the government and the Maoists in November 2006, have opened a window of opportunity for that country to emerge from conflict and establish lasting peace and democracy. We are doing our utmost to help Nepal take full advantage of that opportunity. We have focused our development assistance and diplomacy on helping conduct free and fair elections scheduled for June 2007 to a constituent assembly that will draft a new constitution. In doing so, we have placed a high priority on coordinating with our international partners, especially India and the United Nations (U.N.). Success is not guaranteed, as the Maoists continue to commit abuses that call into question their stated commitment to peaceful, multi-party democracy, but we are cautiously optimistic that the commitment of the Nepalese people and the support of the international community will produce a positive outcome.

The conflict in Sri Lanka between the government and the Liberation Tigers of Tamil Eelam (LTTE), a designated foreign terrorist organization, is preventing the country from fulfilling its potential as a prosperous, stable democracy. Peace would reduce the threat of regional and international terrorism and stabilize Sri Lanka as a partner for the U.S. in South Asia. Unfortunately, the situation is unlikely to change in the near-term, as escalating violence has caused the peace process to break down and has led to an undeclared war with myriad human rights violations and a humanitarian crisis.

Ambassador Robert Blake recently came under the Tigers' mortar fire on a visit to the Eastern Province and was slightly injured. Resolving the conflict through a political settlement requires moving the Sri Lankan government and the Tigers to a durable cessation of hostilities. The international community is engaged in the peace process and is working toward bringing both sides back to negotiations. Continued divergence between economic and social indicators in the Western Province and those in the rest of the country will only entrench inequalities. The U.S. assistance will thus target workforce development, job creation, and niche market development for the most vulnerable populations from the conflict outside of the Western Province. A stronger and more geographically inclusive economy will make implementing and sustaining a peace agreement faster and easier.

The U.S. has important relationships with each country in South Asia and they have important relationships with one another. We are working in close cooperation with our friends and partners to achieve important economic and trade linkages within the region. Our strategy includes collaboration with other donors, the private sector, and appropriate regional organizations in meeting our common regional integration goals. In recognition of our commitment to such home-grown efforts, the South Asian Association for Regional Cooperation (SAARC) recently invited the U.S. to join as an observer member and I am pleased to report that we will participate in the SAARC's upcoming summit meeting in New Delhi. Our membership will give us the opportunity to assist SAARC members in realizing the full potential of the South Asia Free Trade Area and address persistent impediments to the cross-border movement of goods that has stunted the economic growth of the region. Beyond trade, our

membership in SAARC will allow us to leverage a broad range of our other technical assistance efforts, including in the areas of education, the environment, and humanitarian relief.

Concurrent to pursuing bilateral and regional efforts within South Asia, it is our priority to further integrate the South and Central Asia region, with the aim of fostering long-term stability between Afghanistan and its neighbors; encouraging energy exports from Central to South Asia; and jump starting trade within the region to accelerate growth. All three components are necessary, interlocking pieces from a geo-strategic viewpoint. As Russia, China, and Iran try to place their own imprints on the development of Central Asia, we have to acknowledge that even though we do not subscribe to the so-called "Great Game", others do, to the detriment of regional stability and U.S. goals. Regional integration will be more effective if focused on concrete steps that lead to tangible progress. We are working with other partners and donors, as well as the private sector, to initiate programs in building energy, transportation (road, rail and air), and telecommunications links across the region. Building on the success of the London Conference, where over sixty donors made available over $10.5 billion to reconstruct Afghanistan, we will continue to engage our partners on building technical linkages between South and Central Asia. We plan to use FY 2008 funds to stimulate construction of transportation and energy-related infrastructure. We foresee roads reaching from the high tech corridor of India and the port of Karachi in the south to Almaty in the north.

As infrastructure alone will not lead to real integration, we are also aiming to promote regional dialogue with a focus on education and access to the media, which are fundamental to improving social development in all areas. We will work closely with the government of India to increase access for U.S. students and U.S. universities to the Indian higher education sector. We will continue to support the American University of Central Asia in Bishkek, as a locus for free inquiry and debate for young people in a region where such possibilities are limited. Free and independent information is the number one means to clearly portray U.S. interests in South Asia 's economic growth and democratic reform. To this end, we are launching a comprehensive strategy to support our spring offensive against the Taliban and limit the effect of their corrosive propaganda. We will support journalism training to attract students and journalists from across South Asia region. Throughout the region, we maintain aggressive, active press and public diplomacy efforts to promote democratic values, counter the influence of extremists, and highlight our contribution to the political freedom and economic prosperity of ordinary citizens.

The United States and European Alliance

By
R. Nicholas Burns
Under Secretary of State for Political Affairs

[The following are excerpts of the remarks presented to the Atlantic Council, Washington, D.C. February 21, 2007.]

I wanted to say how much we appreciate at the Department of State (DoS) the work that all of you do here at the Atlantic Council. We need institutions outside the government to argue for American engagement in the world, and for a purposeful and serious American engagement, and this institution has stood for that for a very long time. We also need, obviously, to focus this year on America's evolving role with Europe and the changing agenda, in fact I would say the complete transformation of the United States (U.S.) and European agenda in recent years. And I would like to focus on two important but I think under appreciated perhaps by the press and other observers, developments in our relations with Europe.

First, the United States has acted with great determination, and I think with great efficiency and results, in reaffirming our partnership with Europe over the last several years. I was Ambassador to the North Atlantic Treaty Organization (NATO) in 2002 and 2003 during that very difficult time when we had a major transatlantic difference over whether or not the U.S. should go into Iraq; a difference over the role of the U.S. and the European countries in fighting the war on terrorism on a global basis; maybe even a difference about the nature of what an alliance was and whether countries should act independently of that alliance or whether they should not. That was a very serious and profound disagreement. A lot of us participated in it. But we have made a major effort over the two years that have transpired since that time to reaffirm the NATO alliance, reaffirm our partnership with the European countries, and I think I can say with great confidence today, and I would think most European diplomats would say the same, alliance is now back together again.

France is our leading partner in dealing with the crisis in Lebanon, trying to defend the democratically elected government of Prime Minster Siniora in Lebanon. Germany, France, and the United Kingdom are our leading partners in trying to prevent Iran from becoming a nuclear weapons state. Europe and America are the two parts of the world arguing that the Balkans now should finally be able to achieve the results that they missed in the early 1990s of peace and stability, of unity and of inclusion in a Europe that is whole, free, and at peace in the words of our 41st president, George Herbert Walker Bush. It is time for the people of Kosovo to know what their future is going to be. It is time for those in Bosnia and Herzegovina to be able to rise, to go beyond the Dayton Accords and to build a modern constitutional state, and Europe is our great partner in that. And so I think we have been successful Europeans and Americans alike in returning to the alliance and returning to the solidity of the transatlantic relationship which for we Americans is so important for our role in the world.

Second, there has been a very dramatic and undeniable shift in the European-American relationship, perhaps the most important in the century, and I think its impact is likely to be felt for a generation to come. And that is that the U.S.'s policy towards Europe is no longer about Europe. It is about the rest of the world. And the U.S. and European alliance is no longer about the divisions in Europe as it certainly was over the course of the 20th century, it's about what we together have to do to be effective and purposeful around the globe in all the regions of the world.

Think of it this way. Between April 1917 when Woodrow Wilson put a million American soldiers into Belgium and France to help and win the First World War–between that time and April, May, and June of 1999 when President Clinton rescued, along with our NATO allies, one million Kosovar Albanians from Milosevic's ethnic cleansing, United States policy around the world was centered on Europe. It was centered on the divisions in Europe, on the two world wars that we had to fight, on the Cold War that millions of American military fought for a generation. And if you asked any American diplomat any American member of the Atlantic Council for the last five or six decades what area of the world was most important, most vital for American national interest, it was certainly Europe. It was the epicenter of America's global and strategic thinking. It is why we stationed millions of young men in Europe from the spring of 1944 until the present day, and certainly through that time in 1989, 1990 and 1991 when the East Europeans liberated themselves from communism and when the Soviet Union fell. It is why NATO was created, and now that Europe is nearly whole, free, and at peace, our European policy can focus for the very first time on what the U.S. and Europe can do together on a global basis.

Think of it another way. Europeans have just experienced roughly a millennium of internal divisions, internal disunity, and internal warfare. And their achievement of a Europe that is united and peaceful and stable is truly one of the great achievements in world history certainly in modern history. It is their achievement. Americans were their indispensable partner, especially over the last century or so. And in that sense, I think that we in America can take some satisfaction in looking at the course of our entire foreign policy history over 230 years and say what we accomplished with the Europeans from the First World War onward was one of the great chapters in American foreign policy.

We created with Europe a single democratic space that is unique in the history of the modern world that defines our two political cultures, it defines our political philosophies, it defines who we are as two peoples. It is an extraordinary achievement, and it is a common achievement a free world in a democratic space in North America, in Western and in Central Europe.

And now that we have created that free world, for us it really is in our self-interest and here I think we get to the defining feature of modern American diplomacy it is in our self-interest but it is also our responsibility with the Europeans to see what we can do to bind ourselves together in a common global strategy. And that has been an evolution for some period of time, but we have been slow to articulate Europeans and Americans together just what that agenda is.

I think this represents the single most important, most significant change in America's relations with Europe. It means that the entire agenda of how we deal with the European Union, what we ask NATO to do, and what we ask NATO to be in the world, and especially what we do with the larger countries of Western Europe, the United Kingdom, Germany, France, and certainly now Poland. This agenda defines our bilateral relations with all those people.

I wanted to say that at the beginning because I think this change is important for all of us as Americans. It continues to mean that America has to be engaged in the world, that we can neither seek solace in isolationism as we have done so often in our national history, and we certainly can seek no solace in unilateralism which is a recipe for failure in our foreign policy in a globalized world where we need friends and we need allies to be successful in confronting all the challenges that are facing us. If you would agree with me that that's the great change that has taken place over the last ten or fifteen years but is just now becoming apparent, especially to those of us who work in government who have to deal with bilateral and multilateral agendas, then what is the specific agenda for Europe and America in 2007 and beyond?

I would break it down into two areas. First, there is some remaining work that needs to be done in Europe to fulfill this fantastic opportunity that we have had in the last generation to see Europe become truly united, peaceful, and stable, and there is one part of Europe that has not received the benefits of that vision, and that is the Balkans.

Second, what is the global agenda that is right now driving NATO and the U.S. and E.U. as we seek to work together in the world? This will be a year of transformation and change in the Balkans. It is the year when we are going to face the final status for Kosovo. It was nearly eight years ago when the NATO leaders led by President Clinton, Prime Minister Blair, and others decided we had to intervene in the ethnic cleansing of the Kosovar Albanians to save those people, and to turn back for a second time in a decade the armies of Serbia led by Slobodan Milosevic. We did so successfully, and the people of Kosovo have now waited nearly eight years to discover what would happen to them. Would they live in an independent country? Would they continue to be associated within a greater Serbia, Serb state? The answer will come in just about four to five weeks' time when President Martti Ahtisaari, the U.N. negotiator, reveals to the Security Council what is the result of his negotiations between Belgrade and Pristina. The United States is committed to support President Ahtisaari. We have been leading an international effort to set up his negotiations. I think around the middle part of March 2007 we saw a very vigorous debate at the U.N. about the future of Kosovo, and we hope that one will be of peace, and a peaceful transition to a better future for the people of that province.

We also have some work to do to try to still the forces of irredentism and of violence that unfortunately are part of the fabric of Balkan political life in our time. There are still some Serbs who believe that the Serbs should unite themselves the Serbs in Serbia, in Kosovo, and in Bosnia, and that kind of irredentist force which was so destructive when Yugoslavia broke up ten or fifteen years ago cannot be allowed to return to be a political force in the Balkans. The Dayton Accords were a uniquely creative instrument to stop a war in the fall of 1995. Nearly twelve years later they cannot be the way that the people of Bosnia Herzegovina organize themselves for the next ten years. There has to be an effort made by the people of the region to modernize the Dayton Accords and to allow Bosnia Herzegovina to become a modern state in constitutional and legal and political terms.

Those two objectives, along with bringing Croatia and Albania and Macedonia into NATO in 2008 or 2009, those would be the initiatives that we should take to bring the Balkans into association with the European Union and NATO, and to finally break down the institutional and national barriers that have retarded the progress of the people of the Balkans, compared say to the peoples of Central Europe, and to give them a future in NATO and the E.U. that would solidify for the people of the Balkans the same advantages that the West and Central Europeans have had since the end of communism fifteen or sixteen years ago. That is an important priority for Europe. It is also an important priority for the United States.

The second intra-European issue that is so much a part of our current agenda is what to do about Russia, how to relate to modern Russia, how to be a partner with Russia, but also how to protect NATO, the E.U., and the states of Central Europe from whatever dangers may lurk in the future.

You have all seen or heard the extraordinary speech that President Putin gave at the Wehrkunde Conference in Munich in January 2007. You have seen this unusually unwise and irresponsible statement by the Russian General Staff about targeting the Czech Republic and Poland because they have the temerity to negotiate with the U.S. a missile defense agreement. Our response to that has been that we need to seek a balanced relationship with Russia. We need to take account of what is working in our relationship with Russia but also to be very clear about where we disagree with the Russian leadership, for example:

- Whether it is on the lack of democracy inside Russia itself, the declining fortunes of the democrats in the Russian political spectrum;
- Whether it is on Russia's attempts to, we think, be overbearing at times in their relations with their neighbors; or
- Whether it is the recent Russian reaction to our attempt to establish a modern missile defense system in Europe, not aimed at the Russians themselves, of course, but aimed at the threats that emanate from Iran and other countries to the south of Russia.

A balanced picture of the United States and Russian relationship would take account of the following. Two major issues that we face globally our ability to defend ourselves against terrorist threats, and our ability to restrain countries from becoming nuclear powers and Russia is one of our strongest partners worldwide.

- The first, Russia's been a victim of terrorism, the United States has been a victim of terrorism, and we have achieved a degree of cooperation with the Russians in terms of intelligence and counter-terrorism work which has been, frankly, vital to our abilities to be successful in countering terrorist groups worldwide.
- The second, the Russians are working with us in the six-party talks in North Korea. You saw the success we had there last week. The Russians have been a good partner in United Nations Security Council (UNSC) debates about Iran and in our successful passage of a UNSC resolution just before Christmas in December of 2006 to impose Chapter VII sanctions on Iran. Russia has argued that countries should be responsible stewards of their missile material and nuclear warheads. So in these two important respects, the U.S. global interests do coincide and intersect quite nicely and on a favorable basis with the Russian Federation.

But in other areas we see that the Russians and our government and perhaps other governments in Western Europe are operating at cross-purposes. We believe that Georgia should have a right to define its own future. We believe that Georgia should have the right to seek membership or association with international organizations like NATO in the future if that is what Georgia elects to do, and if Georgia, of course, at some point in its future history meets the requirements of NATO membership.

We believe that Moldova should be allowed to overcome the internal divisions that have held that nation back since the breakup of the Soviet Union in December 1991.

And we certainly believe that the three Baltic countries, Estonia, Latvia and Lithuania, now members of both the E.U. but especially of NATO, have a right to live in peace and free of the harassment that is sometimes afflicted upon them by the Russian Federation.

We are concerned about the lack of democracy inside Russia itself, the declining fortunes of those who stand up for democracy in Russia. So I know that President Putin put a number of criticisms before the world audience about U.S. foreign policy. We have been equally clear about where we disagree with the Russian Federation, and that's our responsibility to do that to define a modern relationship in those terms, to be frank about what is working and to thank the Russian Federation when we are able to achieve things together whether it's on counter-terrorism or counter-proliferation, but to be equally frank that when there are challenges in the relationship we face those challenges, and we disagree with the Russians publicly when they do things that are profoundly not in our Russia is going to have to understand that NATO will continue to exist. NATO will continue to grow. We will continue to add members to the NATO Alliance.

And the strength of NATO will be based on our common will and our ability to project NATO as a force for peace and for stability as it certainly is in its Afghan mission. And Russia has to understand that NATO is not and has not been, for the history, for the many years since 1989, 1990 and 1991, directed at all against Russia, but is the one uniquely unifying force for peace and stability in Europe itself.

The NATO's enlargement has brought so many positive benefits to the Europeans, as well as to the North Americans over the last fifteen years that we think NATO's vocation has to be strong in the future. We have invited Russia into a NATO and Russia partnership five years ago in Italy. It has worked well at points, but it is been sometime disappointing in a lack of a strategic engagement. That was apparent in the Russian reaction to our plan to establish a very small number of interceptors in Poland and at radar sites in the Czech Republic, to have some capacity to deter the looming missile threat from Iran and other states in the Middle East that all the European countries and the U.S. face.

To think that in this day and age a member of the Russian General Staff would threaten two NATO countries because they have the temerity to consider negotiating this agreement with us is really quite astounding. Secretary of State Rice said today when she was asked about this in Berlin,

> It was profoundly unwise for that statement to be made, and we hope that the Russians will think twice about such statements in the future.

So those two issues, relations with Russia and relations, our efforts to try to solidify progress in the Balkans, are part of the remaining business that the Europeans and Americans have to do to create this unified democratic space that is the strategic objective of both of us as we look to the future. There is also a global agenda, and I would just list five challenges for the U.S. and Europe as we operate globally, as we seek to have an integrated approach to the rest of the world for 2007 and beyond. And these five challenges encompass the most important priorities for the U.S., and I think right now they're at the heart of the transatlantic relationship.

The first great challenge for us is to be successful in Afghanistan. This is an American and European joint venture to assist the Afghan government, the Afghan people, and the neighbors of Afghanistan, such as Pakistan and India, to be successful in trying to beat back the tactical attacks of the Taliban and al Qaeda, to help bring humanitarian assistance to the people of Afghanistan, and to help rebuild this country which had to live under such a difficult regime for 25 years prior to the American intervention in October 2001.

The U.S. has 27,000 soldiers in Afghanistan. Secretary of Defense Gates has said we will maintain very strong troop levels. We have just asked the Congress for $11.6 billion in American military and economic assistance to Afghanistan for the next two years. That is an extraordinary leap over the amount of money that we have spent in Afghanistan over the past five years, which totals $14 billion. It does show that the U.S. is in this for the long haul, that we believe we can be successful in Afghanistan, but it is going to take a major effort. And that effort has to come from the Europeans as well. We have to see the infrastructure of the country rebuilt; we have to see the Europeans be willing to put their troops into combat situations.

NATO has now had to face an existential crisis of sorts. We are fighting in Kandahar, Oruzgan, in Helmand, Paktia provinces, U.S. military forces, with the Dutch and the Canadians and the British and the Estonians and the Romanians. But most of the other NATO allies are deployed to the west and to the north. When we have a firefight, as we did, a major firefight with the Taliban in September 2006, and need tactical reinforcements, it is incumbent upon the NATO allies to come to the support of those NATO allies engaged in the combat. That did not happen in September 2006. And too

many of our allies have said that they are quite willing to be garrison troops in the northern and western parts of the country that are relatively quiet and peaceful, but not willing to come down to where the Taliban is crossing the border in great numbers and where al Qaeda is also taking on the American, Afghan, and those NATO allied forces that I named. We need to see that effort from the Europeans. We need to see more European soldiers in Afghanistan, more European money devoted to the task of rebuilding the country, and we are absolutely confident that with that type of cohesive and strong cohesive and strong and unified Western effort, we can give the type of support to the Afghan government that the Afghan government requires to be successful.

The Taliban does not represent, in our judgment, a strategic threat to the government of Afghanistan, but it does represent a threat in Kandahar, in Helmand, in Oruzgan, in Paktia provinces; to the young girls who are trying to go to school and the Taliban is trying to intimidate them from going to school, through the assassination of local political leaders that the Taliban has been engaged in. We have to repel that, along with the Afghan forces. We have the capacity to do it, but Europe has to join us in that effort, and that has been our message at the last two NATO meetings that Secretary of State Rice and Secretary of Defense Gates have attended. That would be a first challenge for our relationship.

A second would be to see a combined U.S. and European effort to confront the four great interlocking challenges that confront us in the Middle East:

- The extraordinarily difficult challenge that we have in Iraq, number one
- Number two, our common interest in convincing, cajoling, sanctioning the Iranian government so that they do not have the capacity to become a nuclear weapon state and do not have the capacity to become the most dominant state in the region, which is clearly the ambition of President Mahmoud Ahmadinejad.
- Third, to protect the democratically elected government of Prime Minister Siniora in Lebanon against the axis of Hezbollah, Syria, and Iran, who want to destabilize that government and actually drive him from power and put Hezbollah on the throne.
- And fourth, to support the effort that Secretary of State Rice began this week in Jerusalem and that is to see if progress can be made between Israel and the Palestinian leadership in the nearly sixty-year effort by every American administration to try to seek a final peace between Israel and the Palestinians and to create the Palestinian state that the U.S. believes is necessary for peace and stability in the Middle East.

Those are the four crises that confront us. We need European political and economic support on every one of them, and the Europeans are involved in every one. But we need a degree of unity and of cohesiveness in our approach to be effective in all of them. I think as a career diplomat in nonpartisan terms. No matter what happens in our elections in the fall of 2008, the next American administration will have to face these four issues, just as the last two, President Bush and President Clinton, have faced them as well. That would be a second challenge for the U.S. and European relationship.

A third is to confront the myriad of problems, but also opportunities that are presented to Europe and the U.S. in Africa. This is a new area of cooperation for both of us. And I think frankly it's one of the most welcome changes that I have seen in American national security thinking. I was away in Europe, serving in Europe with some people in this audience between 1997 and 2005, and when I returned the greatest single change that I observed in the way our government thought about the world was that we now thought about Africa as a national security concern. We thought of African countries and the African Union as national security partners, and we thought that our vital interests

were engaged. And that is why we have promoted this $15 billion global human immunodeficiency virus and acquired immunodeficiency syndrome (HIV/AIDS) program, which is primarily focused on ten countries in Africa. It is why we have nearly quadrupled American development assistance to Africa in the last five years. It is why we now think of the African Union in Addis Ababa as a regional actor that is critical if we want to be successful in Sudan, in Darfur, or in Somalia or in lots of other problems in the continent.

And it is why Europe and America need to think of strategic engagements with Nigeria, South Africa, Uganda, Kenya, Tanzania, Senegal, and the Congo, some of the leading countries of the continent. They are our national security partners. And so whether it is on disease prevention, HIV/AIDS prevention, poverty alleviation, or conflict resolution, Europe and America have a common interest in doing what we have to do to help the Africans overcome these problems, because these problems do represent, do have a long-term impact especially on Europe, but also on the U.S.

And I would just say, in terms of our African agenda, two short-term priorities. Can we take advantage of the very surprising and very effective Ethiopian military offensive to drive the radical Islamists out of Mogadishu and out of power in Somalia, to see an African regional peacekeeping force go in as it is in the next few weeks to Somalia, and then to see it succeeded by a U.N. peacekeeping force. And we just voted in the United Nations Security Council yesterday to authorize that force, to provide the people of Somalia with some long-term stability which they have been denied now going on twenty years.

Can we be successful in using our combined European and American political influence on the government of Sudan to convince that government we must have a combined African Union and U.N. peacekeeping force in Darfur to stop the genocide that is currently underway? It has not stopped. We have reports every week of humanitarian abuses, of rapes, of killings of the citizens of Darfur by the Janjaweed and allegations of complicity at certain times by the government of Sudan itself. We have an opportunity with Europe to press that agenda on the Sudanese government, and it's one that we have to do with a great deal of determination and speed in the coming months. And so Africa would, in my view, be a third challenge and opportunity for the U.S. and Europe.

Support for the U.N. If you go anywhere in the world, any region of the world, any country in the world, the U.N. is playing, in many cases, a major role in some countries, the indispensable role. And it is going to be up to the wealthiest contributors to the U.N. system, the permanent members of the United Nations Security Council, to lead the way in helping Secretary General Ban Ki-moon to revitalize the United Nations, to reinforce its ability to be effective in peacekeeping.

I have just talked about Africa. Whether it is in Congo or Sierra Leone or Côte d´Ivoire or Sudan or Somalia, it is the U.N. that people are calling on to be an effective instrument of international peacekeeping. And to be successful in peacekeeping, you need the following:

- Trained soldiers
- Financing
- Training
- Logistical support
- Air support
- Airlift support

Most of that comes from the NATO countries, from the European and North American countries in NATO. So a combined effort by Europe and America to reinforce what Secretary General Ban Ki-moon is trying to do to rebuild U.N. peacekeeping, and to make the U.N. a leading instrument of the international community around the world. That is certainly a priority for the U.S. I know it is for the European countries who have always been devoted supporters of the U.N.

Finally, I would say that the U.S. and European agenda will ultimately, in the next generation come down to the following proposition:

Can we engage and work together productively on the great multilateral challenges posed by our age of globalization? If the coming agenda in the world is not the traditional agenda of war and peace but the multilateral agenda of global climate change and of international crime cartels and international narcotics cartels and trafficking of women and children and global terrorism and its juxtaposition with chemical and biological and nuclear weaponry if those are the greatest global challenges that we are going to face on a national as well as international basis, well then we need a joint American and European strategy to be effective in confronting all those challenges.

There is a positive side to globalization the extraordinary multiplier effect of the information age in lifting people out of poverty, as we have seen in India and China. The ability to prevent diseases and to deal with global afflictions like HIV/AIDS pandemics. There is a positive side in our capacity to be successful, but the dark side are those problems like global climate change and terrorism and crime and narcotics. No matter what our power is as a country, Germany or the U.S. or Spain or France or Italy, none of us can attack those problems alone, certainly not the U.S.

It means that we Americans have to reengage with the rest of the world and we have to speak to the agenda of the rest of the world. As I traveled in Brazil, Argentina the Middle East in January 2007, this is the global agenda. This is what people are talking about in their parliaments, in their newspapers, as they discuss their political futures. And the U.S. needs to be part of that global agenda. We need to lead it, and our natural, indispensable partner is going to be the countries of Europe because they do have the capacity and they have the vision to attack these problems with us and to overcome them in the future. And that, I would say, would be one of the great challenges, not just for 2007 but for the next 10, 15 or 20 years to come. Can we be effective multilaterally? And can we Americans recognize that this multilateral agenda is very much an American agenda, but also one that we have to act in concert with the Europeans to be successful?

It is an exciting time for our two continents. It is a hopeful time, if you look back over the last twenty years and how much we have accomplished, and I am very proud to be part of an effort with our European partners to be working in all of these issues and very pleased to have the support of all of you who have done so much for the Atlantic Council, to have this institution help us to define this agenda, to drive it forward, and to gain the necessary support in our own society so that we can be successful together with Europe. I think it does represent a new age in the U.S. and Europe relationship, and one that is promising, but also one that has great consequences for success or failure.

United States Policy Toward South Pacific Island Nations Including Australia and New Zealand

By
Glyn Davies
Deputy Assistant Secretary of State for East Asian and Pacific Affairs

[The following are excerpts of the statement presented to Subcommittee on Asia, the Pacific, and the Global Environment House Committee on Foreign Affairs, Washington, D.C., March 15, 2007.]

This is the first hearing held by this Subcommittee devoted primarily to the South Pacific since 2002, and I welcome the opportunity to address our policy towards these nations. The United States has a tradition of strong ties with the fourteen countries of the South Pacific. Including historical and cultural links with Australia, New Zealand and the islands that go back over two centuries. Our trusteeship relations and now Compacts of Free Association with the Marshall Islands, Micronesia, and Palau. And to the diplomatic relations we established with South Pacific nations as they became independent between 1962 and 1980.

We believe it is crucial to keep this vast, strategic region and its mostly small, sometimes struggling states firmly on our side. Growing political, environmental and economic challenges, compounded by longer-term transnational threats, menace some of the fragile island societies. We are seeking to expand our engagement and reverse any perception that the U.S. has withdrawn from the Pacific.

The Year of the Pacific

It is true that the nations of the Pacific have not always received either adequate diplomatic attention or development assistance. Budget constraints and policy priorities during the 1990s often limited our diplomatic representation and the aid we could offer. But that was then and this is now. While there is no immediate prospect of greatly increased budget resources, we believe we can reverse this trend and are working hard to increase U.S. engagement in the Pacific. Our goal is to step up our efforts to promote prosperity, good governance, and the rule of law in the region. Toward that end, we are labeling 2007 the Year of the Pacific and developing a whole government approach with the Department of Defense (DoD), Coast Guard, Department of the Interior, U.S. Trade Representative, Peace Corps and other agencies to expand our presence and activities in the region.

The Department of State (DoS) has taken the lead in this effort. We are stepping up our diplomatic presence in the region by creating and staffing two positions at our Embassy in Suva with responsibility for the Pacific region. One position is a regional environmental, science, and health officer who is working on issues like climate change, fisheries, and human immunodeficiency virus and acquired immunodeficiency syndrome (HIV/AIDS). The other is a regional public diplomacy officer to share information about U.S. policies and values throughout the South Pacific and build people-to-people contacts through exchanges such as the International Visitor Leadership Program, U.S. Speaker program, and other initiatives.

We are also regularizing our high-level contacts with Pacific Island leaders. The Assistant Secretary for East Asia and Pacific Affairs participates in the annual Pacific Island Forum (PIF) Post-Forum Dialogue. Last year, Assistant Secretary Christopher Hill participated in a special PIF session in which he met with Pacific heads of government to discuss a range of regional and global issues. In the wake of that meeting, Assistant Secretary Hill became the senior-most Washington official to visit Vanuatu since independence in 1980. The Department's Under Secretary for Political Affairs, Ambassador Nicholas Burns, has hosted a group meeting with Pacific Ambassadors during the U.N.

General Assembly the last two years, providing an excellent opportunity to show these nations our interest in their concerns. We intend to institutionalize this meeting and turn it into an annual event undertaken by successive administrations.

We also have a long history of cooperation in the area of fisheries and marine resource conservation through the South Pacific Tuna Treaty with the member states of the Forum Fisheries Agency, our participation in the South Pacific Regional Environmental Program and more recently, the Western and Central Pacific Fisheries Commission.

The Pacific Island Conference of Leaders

I am also pleased to report that on May 7 and 8, 2007 the East-West Center, in collaboration with the Department of State, will host the triennial Pacific Island Conference of Leaders (PICL) in Washington D.C. We will invite the heads of government of 23 Pacific states and territories, including U.S. territories. We expect Governor Lingle of Hawaii, a vital force in promoting our role in the Pacific, will also participate.

The conference will include sessions involving senior officials from the Departments of State, Defense, and from USTR. We are also inviting representatives of like-minded donor nations for parallel consultations. I understand the East-West Center is also in contact with you, Chairman Faleomavaegea, and members of Hawaii's Congressional delegation about including a program on Capitol Hill, which we strongly support. The two days of meetings will conclude with the annual Pacific Night celebration. We would welcome participation in these events from any interested Members of Congress and their staff.

This will be the first time DoS and the East-West Center have co-hosted a PICL and the first time the meeting will take place in Washington. We believe it will create a unique opportunity for leaders from around the Pacific to exchange views and learn more about the policy-making process in Washington. We hope that you will help us make 2007 "The Year of the Pacific."

In September 2007, we see the President's trip to the Sydney Asia Pacific Economic Cooperation (APEC) Summit as another milestone for the Year of the Pacific. We are hoping the President's trip will focus further attention on the Pacific and raise the profile of the U.S. role in the region.

U.S. Assistance to the South Pacific

In FY 2006, United States assistance to the Pacific Islands totaled almost $190 million. Of this amount, about $150 million was comprised of grants from the United States to the Federated States of Micronesia, the Republic of the Marshall Islands, and Palau under the Compacts of Free Association administered by the Department of the Interior. The remaining $34 million is devoted to the rest of the Pacific Islands through such programs as the Peace Corps, military assistance (International Military Education and Training and Foreign Military Financing), counter-terrorism, and child health. We also provide, via an Economic Assistance Agreement associated with the South Pacific Tuna Treaty, another $18 million annually to the South Pacific Parties to the Treaty for economic development purposes.

The Millennium Challenge Corporation (MCC) is also working with Vanuatu on an assistance compact totaling over $65 million. We continue to work with MCC to develop programs tailored to the needs of smaller nations, including island states. We are also working with DoD to ensure that citizens of the Freely Associated States and other Pacific countries benefit from the increased demand for labor as our military relocates troops and facilities from Japan to Guam.

Recent Instability in the Pacific

But as we seek to strengthen our partnership in the region, recent events in the South Pacific, such as the military coup in Fiji and riots in the Solomon Islands and Tonga, have demonstrated both the challenges it faces and the importance of strong U.S. engagement. We have paid a great deal of attention in recent months to the situation in Fiji. In the period leading up to the coup last December 2006, we worked with a number of other countries and international organizations, including Australia, New Zealand, the European Union, PIF, and United Naitons, to try to preserve democracy in Fiji and persuade the Fiji military to refrain from taking action against the lawfully elected government. In the wake of this illegal coup, we continue to call for an immediate return to democracy and the rule of law, and we have worked with these same partners to promote this goal.

For our part, we have imposed a series of measures in response to the coup. Some, like a cut off of roughly $2.8 million in primarily military assistance, were mandated by Section 508 of the *Foreign Operations Appropriations Act*; while others, such as restrictions on visas for military and interim government leaders and a suspension of lethal military equipment sales, were taken on policy grounds. In all cases, we have sought to ensure that our sanctions affect the military and interim government and not average Fijians. For that reason, the Administration has made use of its notwithstanding authority to allow certain assistance programs in Fiji to continue, such as those addressing environmental concerns or women's rights.

Unfortunately, the Fiji military and its supporters appear committed to consolidating their hold on power. As noted in our just-released human rights report and numerous public statements, we are gravely concerned about the military's ongoing campaign of intimidation and human rights abuses against those who speak out bravely against the coup. At least two people have died as a result of beatings administered by the military, and many more who have criticized the military's actions have been subject to other forms of abuse.

We will continue to press for an end to these human rights violations and a return to democracy as quickly as possible, in coordination with the many other countries and international organizations that share the same goal. Foreign ministers of the PIF member countries will meet tomorrow, March 16, in Vanuatu, and we are hopeful they will provide a clear and unified message to Fiji on the need for a near-term road map for returning the country to democratic rule. We support the PIF process.

In Tonga, with the passing of the King and last year's riots in Nuku'alofa, we are working with our friends to help the Tongan people make the transition to democracy. Tonga recently redeployed troops to support the Coalition in Iraq, and we are looking for ways to provide them with additional assistance. Support for democracy will be the primary goal of my visit next month to both Fiji and Tonga.

In February 2007 I visited the Solomon Islands, where I met with the Prime Minister, Governor-General, and a host of other senior officials. In March 2007 I met with Solomon Islands Foreign Minister Oti during his visit to Washington. My message on behalf of the U.S. government was very clear: we strongly support the efforts of Australia, New Zealand and other countries in the Regional Assistance Mission to the Solomon Islands (RAMSI) as they work to promote stability, rule of law, and economic development.

Papua New Guinea, Samoa and American Samoa

Papua New Guinea (PNG) should really be considered on its own, its population and resources dwarf those of other countries in the South Pacific. But while rich in human and natural resources, it continues to struggle with problems of civil unrest, corruption, poverty, and deforestation. The

PNG's future is of keen concern to us and prompted my visit to the country last month as well. While PNG has maintained its democratic system since independence in 1975, we remain concerned that a weak central government is unable to establish law and order, even in the capital. The resulting unrest and uncertainty is a continued barrier to foreign investment and development. The PNG has a parliamentary election later this year, and we will work with the government and our regional partners to promote a free and fair democratic process and outcome. We are considering, for example, how we might dispatch U.S. observers to monitor the elections.

We are also very pleased that we have established remote visa processing in Samoa to facilitate the travel of Samoans to the United States. I appreciate the Subcommittee on Asia, the Pacific, and the Global Environment House Committee on Foreign Affairs personal involvement in this issue and their participation in the inauguration of this program in Apia last December 2006. We continue to examine the process as it operated last December 2006. We have undertaken various changes to make it work even more smoothly, and we look forward to further improving these visa services.

I know that the committee has raised concerns over the delay in accrediting the Samoan Consul General resident in American Samoa. My understanding from our Office of Foreign Missions is that it is waiting for the Government of American Samoa to provide documentation that the Consul General was admitted to American Samoa in A-1 (diplomatic) visa status and is being allowed to remain for the duration of his status. Once the DoS receives this confirmation, accreditation can proceed.

Influence of China and Taiwan

Throughout the region, we remain concerned that competition between China and Taiwan for recognition by Pacific Island states is undermining good governance. To the extent that the PRC and Taiwan engage in "checkbook diplomacy" to gain favor with Pacific leaders, the political process in those countries will be distorted. We are pressing China, Taiwan, and all donors to use foreign assistance in a manner that enhances transparency and promotes good governance, and we are pleased at signs of progress.

Australia and New Zealand

The bedrock of our relations in the region remains, of course, our treaty alliance with Australia. We simply have no more steadfast partner in the region and in the world today. We work together on a wide range of policy initiatives throughout the world. We coordinate our analyses of the situation in the Pacific and ensure that our policies remain close and generally do not conflict. We cooperated closely on our responses to the coup in Fiji and to civil unrest in the Solomons and Tonga, as well as on longer-term discussions of how to stabilize democracy and promote prosperity in the region. Australia devotes massive resources to the South Pacific, in terms both of assistance funding and peacekeeping troops. Our tactics are not always the same, but we share the same broad objectives in the region.

While the focus on my presentation is the South Pacific, I do want to acknowledge our close partnership with Australia around the world Australia has been a key ally in the wars in Iraq and Afghanistan, with Australian troops serving bravely in both conflicts. Australia is also a supporter of our efforts to denuclearize the Korean peninsula, counter terrorist threats, and expand democracy throughout the Pacific, East Asia and the world.

Our other key partner in the South Pacific is New Zealand, which remains an important and close friend of the United States. Our two countries share many of the same values and interests around the globe. New Zealand has combat troops in Afghanistan and peacekeeping forces in the Solomon Islands and East Timor. Clearly, New Zealand is dedicated to promoting peace and stability where it can. New Zealand also provides significant assistance to the South Pacific. As a key partner, we

coordinate closely with New Zealand on the Pacific, where our goals often coincide. While New Zealand's anti-nuclear legislation precludes a military alliance, our bilateral relationship is excellent. Both countries recognize each others' policy position and have decided not to let this difference define the entire relationship.

We have close economic ties with New Zealand and are the country's second-largest trading partner after Australia. New Zealand continues to seek a Free Trade Agreement (FTA) with the United States. While we may consider an FTA with New Zealand in the future, we are currently working through our Trade and Investment Framework Agreement to further deepen our economic relationship. New Zealand's Prime Minister Helen Clark came to Washington in 2007 for was a very successful working visit. She meet with the President, Secretary Rice, Secretary Gates, and a number of other Executive Branch and Congressional leaders. Prime Minister Clark made it clear her personal commitment to improving relations with the United States. A commitment we share. In addition to our common efforts in the South Pacific, we are seeking greater cooperation with New Zealand in a number of areas in which it can offer significant contributions, including nonproliferation, counterterrorism, humanitarian and disaster relief, and peacekeeping.

In conclusion, let me reiterate that the countries of the Pacific remain important to the United States. While there is always room for improvement, we continue to seek available opportunities to increase our engagement with the leaders and citizens of the Pacific Islands and respond to their concerns. America's involvement in the Pacific remains crucial to our national security, as we are, and will remain, a Pacific power.

Vision and Foreign Assistance Priorities for the Western Hemisphere

By
Thomas A. Shannon
Assistant Secretary of State for Western Hemisphere Affairs

[The following are excerpts of the testimony presented to the before the House of Representatives Subcommittee on the Western Hemisphere Committee on Foreign Affairs, Washington, D.C. March 1, 2007.]

The Americas are on the cutting edge of transformational political and economic change in the world. Unlike other regions, the Americas have already completed, with one exception, the first and most dramatic stage of such change: moving from authoritarian regimes to democratically-elected governments, and from centrally controlled, closed economies to open, trading economies that link to global markets. Today, the 34 democratic states of our hemisphere face the next generation of transformational challenges: how to build enduring democracies and market-based economies that can address a regional social agenda dominated by poverty, inequality, and social exclusion.

The Americas, through the Summit process, the institutions of the Inter-America system, and the Inter-American Democratic Charter, have committed themselves to addressing their fundamental social and economic development challenges through democratic means. In the clearest terms, the Americas have asked the following questions:

- Can democracy deliver the goods?
- Can democracy provide the benefits and services required by its poorest and most vulnerable citizens while protecting the rights and liberties of all its citizens?

By answering this question affirmatively, the Americas have expanded our understanding of citizenship and democratic participation beyond voting and political activity to include participation in the economic and social life of our nations. It is no longer enough for our citizens to have a voice in determining our national destinies. They also need to have access to the economic opportunity, the individual capacity-building, and the security to become agents of their own personal destiny. In short, democracy in the Americas becomes the means by which individual freedom and human dignity is asserted and made manifest.

This understanding of democracy has created what President Bush has called a "revolution in expectations." In a speech he gave in Brasilia, Brazil, in November 2005, the President asserted,

> In free societies, citizens will rightly insist that people should not go hungry, that every child deserves the opportunity for a decent education, and that hard work and initiative should be rewarded. And with each new generation that grows up in freedom and democracy, these expectations rise, and the demands for accountability grow. Either democracies will meet these legitimate demands, or we will yield the future to the enemies of freedom.

Meeting these "legitimate demands" has presented a challenge to many national governments. Weak institutions in some countries, and the political difficulty of effecting the micro-economic and national changes necessary to extend the benefits of democracy and free markets to all people, has generated impatience and frustrations. It has also created an opportunity for the emergence of a competing vision of development in the Americas. This competing vision harkens back to earlier

development models in the Americas, and is based upon centralized, commodity-based economies, authoritarian political leadership, and the assertion that the demands of social justice and the intent of the majority trump respect for individual rights and liberties. This vision did not succeed in the past, and we do not believe it will succeed today.

As these differing visions compete for influence in the Americas, it is important to remember two things:

- First, these visions will compete on political terrain, within democratic processes and institutions, and the victor will be determined by results and not by ideology or rhetoric.
- Second, although this competition will express itself in some countries through political dispute and conflict, it is an expression of a more fundamental struggle: how to address poverty, inequality, and social exclusion. In this regard, we should not underestimate the volatility created by growing social resentment and bitterness among the poorest and most vulnerable sectors of the Americas.

The United States is committed to helping our partners in the Americas successfully take the next step in this hemispheric process of transformational change. Our policy engagement, our diplomacy, and our foreign assistance is aimed at drawing the link between democracy and development, and showing that democracy can deliver the goods. Our activities in the region focus on the following.

Consolidating Democracy and Promoting Prosperity

U.S. policy offers a positive vision based on the benefits of representative democracy, economic integration, and faith in the transformative power of freedom in individual lives. The United States recognizes that the inequality of income and wealth that characterize much of the region make it difficult for democracy to thrive. Sustainable economic growth and political stability are only possible if governments provide access to the political system, economic opportunity, and social justice to all citizens, especially the poor and marginalized. We will continue to lead hemispheric efforts to catalyze private sector investments, reduce the cost of doing business, and expand access to microcredit.

Investing in People

Our policy aims at inclusion. All citizens, not just elites, should benefit from the opportunities of democracy. For citizens to realize their full potential in freedom requires deepening investments in health care, education, and rural development. We will help to combat illiteracy and improve the quality of and access to education; strengthen health systems to treat and prevent infectious diseases, including HIV/AIDS, and improve maternal and child health.

Protecting the Democratic State

In recent years, the United States and our regional partners have fundamentally transformed the security agenda of the Americas and forged a consensus on the vital link between security and prosperity. Today's challenge is confronting nontraditional, multidimensional threats such as organized crime, terrorism, gangs, natural disasters, and pandemics. By protecting the people of the Americas from those who operate outside the law, we strengthen democracy, promote social justice, and make prosperity more likely.

As we work toward these goals, our diplomacy will be guided by the following principles:

- Maintain our political and commercial engagement in the region

- Continue a positive agenda focused on engaging our hemispheric partners to support their efforts to consolidate gains
- Articulate our policies in terms of development and economic well-being
- Use multilateral institutions, regional trade agreements, and the Summit process to promote integration, and build cohesion
- Develop strategic partnerships to promote our goals in the hemisphere

To accomplish our goals, and underscore that we remain an indispensable partner to countries intent on being successful, we have established foreign assistance priorities that are reflected in our budget request. Emblematic of those priorities are the following.

Colombia

A successful Colombia will change the face of South America. The U.S. has committed over $5 billion since 2000 to support Colombia's comprehensive approach to fighting the intertwined threats of narcotics and terrorism and improving the lives of the Colombian people. Colombia itself has paid the majority of the costs and continues to increase its defense and social spending. Challenges remain, but under President Uribe's leadership, Colombia is a success story for transformational diplomacy. For the first time in over a generation, Colombians can envisage the possibility of real peace, and the Colombian government is poised to make it a reality. We have developed a plan for U.S. support of Colombia's consolidation strategy to lock in this progress and take advantage of Colombia's new realities. The Colombian strategy puts increased emphasis on consolidating state presence through access to social services and on development through sustainable growth and trade. Our success will depend on maintaining U.S. assistance while we equip Colombia to assume responsibility for programs we are now funding.

Haiti

Haiti just completed local elections, finishing a year long cycle of voting that has put in place democratically-elected leaders at all levels of government for the first time in a decade. We now face an implementation challenge as we seek to build a stable state and create conditions for economic growth. The U.S. is Haiti's largest donor, providing over $600 million between 2004 and 2006. The President has requested $223 million for Haiti for fiscal year (FY) 2008. U. S. assistance will strengthen governance and the rule of law, improve security, foster economic growth and address humanitarian needs. Western Hemisphere Affairs will engage with international partners to secure their long-term commitment and robust support for Haiti, including through the U.N. Stabilization Mission in Haiti (MINUSTAH). Fourteen Western Hemisphere contributors provide approximately half of MINUSTAH's strength.

Together, Colombia and Haiti account for 56 percent of our FY 2008 budget request, or $813 million. When combined with other priority Andean countries, Bolivia, Ecuador, and Peru, these five countries account for 72 percent of our budget request. This represents an important shift in funding over the last fifteen years. The same five countries accounted for only 20 percent of our FY 1992 foreign assistance budget, and only 62 percent of our FY 2006 bilateral allocations. We will continue to target our assistance strategically to areas where it will have the greatest transformational impact.

Cuba

The U.S. Commission for Assistance to a Free Cuba detailed in July 2006 steps for the U.S. government to increase the flow of information to the Cuban people, to step up enforcement of economic sanctions, and to increase support to civil society and the opposition through $80 million

in assistance programs in FY 2007 and FY 2008. We believe that this assistance can be a catalyst for democratic change in Cuba. We are prepared to increase diplomatic outreach and have prioritized $45 million for our efforts in Cuba in our FY 2008 budget request.

Free Trade Agreement

We have already completed free trade agreements that cover two-thirds of the hemisphere's gross domestic product (GDP) and are working to sustain forward momentum on trade by empowering the private sector to take full advantage of the existing FTAs, link U.S. and other development assistance to building capacity for free trade, and highlight the benefits of free trade for workers and the environment. We have signed our trade promotion agreement with Peru and announced our intention to sign the trade promotion agreement with Colombia. We plan to continue discussions with Panama. We also need to help FTA partners like the Dominican Republic and Costa Rica conclude the final steps toward bringing Central America Free Trade Agreement into force in those countries. We prioritized $40 million in regional funds for labor and environment capacity building in the CAFTA-DR countries.

Overall assistance levels to the region have nearly doubled since the start of this administration, rising from $862 million in FY 2001 to a FY 2008 request of $1.47 billion. Funding from the Millennium Challenge Account will continue to complement other U.S. government assistance programs for years to come as the Millennium Challenge Corporation (MCC) provides a total of $866 million in Compacts to Nicaragua, Honduras, and El Salvador, and builds upon a Threshold Country Program in Paraguay. We expect MCC projects, which aim to reduce poverty through sustained economic growth, to magnify the impact of our foreign assistance programs. This mutual reinforcement will pave the way for future growth opportunity.

The President's vision for this hemisphere is rooted in partnership. In March 2007 I traveled with the President on his eleventh trip in the Americas with stops in Brazil, Colombia, Guatemala, Mexico, and Uruguay. The President's visits reaffirmed his commitment to furthering political, economic, and social advancement in these countries and strengthened his relationship with the democratically-elected leaders of these nations. Together, with these partners and the visionary leadership of the Organization of American States and the Inter-American Development Bank, we will link democracy with development, generate broad-based growth through freer trade and sound economic policies, invest in the well-being of people from all walks of life, and make democracy serve every citizen more effectively and justly.

EDUCATION AND TRAINING

A Model to Quantify the Return on Investment of Information Assurance

By
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Defense Security Cooperation Agency

[The following views presented herein are solely those of the author and do not represent the official opinions of the Defense Security Cooperation Agency.]

Introduction

This paper explains and demonstrates the structure of a model for forecasting the Return on Investment of Information Assurance (ROIA) Model. This was presented at the Department of Defense (DoD) Defense Security Cooperation Agency's 7th Semiannual Information Assurance Conference on April 19, 2006 in Alexandria, Virginia. This paper focuses on the structure of the proposed model. All numbers are notional, and are in the model only to help illustrate its inner workings. Organizations are encouraged to either use this structure "as is" or modify it, and then populate it with their local variables. This paper will discuss the literature review, the theory behind the model, use notional examples to illustrate how the model works, and follow with interim conclusions and suggestions for future research. The model can be used in one or more ways. It can be used to measure the financial return on investment (ROI) of current information assurance (IA) initiatives, such as firewalls, anti-spyware software, antivirus software. Most importantly, it can be used to forecast the ROI of impending IA initiatives.

Quantifying the ROI for any program is important because it is one indicator of the degree to which a program contributes to the parent organization's strategic plan. It can help prioritize investments. ROI can be used to help quantify an individual's or team's job performance, which can support annual performance appraisal evaluation rating levels. This paper presents a model that can be used to quantify the financial ROIA. Potential users of the ROIA Model are encouraged to either use or modify this structure and populate the variables with their own organization's data, perhaps using an operations research analyst to operate the model and an IA manager to provide the data.

Review of the Related Literature

Two important references apply to this research. The first is the book *The Balanced Scorecard: Translating Strategy into Action*, by Kaplan and Norton, Harvard Business School Press, 1996.[1] The Balanced Scorecard model considers measuring ROI using four categories:

- Financial
- Customer satisfaction
- Improvement of internal processes
- Investment in learning and growth

1. Kaplan and Norton, *The Balanced Scorecard: Translating Strategy into Action*, Harvard Business School Press, Boston, MA, 1996.

The currently formulated ROIA Model only considers the financial category. This is not to downplay any other facet of IA, which locally may be of equal or greater importance. This only means that there is room for future research to improve the ROIA Model to address the ROI of non-financial benefits.

The second reference is the New South Wales Department of Commerce's *Return on Investment for Information Security* model.[2] The ROIA Model is based on the New South Wales approach although there are particular modifications. For example, Table 1 in this paper is a modified version of the corresponding NSW table, and Table 2 is borrowed with little change although it is used somewhat differently here.

Theory

Financial ROI is a measure of the degree to which a program is beneficial to the organization. Conceptually, it can be calculated as follows.

$$\frac{\$\ \text{Benefits}}{\$\ \text{Costs}}$$

For example, suppose a program costs $1000, and brings in $1500. The ROI would be then calculated as:

$$\frac{\$1500 - \$1000\ \text{(i.e., net benefit} = \$500)}{\$1000\ \text{(i.e., cost)}}$$

or 50 percent, a 100 percent ROI is "break even." The ROIA Model is based on the same principle – benefits compared to costs. However, the model is structured on carefully worded concepts and terms. It is academically sound, but operates from a particular perspective. This will be illustrated with examples.

One IA goal is to either prevent or reduce future incidents of "successful" malicious attacks. Installing countermeasures can help achieve this goal. The ROIA Model is currently based on how well the countermeasures reduce the "repair or replace" costs of forecast future attacks. Countermeasures could include special software such as anti-spyware software, security-related hardware, or IA training. We therefore incorporate the following general concepts into the model.

- Current probabilities of successful attacks
- Costs to repair or replace materiel as a result of successful attacks occurring before countermeasures are installed
- Costs to repair or replace materiel as a result of successful attacks occurring after countermeasures are installed
- Costs of countermeasures to prevent or reduce successful future attacks.
- ROI and financial present values

More specifically, we define the following:

2. New South Wales, Australia, Department of Commerce CIO web page, www.oit.nsw.gov.au/files/7.1.15.ROSI_Calculator_1.2.xls. Model developed for New South Wales by Mr. Stephen Wilson.

- The financial benefits are defined here as the forecast repair or replace cost avoidances due to installation of a countermeasure. Successful attack incidents are reduced.
- The financial costs are defined here as the forecast of the costs to procure the countermeasure, paid now, plus the cost of its annual maintenance, which will be paid in the future.

Therefore, the ROIA is modeled as the below ratio:

$$\frac{\text{(Forecast repair or replace cost “before” countermeasures) – (forecast repair or replace cost “after” countermeasures)}}{\text{Cost of countermeasures}}$$

Forecasting Countermeasure Benefits

Let us forecast the ROIA of a hypothetical system needing four countermeasures for four vulnerabilities. Follow the line of thinking sequence shown in the bullet comments above. Start by addressing the first above bullet by perhaps asking, “What is the likelihood of a malware attack happening to a single computer that would cause a repair or replacement during a given year?” (which is the first vulnerability). We demonstrate assuming a five-year lifespan and a 4 percent discount rate for present value calculations. This and all other assumptions can easily be modified as appropriate.

The ROIA Model is built into an Excel spreadsheet, with the Crystal Ball Monte Carlo Simulation software added-in. Refer to Table 1 (extracted from the Excel spreadsheet) for a set of further assumptions. There are seven degrees of attack likelihood, in column 1. Those frequencies are defined in column 2. For this demonstration, we forecast that the malware attack has a “Low” chance happening at least once per year (column 3) but, on average, 1.93 times per year (column 4).

Table 1
Likelihood of Vunerability. Potential Number of Threats Per Individual Computer Per Year

Likelihood	How Often per Individual Computer?	Number Occurrences per 365 Day Year per Individual Computer At Least	Statistical Mean	Statistical Distribution
Negligible	Unlikely to occur	0	0.25	Poisson
Very Low	Between 12 and 24 months	0.5	1.42	Poisson
Low	Between 6-12 months	1	1.93	Poisson
Medium	Between 1-6 months	2	7.04	Poisson
High	Between 1 week and 1 month	12	32.00	Poisson
Very High	Between 1 day and one week	52	155.00	Poisson
Extreme	From 1 to 20 per day, or more	365	500.00	Poisson

How to compute the 1.93. Refer to Figure 1, which is from Crystal Ball. We think that such malware successful attacks will arrive at an individual computer in the same random way that cars arrive at highway toll booths, a poisson arrival pattern (see Table 1 column 5). Crystal Ball requires a “rate” parameter for the Poisson. This is entered as 1.5, which is halfway between the 1 in Table 1’s column 3 for a “Low” and the 2 in column 3 for the “Medium.” The “selected range” has a low value of 1 because we defined a “Low” as happening at least once per year. In theory, it could happen infinitely many times so “+ infinity” is the high value. Given these parameters, Crystal Ball computes the average of this Poisson distribution as 1.93.

Poisson distribution with
Rate = 1.5

Selected range is from 1.0 to infinity

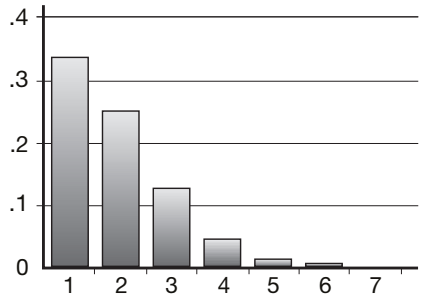

Figure 1. Poisson Distribution of Number of Malware Attacks Per Year.

After forecasting the average (expected) number of occurrences of successful malware attacks per year, we need to forecast the cost to repair or replace equipment affected by those attacks. We use Table 2 as a guideline for assessing the criticality of each attack instance.

Table 2. Criticality per Instance of Successful Attack

Criticality	Description
Insignificant	Will have almost no impact if threat is realized.
Minor	Will have some minor effect on the asset value. Will not require any extra effort to repair or reconfigure the system.
Significant	Will result in some tangible harm, albeit only small and perhaps only noted by a few individuals or agencies. Will require some expenditure of resources to repair (e.g. "political embarrassment").
Damaging	May cause damage to the reputation of system management, and/or notable loss of confidence in the system's resources or services. Will require expenditure of significant resources to repair.
Serious	May cause extended system outage, and/or loss of connected customers or business confidence. May result in compromise of large amounts of government information or services.
Grave	May cause system to be permanently closed, and/or be subsumed by another (secure) environment. May result in complete compromise of Government agencies.

With this as a guideline, we forecast the cost to repair or replace on an individual basis for each type of successful attack. For this demonstration, we model the criticality of a successful malware attack to be "significant." Specifically, refer to Figure 2, which is from crystal ball. For this demonstration, we model the best-case repair or replace cost situation as $20. The most likely case is $150, and the worst case is $400. This is a triangular distribution, with an average computed by crystal ball at $190.

Figure 2. Forecast Cost to Repair or Replace Due to a Successful Malware Attack.

Triangle distribution with parameters:

Minimum	$ 20
Likeliest	$150
Maximum	$400

Selected range is from $20 to $400

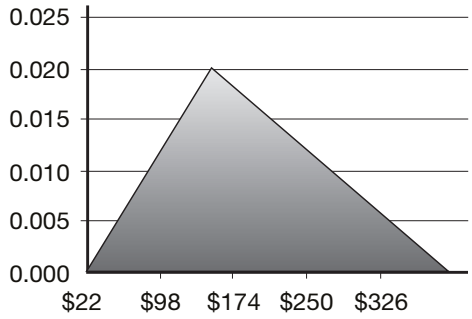

Table 3 from the Excel spreadsheet recaps this. For this vulnerability #1, the Internet Service asset has a vulnerability of significant spyware attack. It has a "Low" likelihood of happening, but if it happens the criticality is considered significant. This should occur about 1.93 times annually per computer in our system, at an average cost of $190 to repair or replace the computer. For the 100-computer system, this amounts to an annual forecast average cost to repair or replace of $36,670.

Table 3. Calculation of Expected Total Before Countermeasures' Installation Repair or Replace Cost

No.	Asset	Vulnerability	Likelihood	Criticality	Before No. Occurrences per Year per Computer	Cost per Incident	Computer	Countermeasures Installed
1	Internet service	Significant spyware attack	Low	Significant	1.93	$190	100	$36,670
2	a	aaa	Medium	Insignificant	7.04	$37	100	$26,048
3	b	bbb	Low	Minor	1.93	$103	100	$19,879
4	c	ccc	Very Low	Damaging	1.42	$1,133	100	$160,886
					Total Before Vulnerability Costs ==> $243,483			

This calculation, however, is deterministic and does not account for the effect of the probability distributions. For example, although the average number of occurrences of successful attacks is 1.93, it could be one in a given year, or two in another year. Instead of multiplying the 1.93 before expected number of occurrences by the $190 "direct cost per incident" cost to repair or replace (and then by the 100 computers), we could essentially multiply the before occurrences distribution curve by the direct cost per incident distribution curve, and multiply that product by 100, to better picture what actually might happen.

To forecast the expected cost before we buy the countermeasure, the crystal ball selects a random number from the number of malware attacks probability distribution.

- This random number is converted into the actual number of times the threat occurs this year.
- Another random number is selected from the cost to repair or replace probability distribution, and this is converted into the actual repair or replace cost.

- These two values are multiplied together, and then multiplied by the number of computers (100).

This is repeated 20,000 times, i.e., a Monte Carlo simulation run for 20,000 trials, or years. What would the average cost be over this 20,000-year period? Figure 3 below is from crystal ball and shows a histogram plot of the outcomes of each of those 20,000 years (except for a few extreme outliers); it represents the distribution curve of the forecast costs before countermeasures.

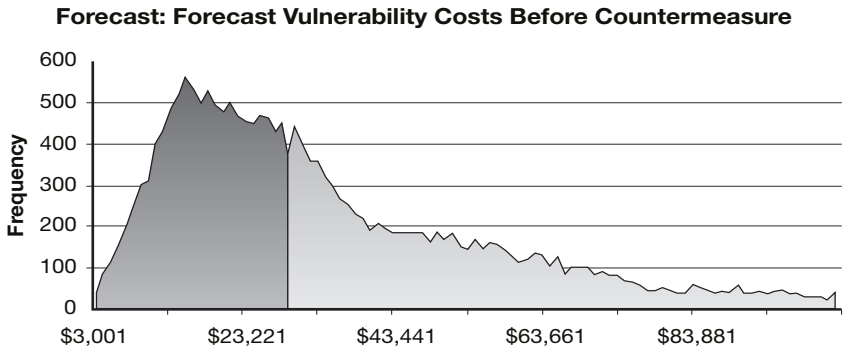

Figure 3: Forecast Vulnerability Costs for a Malware Attack Before Countermeasure Installation.

The Monte Carlo simulation indicates that over the 20,000 years, the possible annual cost to repair or replace for all 100 computers ranges from about $3,000 to about $84,000, with an average of about $28,782. This average value is that where half of the area of the curve is to its left, and half is to its right, and that point can be read directly through crystal ball.

Refer now to bullet 3 above. Assume we now buy a countermeasure. To forecast the average cost to repair or replace after we buy the countermeasure, we multiply the cost to repair and replace by the number of times we expect it to occur and by 100 computers, as shown using Table 4.

Table 4. Calculation of Expected Total After Countermeasures' Installation Repair or Replace Cost.

After Likelihood	Criticality	After Number Occurrences Per Year Per Computer	Direct Cost Per Incident	Number Computers	Forecast Vulnerability Costs Per Year After Countermeasures Installed
Very Low	Significant	1.42	$190	100	$26,980
Very Low	Insignificant	1.42	$37	100	$5,254
Negligible	Minor	0.25	$103	100	$2,575
Negligible	Damaging	0.25	$1,133	100	$28,325
			Total "After" Vulnerability Costs ==>		**$63,134**

Read across the first data row. For this demonstration for vulnerability #1, the likelihood of a successful malware attack after installation of the countermeasure is modeled as "very low but if it happens the criticality is considered significant. This should occur about 1.42 times annually per computer in our system, at an average cost of $190 to repair or replace the computer. For the 100-computer system, this amounts to an annual forecast average cost to repair or replace of $26,980.

As with the before costs, we determine the after costs distribution. Figure 4 shows the after costs simulation results, and they are forecast to average about $22,581 annually.

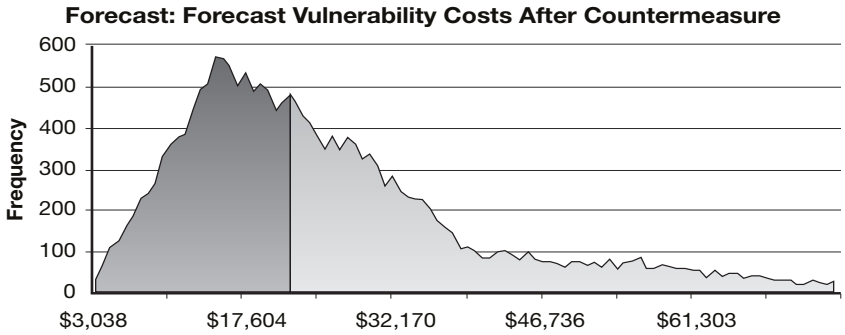

Figure 4. Forecast Vulnerability Costs for a Malware Attack After Countermeasure Installation.

The total five-year before forecast costs are now calculated by simulation. This is the cost of all forecast attacks for the four vulnerabilities, or all four data rows of Table 3. Figure 5 is that total before cost distribution. This average is about $219,294 for 100 computers.

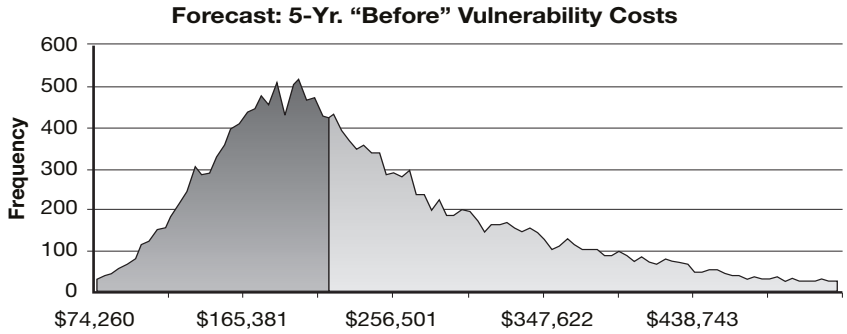

Figure 5. Forecast Vulnerability Costs for all forecast Attacks Before Countermeasures' Installations.

Please note: Table 3 shows the values of the variables after the 20,000th year. The total cost is in the lower right corner cell, showing $243,283 for that particular year. The model uses the average simulated value of the 20,000 years, or $219,294.

In like manner, the five-year after forecast costs are calculated by simulation. Figure 6 is the total after cost distribution after the simulation. This average is about $32,535 for 100 computers. Again, please note that this is different than the total after costs in the lower right cell of Table 4, which was the value of the 20,000th year.

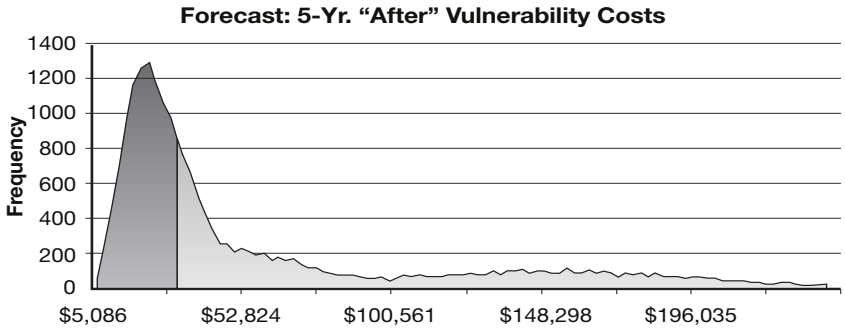

Figure 6. Forecast Vulnerability Costs for all forecast Attacks After Countermeasures' Installations.

To compute the approximate total five-year lifespan benefit, or cost avoidance, we essentially subtract a total of five after simulated cost curves from a total of five before simulated cost curves. The average benefit, or cost avoidance, is about $874,837, as shown in Figure 7.

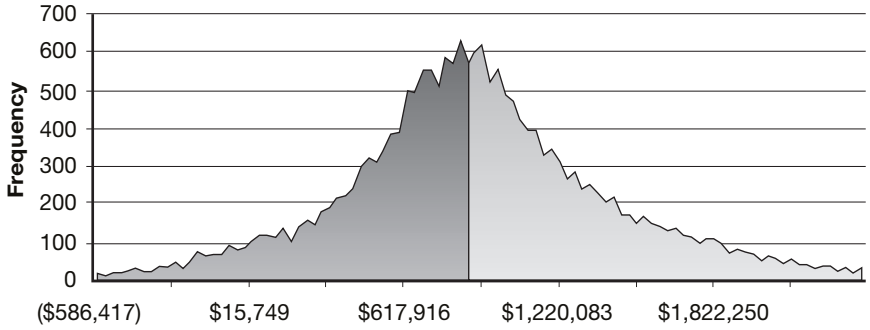

Figure 7. Forecast Average Cost Avoidance for All Forecast Attacks After Countermeasures' Installations.

Forecasting Countermeasure Costs

It is now necessary to model the costs of the countermeasures (reference bullet 4 above). In this demonstration, there are four software countermeasure products installed. Each has an up front purchase price cost, and each has annual maintenance. Refer to Table 5. Assume that these countermeasures will be good for five years each (this year and the four subsequent years). The lower right corner cell is the sum of the five-year life span costs, or $98,200. This is known with certainty by contract and is not simulated.

Table 5: Actual Countermeasure Costs			
Counter Measures	**Up-front Cost per Countermeasure**	**Recurring Annual Cost per Countermeasure Years 2 thru 5**	**Total Countermeasure Costs**
Install anti-spyware software	$6,000	$600	$8,400
AAA	$20,000	$2,000	$28,000
BBB	$15,000	$1,500	$21,000
CCC	$10,000	$7,700	$40,800
Total	**$51,000**	**$11,800**	**$98,200**

Calculating the Return on Investment of Information Assurance

The ROIA is now calculated by simulation (refer to bullet 5 above).

$$\frac{\text{(5 before vulnerability cost curves) – (5 after vulnerability cost curves)}}{\text{(5 years of countermeasures costs)}}$$

The Figure 8 simulation shows that it is possible that this program's ROIA could range from about –600 percent to about 1900 percent. However, the expected ROIA in this notional example is 886 percent, and we are about 93 percent sure that the ROIA will be greater than 100 percent.

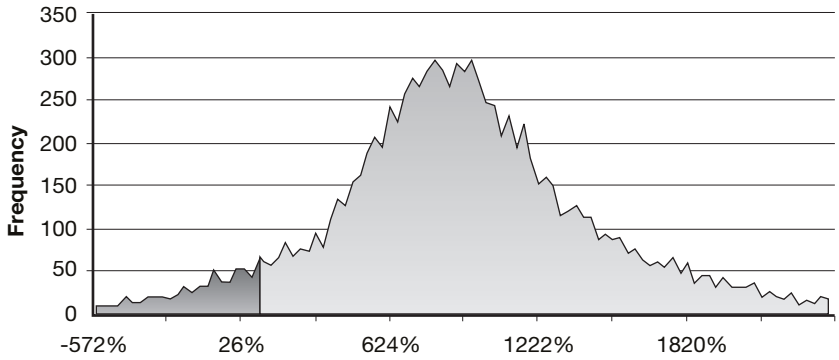

Figure 8. Forecast Five-Year ROIA.

Net Present Value Calculation

Also, this simulation shows that the forecast Net Present Value of this five-year IA program is about $776,946.

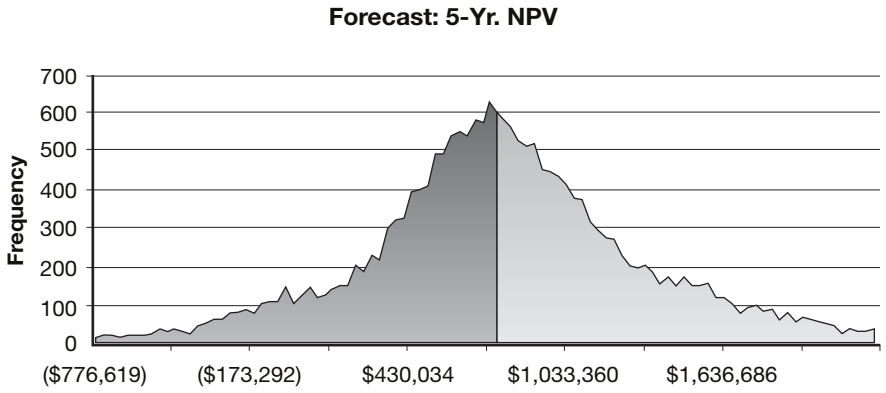

Figure 9. Forecast Five-Year Net Present Value.

Conclusions and Areas for Future Research

A quantitative forecast of an Information Assurance program's value is important to an organization. This model's basic paradigm is that at least a part of the financial ROIA can be quantitatively forecast as a measure of the effectiveness of countermeasures to possible system attacks. This can be formulated as the ratio of future cost avoidances due to those countermeasures to the cost of those countermeasures. This requires using probabilities of current and future successful attacks, costs of countermeasures to prevent or reduce future attacks, probable costs incurred as a result of successful attacks, and Monte Carlo simulations to obtain a distribution of forecast outcomes. The net present value of the IA program can also be forecast.

Although it is possible that an IA program could be justified solely through the financial perspective, future research might focus on ROIA in terms other than financial. For example, the loss of data through a key logger might incur zero cost to repair or replace computers, but might represent a serious security information breach. Which Balanced Scorecard perspective this might fall under, and how to quantify it, might be interesting and valued research.

About the Author

Charley Tichenor, Ph.D., has a Bachelor of Science in Business Administration degree from Ohio State University, a Master of Business Administration degree from Virginia Polytechnic Institute and State University, and a Ph.D. in Business from Berne University. He serves as an Information Technology Operations Research Analyst for the Department of Defense and the Defense Security Cooperation Agency. He also is an Adjunct Professor at Strayer University's Anne Arundel, Maryland campus.

Human Rights Vetting: The Process and Lessons Learned

By
Lieutenant Colonel David R. Womack, USA
Joint Training Officer Military Assistance Program
United States Embassy, Amman, Jordan

History

Human Rights (HR) vetting is an important task required prior to sending any international military student (IMS) to the U.S. for training of any kind. The purpose of HR vetting is to ensure that the IMS is not a gross violator of human rights and to ensure that the U.S. government is not training these violators.

The vetting process came into being in the late 1990s as a law authored by Senator Patrick Leahy. Initially, only military units were vetted prior to any bilateral training. Over time, the requirement grew to include individual IMS vetting and any individual from a military or security service receiving training or participating in a U.S.-sponsored exercise. The Embassies themselves vet the IMS prior to their travel. Names are provided by the different agencies, security assistance offices (SAO), regional security office (RSO), legal attaché (LEGATT), etc., and the political section checks their databases to see if the names are listed. Once the political section clears the individual, based on locally available information, the names of any individuals are sent to Washington, D.C. for final clearance. Centralized databases are located in Washington, D.C. at the DoS to collect and centralize all HR reports.

Process

This is where we are today. The process has grown bureaucratic through the years. Embassies are to collect all the information and build a cable. In the cable, the key information about the IMS, such as the name, date of birth, place of birth, rank and unit are listed. The cable listing all the students who are vying for the training is then drafted. The cable is then cleared by each agency participating in the cable, and then sent to Washington, D.C. Also listed in the cable is the training the IMS is to receive, as well as the dates and places of training.

Upon receipt of the cable in Washington, the DoS Country Desk Officer must take the cable and run the names against three separate databases operated by three separate bureaus within DoS. Once they are cleared, the Country Desk Officer must send a cable back to the Embassy informing the Embassy that the "Department has reviewed its files and finds it possesses no credible information of gross violations of human rights at this time by the members of the host nation (HN) military listed below." Upon receipt of this cable back at the Embassy, the IMS is cleared to travel. According to the DoS' Standardized Operating Procedures, the Political Section, which handles this process in my Embassy, needs ten working days to process an HR vetting. Upon completion of the vetting and training, the SAO offices must keep a signed checklist in the IMS' record for ten years per DSCA's regulations.

Issues

Time. As mentioned before, the Department of State's Standardized Operating Procedures direct that political sections needs ten working days to process a name. Unfortunately, this has not proven to be true. I have rarely had a vetting clear in less than twenty-five days. My planning factor for clearing names is now thirty days, at least. Jordan sends about 275 IMS to the U.S. for training of all types from my office alone. This does not include the units and individuals that participate in joint

exercises or receiving training through other programs. The workload and the man hours needed to complete this vetting is staggering.

Valid Information. The validity of the databases is only as good as the information in the system. If the list of HR abusers is worthless, then that is the level of quality you will get in clearing names. This system is also mutually exclusive to the visa system. If an IMS is cleared for HR vetting, it does not mean that he or she will get a visa or get the visa in time to travel. This was a misconception early on with my Host Nation counterparts.

Spelling. As with any global database, Arabic names are an issue. There is no standardized method to convert names from Arabic into English. Arabic is a phonetic language so transliterations vary. There are usually numerous ways to spell one person's name in English. Other languages written in a different DoS alphabet probably have similar issues.

Workload. The Country Desk Officer in Washington is busy also. He is doing his job as well as clearing names. This is not his primary responsibility. Therefore, you are at the mercy of the Country Desk Officer to clear any name through the three databases. If he is out on leave, TDY, or sick, you may have to wait. All travel is on hold until the Country Desk Officer completes the check. Also, the Country Desk Officer in Washington is to clear all agencies' human rights vetting, not just yours. He is clearing your training as well as requests from POL, ECON, LEGATT, RSO, and others. It is not all about the SAO office in this case. Another aspect of the Desk Officer's workload is the requirement to create cables. It takes time for our office and the Embassy to create and clear a cable. The Country Desk Officer at Department of State has to create all of the cables and then transmit them back to the Embassy. These are not just e-mails bouncing back and forth but formal cables that bear the approval of the head of mission and the Secretary of State. When you do the analysis, vetting alone is a full time job. As mentioned before, to the Country Desk Officer this is just a painful additional duty.

Flexibility. Because it takes so much time to clear one name for one course, there is little flexibility to change names. If an officer cannot attend training for some valid reason, you can't just replace him with another name. You have to vet his replacement also. Again, this takes time. Now, this can be a blessing in disguise since a majority of host nation governments wait until the last minute to submit all the required names and documentation for an IMS to travel. With the HR vetting requirement in place, the host nation is bound to the time limitations and must submit 30 days prior to travel. That is a silver lining to this issue and this does help with corollary issues like visas and travel orders.

Explanation to Your Counterpart. Overall, this requirement is hard to explain to Host Nation counterparts. Early on in the transition of the Jordanian Training Officers, my new counterpart could not understand how a well-qualified officer who has completed all the requirements could not go to the U.S. for training because our bureaucracy could not get his name cleared in time. Further, he could not understand why his country would pay 100 percent of the course costs for missing an IMET course due to delays in my vetting of a name and clearing them of any Human Rights abuses. It took many conversations and much work by all parties concerned to help them understand. There was a great deal of frustration in the process with my office and the U.S. Embassy in general. The relationship is better now, but only after several work-arounds, methods and procedures were put into place. These new procedures helped to mitigate the impact of the HR vetting requirement.

Techniques that Help

Here are some techniques and procedures that helped my office work better, smarter, and faster with my Jordanian counterparts. They may also work in your situation.

Notify Your Host Nation Leadership. Your office, through your most senior official, must formally notify the Host Nation leadership in writing about this requirement. You may have to notify the host nation leadership upon occasion as the host nation leadership changes and transitions. My boss, the Military Assistance Program (MAP) Chief and Defense Attaché, signed a formal letter that went to the Chairman of the Defense reminding him of this requirement. Copies of the letter were also furnished to key leaders throughout the Armed Forces. In the letter, the responsibility for providing the names and other required information thirty days or more from the travel date was outlined again as the responsibility of the host nation. If they failed to provide a name in time, then they were informed that they would then absorb the course costs, not your office or the U.S. government. After the letter, I consistently reiterated this requirement every time I met with the training directorates.

Get The Names Early. This one is obvious but I received a great deal of push-back from my training directorates about this requirement. They told me that many times they could not provide those names any earlier than 2-3 weeks beforehand due to their own internal vetting process. Their process includes all elements of vetting a student such as security, medical and dental, English test score and the like. It took some time and much pain to convince my counterparts to give me the names before they were finished vetting the students.

The agreed upon method for getting the names was identified. I now receive the information that I need when the IMS appears at my English Comprehension Language (ECL) Test. I usually give this ECL test about two times a month. When an IMS shows up for my ECL test, they are about forty-five days out from their travel date. The students are still candidates for each training course and they still may not go based on their English test score. But this is the first time that I see them face to face. I directed the training directorates to ensure that the IMS brings a copy of his/her passport picture page to the ECL test. On this passport picture page is almost all the information I need to process the HR vetting. I have the official spelling of their name. I have their official date of birth and place of birth. Before I collect the copies, I instruct the officers to write onto the copy their rank and the unit they are from. Then I collect the copies of the passports prior to the test. If they fail to provide a copy of their passports to me at the test, I ask the training directorates to fax a copy to my office. Upon my return to the office, I give the copies of the passports to my training assistant. She writes up the HR vetting documentation that day and submits the vetting request to the HR Vetting Officer in the Political Section of the Embassy. Then the process begins.

Vet Multiple Students for One Course. Usually at the ECL, there are two or three officers competing for one course. I vet them all. I don't have time to wait. The first one cleared is the first one able to go to training. If more than one officer clears, you and your counterpart have options and that is good. Unfortunately, this gives more work for my State counterparts.

Work with your HR Vetting Point of Contact. Work closely with whoever in your embassy is the point of contact on HR vetting. You all need to work a system within your offices to process these vettings as smoothly as possible. Track your own vettings and help him or her keep up with what is coming up as due. My system for submitting vetting requests is to draft the information into an e-mail. Then the Political Officer's assistant cuts and pastes the e-mail information into a draft cable. The Political Officer's assistant then sends the draft cable out again on e-mail for clearances and review. All pertinent agencies clear the cable. Once cleared, the cable is sent out to Washington, D.C. via the Cable Message System. Again, like the Country Desk Officer in Washington, D.C., this is probably an additional duty for him or her. Any help from you will assist and in the future your contact may be able to expedite a vetting when you are short on time.

Possible System Changes

There are possible overall system changes that may help everyone to meet the intent of the Leahy Amendment without overwhelming each involved government official, both U.S. and host nation.

Pre-approve Certain Countries. Not all countries have a large human rights problem. Jordan is one country that does not have an obvious problem with Human Rights. There are very few identified HR violators listed for Jordan. That could change but as of now the list is very short and the violators are well-known. Countries like Jordan should be pre-approved for HR vetting. One method offered may be for the Embassy to be given the list of HR abusers from Washington periodically. The Embassy still sends a cable per student but also states that according to the list dated last month, for example, these listed students are cleared of any Human Rights abuses. Another technique worth considering is to send a cable out from the Embassy that states that the Embassy has not sent any personnel listed on the HR Vetting list this month without specifically referring to courses and individuals. Then, the vetting is still done but it is done at the Embassy with Washington monitoring.

Embassy Access to Databases. Whatever databases are in Washington, the Department of State in Washington should allow Embassy personnel in the field access to the databases directly instead of sending the request through all of the "middle men." In the age of video-teleconferences, blackberry messages, and e-mails, we should be able to leverage technology down to the user better than we are doing currently. Powering down the ability for Embassy officers to check names themselves reduces the workload on the Washington Department of State personnel and allows the Embassy to access information faster.

Let them travel. This is probably the most controversial of all the recommendations. With or without a cleared HR vetting returned to the Embassy, let the student travel. If he is vetted and cleared, then the student is already at the training and there is no issue. If he is found to be a human rights violator, send him or her home immediately. The Host Nation will still have to pay the 100 percent course cost fee due to the IMS leaving early. I understand that forcing offices to vet prior to travel is the "stick" that Congress uses to insure compliance. But that same leverage could be done during the annual command inspections when outside agencies inspect all the files. If the office is not in compliance, then the office is held accountable. The Country Desk Officer at DoS could also monitor compliance by each Embassy since an event like sending a student back to his home country would most likely be the exception and not the rule. These few cases could be monitored closely by all interested parties.

Conclusion

The Leahy Vetting of individuals for human rights is a requirement that supports the national interests of the U.S. government. The issue right now is that the system is unyielding, inflexible and cumbersome. The relations with our host nations are being strained as we work together to meet this requirement. Ways must be developed and programs must be adapted to overcome this bureaucratic hurdle. These changes must come from all levels or the system will fail under its own weight and the only victim will be the relationship between the U.S. government as represented in each of our offices and our partner nations.

About the Author

Lieutenant Colonel David R. Womack, USA, is the Joint Training Officer for the Military Assistance Program Office at the U.S. Embassy in Amman, Jordan. He served ten years in the Field Artillery with tours at Fort Riley, Kansas; Fort Stewart, Georgia; and two tours in the Republic of Korea. He is a graduate of the Basic Arabic Course at the Defense Language Institute and has a

Master's Degree from the Naval Postgraduate School in 2003. Prior to his current position, he served as a Country Desk Officer at Army Central Command from 2003 to 2006.