
FY 1995 International Affairs Budget: A New Outlook and New Priorities for a New Era

[The following is a reprint of an article which was published in a special *U.S. Department of State Dispatch Supplement*, February 1994, pp. 3-11.]

SUMMARY

The President's FY 1995 International Affairs budget reflects a new account structure consistent with the Administration's proposed Peace, Prosperity, and Democracy Act of 1994 and U.S. post-Cold War foreign policy objectives. It is organized under six categories which parallel the titles of the new Act (or charter) and which represent fundamental, mutually reinforcing policy objectives:

- Promoting U.S. Prosperity Through Trade, Investment, and Employment;
- Building Democracy;
- Promoting Sustainable Development;
- Promoting Peace;
- Providing Humanitarian Assistance; and
- Advancing Diplomacy.

In addition to the FY 1995 International Affairs appropriation request, the budget proposes a supplemental appropriation for FY 1994, to be fully offset by decreases in other expenditures, for unfunded assessed peacekeeping costs.

The total International Affairs (Budget Function 150) appropriation request for FY 1995 is \$20.861 billion in budget authority. This is an increase of \$44 million from the FY 1994 level, including the proposed FY 1994 supplemental appropriation of \$610 million and proposed offsetting rescissions for the same year. The request totals \$20.788 billion in outlays, or a decrease of \$1.052 billion from the FY 1994 level.

Budget Highlights by Major Area

PROMOTING U.S. PROSPERITY THROUGH TRADE, INVESTMENT, AND EMPLOYMENT (\$1.038 BILLION)

Export promotion programs seek to establish, maintain, or expand markets for U.S. goods and services, thereby creating new jobs for American workers and enhancing American prosperity. Exports account for 50% of our total agricultural output and 85% of the recent growth in manufacturing. Export-related jobs are the fastest-growing and best-paying component of our key industrial and service sectors. These jobs pay over 20% more than the average, and the penetration of new markets accelerates technological advancement in the United States by stimulating the development of new products and services.

Expanding the opportunities for international trade has therefore assumed unprecedented importance in our foreign policy, as demonstrated by the passage of the North American Free Trade Agreement, the convening of the first Asia-Pacific Economic Cooperation (APEC) summit, and the completion of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT)

negotiations with 116 nations. There are a number of federal programs that promote U.S. trade. Those funded in the International Affairs budget function are discussed below.

EXPORT-IMPORT ACTIVITIES

The Export-Import Bank (Eximbank) finances U.S. exports to developing countries and emerging markets through direct loans, loan guarantees, and insurance programs. Eximbank programs assist U.S. exporters by absorbing reasonable credit risks that are beyond the reach of the private sector and by matching officially supported foreign credit competition. Eximbank financing will help U.S. exporters compete in expanding global markets. This is especially important in the potentially huge markets represented by the former Soviet republics and the emerging market economies in Central and Eastern Europe. The Administration's FY 1995 request of \$796 million will allow for an increase in export financing to support an expansion of U.S. exports, thereby stimulating economic growth and jobs creation in the U.S.

FOOD EXPORT PROMOTION

The U.S. Department of Agriculture (USDA) oversees Public Law (P.L.) 480, Title I, a concessional sales program to encourage overseas purchase of U.S. agricultural products. Sales are made on a credit basis at low interest rates. The most important criterion in authorizing financing is the recipient country's market-development potential. Title I programs create important markets for U.S. agricultural commodities—particularly grains—thereby leading to U.S. job creation. Recipient countries generally are those in transition from being food aid recipients to becoming strictly commercial markets. Eastern Europe and the new independent states (NIS) are important examples of such markets, and our export promotion programs are an important part of our overall programs to sustain the transition to market-oriented democracies in this region. The Administration seeks \$312 million in budget authority for this program.

TRADE AND DEVELOPMENT

The Trade and Development Agency (TDA) assists in creating U.S. jobs by enhancing market opportunities for U.S. companies in the infrastructure and industrial sectors in middle income and developing countries. It works closely with foreign governments and other entities to involve U.S. business in the early planning stages of projects in these sectors. This provides U.S. companies with market exposure and information that assists them in establishing a position in markets that are otherwise very difficult to penetrate. This is particularly important in the emerging market-oriented democracies of Central and Eastern Europe and the former Soviet Union, where TDA is increasingly active. The Administration is requesting \$45 million in budget authority for TDA. These funds will be used specifically for feasibility studies, often a key to U.S. private sector involvement in the implementation stage of major projects. Additional funds may be transferred to TDA from other agencies for feasibility studies in the former Soviet Union and other regions.

OVERSEAS PRIVATE INVESTMENT

The Overseas Private Investment Corporation (OPIC) helps the U.S. private sector create jobs and generate economic growth both at home and abroad, fostering global competitiveness and trade. OPIC accomplishes this by offering American businesses loans, loan guarantees, insurance, and investor services to support a wide array of U.S. investment in 140 developing countries and emerging economies worldwide. OPIC plays a particularly important role in promoting defense conversion, privatization, and market reforms in Central and Eastern Europe and in the former Soviet Union. OPIC is undertaking new activities to encourage environmental investment in the former Soviet states, Eastern Europe, South Africa, West Bank/Gaza, and Latin America. The Administration is seeking \$20 million for the agency's credit activities and equity investment

programs. This will generate about \$20 million in direct loans and \$482 million in loan guarantees. The agency also earns revenues from its insurance and other activities which far exceed appropriated funds. The Administration's FY 1995 request will return OPIC to operating as a self-sustaining government corporation.

Building Democracy (\$2.853 Billion)

Promoting democracy and pluralism abroad is a fundamental U.S. foreign policy goal and is directly linked to our prosperity and security. By promoting and protecting basic human rights and freedoms, the United States not only honors the values on which it is founded, but also furthers important national interests. Democracies are more reliable international partners. They are less likely to wage war against one another or to generate refugees. They are more likely to respect the environment, seek sustainable development, and cooperate on global issues such as narcotics and terrorism.

NEW INDEPENDENT STATES OF THE FORMER SOVIET UNION

Support for economic and democratic reform in the former Soviet states is among our most important foreign policy goals. Helping to ensure a successful transition to market democracies in this region is vital to U.S. interests:

- Enhancing U.S. security through the reduction of weapons of mass destruction and the creation of new, peaceful, and cooperative relationships with former adversaries;
- Improving U.S. economic prospects by redirecting resources from defense to domestic investments, and
- Strengthening U.S. prosperity by fostering new foreign markets and trading relationships.

The United States cannot lead the coalitions of external supporters seeking to assist with denuclearization, defense conversion, and environmental protection, as well as economic stabilization, restructuring, and privatization, without substantial and sustained American financial contributions.

The \$900 million proposed funding for FY 1995 in the International Affairs budget will continue the technical and humanitarian grant assistance to the new independent states in support of the transition to market economies and democratic governments. These include support for the privatization process in Russia and the other new states; additional capitalization of the Russian Enterprise Fund, and the establishment of such funds in other new states; continued assistance for the reform of agriculture, housing, energy, and health sectors, and assistance in dealing with the environmental and humanitarian consequences of economic reform. Funding also will continue U.S. support for election reform; rule of law programs; education and training; exchange programs for students, entrepreneurs, and professionals; and development of civil infrastructure-nongovernmental organizations, professional associations, labor organizations, and civic groups.

In FY 1995, resources to strengthen the U.S. diplomatic presence in these countries (under the category of Advancing Diplomacy) will be a vital element in our strategy. By investing in preventive diplomacy, we are better able to reduce the risk of instability and conflict within and among these states, as well as pursue arms control, counternarcotics, environmental, and other agreements of mutual interest and concern.

CENTRAL AND EASTERN EUROPE

The process of democratic and economic development in Central and Eastern Europe remains as important to U.S. interests today as it did in 1989. Until there is security and democracy in Europe, global peace and security will remain in jeopardy. As elections in Lithuania and Poland demonstrate, the political and economic revolution in this region is not complete. Its success is essential in order to demonstrate that democracy and the foundation of economic prosperity can be built on the ashes of failed communist systems.

While we will soon begin redeploying resources from the states where transition is most advanced—Poland, Hungary, the Czech Republic, and Slovakia—a substantial financial commitment to the region as a whole will continue to serve U.S. interests. The collapse of reform would leave an unstable region on the doorstep of our European allies and would be a serious blow to reformers in the NIS.

The \$380 million proposed funding for FY 1995 will allow for new initiatives and continued support for strengthening judicial systems and the rule of law, minority rights, privatization (especially in the financial sector), private business development, and nuclear safety. A new initiative is planned to strengthen public and private local institutions capable of mediating and negotiating conflicts at the grass-roots level. We also plan to increase resources devoted to environmental concerns as countries achieve economic stabilization and growth.

As with our assistance programs in the NIS, U.S. assistance to the countries of Central and Eastern Europe is used whenever possible as leverage to mobilize private U.S. capital, goods, services, and expertise. Western private sector involvement is key to the successful transformation of these economies, and our programs can help the U.S. private sector take advantage of the unique opportunities in this region.

COUNTRIES IN TRANSITION

Our FY 1995 budget proposal contains a new account, pulling together bilateral and multilateral activities in support of democracy heretofore funded from disparate programs and funding sources. This new program is designed to advance democracy, free markets, and regional stability. It is in the interest of the United States to nurture and sustain democratic development not only in the NIS and the emerging democracies of Europe, but also in Asia, Africa, and Latin America. Small investments in democracy programs can help ensure democratic transition and consolidation in a number of developing countries. Failure to respond effectively threatens not only the future of these countries, but the security and economic interests of the United States.

The modest \$143 million FY 1995 budget proposal will allow for targeted programs in Africa (training and electoral assistance), Latin America (administration of justice, military reform, consolidation of democratic reforms, and institution-building), East Asia/Pacific (human rights/labor, reconstruction and institution-building), and Central and Eastern Europe (primarily democracy-oriented military training). De-mining programs will facilitate efforts to remove mines in Cambodia, Afghanistan, Central America, and at least five African states, comprising some of the most densely mined areas in the world where the costs in terms of human tragedy and suffering are the highest. Other key elements of this small program are several small grants to UN and Organization of American States (OAS) democracy programs.

INFORMATION AND EXCHANGE

The free international exchange of information and ideas is a necessary condition for the development of democratic institutions, and is a critical and integral part of our foreign policy strategy. The United States Information Agency (USIA) conducts the international information,

education, cultural, and exchange programs of the United States abroad. USIA increases international understanding of American society and U.S. foreign policy through personal contacts, academic and leadership exchanges, distribution of books and periodicals, English-language instruction, operation of cultural centers, and radio and television broadcasting.

The \$1.43 billion budget proposal will allow for extensive restructuring and other measures recommended by the National Performance Review, acceleration of the shift to state-of-the-art electronic reference and outreach services, streamlining electronic news and policy information capabilities, eliminating magazine production and exhibits, and combining speakers and specialists programs with interactive Worldnet television. The proposal includes consolidation of international broadcasting—ending administrative duplication and saving resources in the future.

Promoting Sustainable Development (\$4.974 Billion)

MULTILATERAL DEVELOPMENT BANKS, IMF, AND DEBT REDUCTION

Multilateral institutions remain essential to the continuing capability of the international financial system to foster and support economic reforms and development in a rapidly changing world. This is especially true in the face of serious government resource constraints and enormous demands on world capital markets. Contributions to the multilateral development banks (MDBs) are important instruments of U.S. policy. For every taxpayer dollar invested in the MDBs, more than \$20 in financing is generated. The U.S. economy also benefits from the long-term growth and stability that MDB lending and technical assistance promote. Furthermore, U.S. companies earn a larger proportion of MDB procurement contracts than those of any other donor nation.

The FY 1995 budget requests a total of \$2.109 billion for the following: about \$2.0 billion for contributions to the MDBs, including funding (still under negotiation) for the World Bank's Global Environmental Facility; \$100 million for the International Monetary Fund's (IMF's) Enhanced Structural Adjustment Facility (ESAF); and \$7 million for bilateral debt reduction. We will apply \$87 million to U.S. arrears to the MDBs. About \$1.3 billion of the request is for the U.S. contribution to the International Development Association (IDA) to alleviate poverty and encourage good governance and sustainable development in the world's poorest countries. ESAF plays a crucial part in stabilization and structural reforms in impoverished countries, particularly in Africa. Lastly, proposed debt relief funding will lower developing countries' bilateral debt to the U.S. Government, provided they are pursuing economic reform programs with the IMF and World Bank.

STATE AND USAID PROGRAMS

The President's request for FY 1995 includes \$2.591 billion to support bilateral programs and contributions to international organizations for broad-based economic growth, protection of the global environment, stabilization of world population growth, and support for democratic participation. These programs are dedicated to long-term improvement of the quality of life in developing countries, and to creating better trading partners and customers for U.S. products.

Broad-Based Economic Growth (Including P.L. 480-Title III). A total of \$1.477 billion is proposed for programs aimed at promoting economic growth around the world, contributing directly to U.S. employment. These encompass a wide range of activities such as credit, education—especially for girls and women—health, child survival, AIDS prevention, agriculture and nutrition, employment generation, and macroeconomic and sector reform. They invest in the development of markets, institutions, and people, with the common objective of fostering economic growth. A total of \$1.247 billion is requested for USAID bilateral programs, and \$230 million for contributions to international organizations.

Stabilization of World Population Growth. Slowing population growth is a critical component of the Administration's commitment to sustainable development. Comprehensive strategies to reduce population growth around the world will promote economic, political, and social stability and progress; help ease environmental strains; and enhance the quality of life for individuals. The Administration requests \$585 million for support of voluntary family planning, reproductive health care, and directly related activities. Of this amount, \$525 million will fund USAID activities and \$60 million will fund those of the UN Population Fund. These core population programs are complemented by investments in broad-based economic growth that support strong and sustained programs in child survival, HIV/AIDS, female education and health, and the economic empowerment of women.

Protection of Global Environment. One of the critical priorities of the Clinton Administration is to reduce long-term threats to our environment. A request of \$350 million is being made for programs for reducing long-term threats to our global environment. Problems to be tackled include climate change, loss of biodiversity, pollution, ozone depletion, and lax environmental standards. Of this amount, approximately \$57 million will be provided for U.S. contributions to international organization programs, specifically for the UN Environment Program Fund and the Montreal Protocol Facilitation Fund. A request of \$293 million is for USAID programs for reducing natural resource degradation, reducing greenhouse gas emissions, and supporting biological diversity, among other areas. The request for multilateral development banks includes funding for the World Bank's Global Environmental Facility (GEF), for which negotiations are still underway.

Support for Democratic Participation. Development must also be linked to improving democratic institutions and processes. Activities promoting democratic participation are integral to ensuring sustainable development and other international affairs programs. For example, in El Salvador, democratic participation activities such as judicial reform and civic education are essential in the context of the peace and reconciliation process. For activities that foster democratic participation worldwide, \$179 million is requested. Assistance will be provided for the strengthening of human rights observance, free and fair elections, respect for the rule of law, accountable government, and public awareness in such areas as narcotics abuse and environmental protection. Of this amount, \$168 million will fund USAID democratic initiatives and \$11 million will fund U.S. contributions for activities of the Organization of American States.

PEACE CORPS, INTER-AMERICAN FOUNDATION, AND AFRICAN DEVELOPMENT FOUNDATION

Peace Corps funding of \$226 million will provide direct and indirect support for about 7,000 Americans engaged in voluntary services in about 95 countries worldwide. These volunteers will continue to fill the trained labor needs of developing countries and encourage self-sustaining development of skilled labor. As in the past, Peace Corps activities will promote mutual understanding between the peoples of the developing world and the United States, focusing on voluntarism and self-help at the grass-roots level. For FY 1995, the Administration requests a small funding increase to support expanded efforts in the former Soviet Union.

In FY 1995, the African Development Foundation (ADF) will continue to support self-help efforts of poor people in African countries. It will focus on activities at the local level designed to promote opportunities for community development. Funding of \$17 million, equivalent to the FY 1994 level, will sustain grants, loans, and loan guarantees to African private groups, associations, or entities involved in self-help development.

The Inter-American Foundation (IAF) will provide grants to private, grass-roots organizations, including community associations and small urban enterprises, to foster economic

self-sufficiency. The IAF will also provide such groups with credit, technical assistance, training, and marketing services. The \$31 million funding requested for FY 1995 is the same as last years request.

Promoting Peace (\$6.431 Billion)

The end of the Cold War has reduced global tensions to a marked degree, but it has not spelled the end of regional instability or potential for conflicts which directly threaten U.S. interests. In particular, it has not eliminated the need to seek a just, lasting, and comprehensive peace between Israel and its neighbors. In a post-Cold War world engulfed in conflict, the United States must be prepared to lead collective efforts to deal with peace-making and peace-keeping and to meet its international commitments to pay its share for these activities. The United States also has a responsibility to strengthen and reform the UN peacekeeping function in order to improve its ability to prevent conflict and promote peace. This will help reduce the risk that the United States could be drawn into regional conflicts which we cannot ignore.

REGIONAL PEACE AND SECURITY

Of a total of \$5.46 billion for regional peace and security, the Administration is seeking \$5.225 billion to advance the Middle East peace process. The signing of the Declaration of Principles last year was just the beginning of a new stage in that process, which we must continue to foster and support. By far the largest portion of this funding—\$5.115 billion—reflects our continuing commitment to Israel's security and to Egypt's vital role in the stability and security of the region. Such funding is intended to support economic growth and reform, and to help meet the legitimate defense needs of these two countries. An additional \$75 million will be used for economic development programs in the West Bank and Gaza in fulfillment of our commitment to fund a share of a multi-year, multilateral program in support of the Israeli-Palestinian accords. Another \$30 million will be devoted to small programs in support of other important regional players in the Middle East Peace process, including support for regional cooperation and for the multilateral working groups, designed to augment progress in the ongoing bilateral talks.

The FY 1995 proposal also includes a total of \$160 million for credit programs for Greece and Turkey, which finance the sale of defense equipment and services from U.S. suppliers, and for grant economic assistance to Turkey. These programs provide important support for regional security and our strategy of overseas presence, including access, overflight, and base rights.

Of the remaining \$80 million of the FY 1995 proposal, \$24 million is intended for reimbursement of U.S. Department of Defense costs; \$44 million for small programs in Ireland, Cyprus, and East Asia, plus a total of \$12 million in military-related training worldwide. The modest training program provides significant, cost-effective support for our strategy of engagement, maintaining and creating new post-Cold War partnerships aligned in their commitment to prevent or limit potential conflict.

PEACE-KEEPING PROGRAMS

The President's FY 1995 budget requests \$608 million for State Department accounts to support international peace-keeping. This is in addition to FY 1994 supplemental appropriations requested by the Administration, offset by reductions in other programs, intended to fund outstanding peace-keeping assessments. The President proposes a new approach to fund assessed UN peace-keeping operations by sharing such responsibility between the State and Defense Departments. In principle, the President proposes that the Defense Department fund "peace enforcement" operations as defined under Chapter VII of the UN Charter, and the State Department

fund "peacekeeping" operations as defined under Chapter VI. (The Department of Defense would also fund those Chapter VI operations in which U.S. combat units are involved.)

The amount of \$533 million is requested in the International Affairs function of the budget for assessed peace-keeping activities. A total of \$75 million is for the peace-keeping operations (PKO) account to make voluntary contributions to multinational peacekeeping efforts such as the Multilateral Force and Observers (MFO) in the Sinai, the Conference on Security and Cooperation in Europe (CSCE) in the new independent states, and Serbian sanctions enforcement. Voluntary contributions can be a cost-effective alternative to paying the 30.4% U.S. assessment on UN peace-keeping costs.

NON-PROLIFERATION AND DISARMAMENT

As the risk of superpower confrontation has receded in the post-Cold War era, the potential use of weapons of mass destruction—nuclear, chemical, and biological—by regional powers and terrorist states continues to increase. Preventing the proliferation of such weapons is a foreign policy priority, and the FY 1995 budget proposal contains a combination of bilateral and multilateral programs to pursue this objective.

The budget proposal of \$111 million includes \$61 million in ACDA funding, \$14 million of which is planned for CWC implementation and \$2 million related to implementation of the NPT.

The Arms Control and Disarmament Agency (ACDA) plays a key role in negotiating and implementing arms control agreements. It will continue to play this role in addressing the numerous arms control, non-proliferation, and disarmament challenges of the post-Cold War era. It will devote significant additional resources to expenses related to implementation of the Chemical Weapons Convention (CWC) and efforts to achieve the indefinite, unconditional extension of the Non-Proliferation Treaty (NPT).

The proposal for the State Department's Non-Proliferation Fund, a new account established in FY 1994, is \$50 million, \$40 million of which is intended as the U.S. contribution to the International Atomic Energy Agency, and \$10 million for bilateral programs in support of export controls and interdiction, weapons destruction, and safeguards and verification.

In addition to FY 1995 funding proposed in the International Affairs budget, the Department of Defense plans to devote \$400 million for non-proliferation and weapons destruction in the former Soviet states.

NARCOTICS, TERRORISM, AND CRIME PREVENTION

Illegal narcotics, terrorism, and other criminal activity are major threats to the fabric of U.S. society and those of many other nations. In many developing nations, they are major impediments to prospects for strengthening democratic institutions, free market economies, and human rights. Combatting these threats is, therefore, a major foreign policy objective of the United States. The FY 1995 budget proposal of \$252 million represents a new, single account for this function, combining heretofore separate appropriations for counter-narcotics, anti-terrorism, and security assistance programs.

For counter-narcotics, \$232 million of the total is proposed to implement a new strategy directed toward shifting resources from transit interdiction to more sharply focused efforts in source countries. We will integrate our counter-narcotics program with sustainable development initiatives, focusing on both macro and micro objectives. Assistance will be targeted in those nations demonstrating the political will to combat illegal narcotics trafficking and will assist in the creation and strengthening of institutions—judicial and law enforcement systems—indigenous

interdiction, and cooperative programs to deal with narcotics leadership, money laundering, and chemical precursors. The new strategy reflects the reality that combatting narcotics at their source is a more effective use of resources than interdicting them in transit (though both approaches must continue to play a role).

A total of \$15 million will be devoted to anti-terrorism assistance, providing training and assistance in airport security, crisis management, and terrorist incident control. We are requesting \$5 million to sustain the second year of a new International Criminal Justice program, dealing with the major aspects of international criminal activity (financial, organized, and illegal trafficking) and devoted to improving the administration of justice in countries of national security interest.

Providing Humanitarian Assistance (\$1.626 Billion)

The United States is the international leader in the provision of humanitarian assistance, reflecting the compassion and generosity of the American people. Humanitarian assistance is closely linked to our sustainable development strategy. Helping nations respond to disasters also helps them to return to the path of economic and social development. The U.S. provides humanitarian assistance and relief to refugees and victims of natural disasters, famine, and drought and to those suffering from the ravages of war. While it is difficult to predict where and when such crises and disasters will occur, planning for FY 1995 requires sufficient funding for pre-positioning quick reaction mechanisms for providing assistance in such areas as the Horn of Africa; the former Yugoslavia; and other regions of Africa, Asia, Latin America, and Europe.

REFUGEE ASSISTANCE

The Administration's FY 1995 budget request includes \$633 million for Migration and Refugee Assistance (MRA) and \$50 million to replenish the U.S. Emergency Refugee and Migration Assistance Fund. Objectives of this program include the protection of refugees and conflict victims, the provision of basic needs to sustain life and health, and the resolution of refugee situations through repatriation, local integration, or permanent resettlement in a third country—including the United States. In carrying out these objectives, the Department of State sustains a U.S. leadership role in the world community in responding to refugees' and conflict victims' needs.

Funds to assist refugees and conflict victims overseas primarily support multilateral assistance efforts, including the United Nations High Commissioner for Refugees (UNHCR), the International Committee of the Red Cross (ICRC), and the United Nations Relief and Works Agency (for Palestine Refugees in the Near East—UNRWA). Funds to support the resettlement of refugees in the United States provide for up to 110,000 refugee admissions, carried out through the International Organization for Migration (IOM) and non-governmental organizations. In addition, funds support the resettlement of refugees to Israel, migration assistance programs, and the administrative expenses of the State Department's Bureau for Population, Refugees, and Migration.

DISASTER ASSISTANCE

The Administration requests \$170 million for International Disaster Assistance (IDA), one of the most visible U.S. international assistance programs. USAID coordinates disaster assistance to foreign nations affected by natural and man-made disasters, concentrating on activities which reduce human suffering and save the greatest number of lives. The high demand for relief is driven largely by disasters that continue to have complex political dimensions (e.g., Somalia, Bosnia). Recent experience shows that these disasters are difficult to resolve and costly to address and that sufficient advance funding must be provided to allow successful pre-positioning of commodities

and services. Of this request, \$20 million will fund a new USAID program, the Crisis and Transition Initiative (CTI). Crises and transitions have urgent requirements that traditional programs of disaster relief, peace-keeping, and long-term development do not address. This rapid response capability will enable USAID to assist governments in maintaining basic government services and civil authority, restoring essential infrastructure, and sustaining democracy. USAID will concentrate on planning and coordinating programs that help nations return to the path of sustainable development.

FOOD ASSISTANCE (P.L. 480-TITLE II)

Title II of the P.L. 480 Food Aid program administered by USAID supports emergency and humanitarian food aid programs implemented by private voluntary organizations, the UN's World Food Program, and foreign governments. Title II food assistance is provided largely to the more vulnerable and dispossessed members of society, such as lactating mothers and malnourished children. The FY 1995 request totals \$773 million, \$390 million of this amount is requested for nonemergency feeding and development programs, with the remaining \$383 million requested for emergency feeding programs.

Advancing Diplomacy (\$4.146 Billion)

The effective use of diplomacy—through reporting, crisis prevention, and the adept use of membership in the UN and other international organizations—is critical to success in achieving all U.S. goals. This budget is based on the recognition that timely prevention is the most cost-effective way to conduct foreign policy. Through membership in international organizations such as the UN, the International Atomic Energy Agency, World Health Organization (WHO), Asia-Pacific Economic Cooperation, and NATO, the U.S. stands to better shape the future of global development and retain its leadership position in the post-Cold War world. In addition, this budget provides the core foundation for the conduct of U.S. foreign policy. Without adequate funds, we would have a “hollow” foreign policy infrastructure inadequate to respond to the challenges and opportunities of the post-Cold War world. In short, assertive, preventive American diplomacy, including in the multilateral realm, constitutes an investment in America's future.

STATE DEPARTMENT OPERATIONS

The State Department provides the diplomatic and operational support to advance U.S. foreign policy leadership. Its people and missions are crucial components of U.S. efforts to promote peace, prosperity, and democracy in a changing world. Over the past several years, the Department of State has seen a dramatic increase in its worldwide responsibilities due to such factors as the opening of 26 new posts in the new independent states and elsewhere, establishing programs to enhance America's competitiveness in the global economy, and responding to growing consular workloads. Concurrent with meeting the diplomatic and consular challenges of the post-Cold War world, the Department also faces the operational mandate to reverse the erosion in its infrastructure and begin a multi-year effort to modernize its information systems, telecommunications networks, and overseas facilities. The Department has instituted broad-based reform of its organizations and operations to keep pace with changing times both here and abroad. Streamlining, more efficient decision-making, investment in basic operational requirements, training, and a division of labor that reflects post-Cold War realities and our new global agenda are key elements of this reform.

The FY 1995 request of \$2.623 billion for State Department Operations, an \$88 million increase over the FY 1994 enacted level, includes \$2.177 billion for the Diplomatic and Consular Programs and Salaries and Expenses accounts. The FY 1995 request will maintain ongoing diplomatic and consular operations and provide a modest investment increase which is key to our

streamlining efforts. In addition, the FY 1995 request strongly supports the President's plan for reducing administrative overhead and employment by assuming substantial savings in these areas.

The FY 1995 budget request also includes \$422 million in the Foreign Buildings account for the fourth year of projects and activities programmed under the Department's five-year plan to upgrade and modernize its inventory of overseas diplomatic facilities. In addition, the budget requests \$24 million for the Office of the Inspector General; \$42 million for State Department Small Programs such as the American Institute in Taiwan and International Conferences and Contingencies; and \$74 million for Non-State Small Programs such as the International Trade Commission, U.S. Institute of Peace, and Asia Foundation.

UNITED NATIONS AND OTHER AFFILIATES

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

The President's budget includes \$914 million for the U.S. share of assessed contributions to the UN and other international organizations. The request recognizes President Clinton's commitment to fund fully our commitments to the United Nations and other multilateral organizations and includes a small FY 1995 arrearage payment.. Payment of arrears will be directed toward activities that are mutually agreed upon by the United States and the respective multilateral institutions, and payments will be conditional upon such agreements.

USAID OPERATING EXPENSES

USAID operating expenses finance salaries and support costs of its employees worldwide who are responsible for designing and administering programs for sustainable development, humanitarian assistance, and special initiatives in such places as Southern Africa, Central and Eastern Europe, and the former Soviet Union.

The funding requested is \$567 million, including \$40 million for operating expenses of the Inspector General. The \$23 million increase over the FY 1994 enacted level for USAID Operating Expenses is required to fund three major activities: implementing the recommendations of the National Performance Review and reinvention activities, including the costs of closing 21 USAID missions overseas; the mandatory federal payraise; and supporting USAID operations in the former Soviet republics.