
THE DISAM JOURNAL OF INTERNATIONAL SECURITY ASSISTANCE MANAGEMENT

It seems like it has only been a few weeks since the last Journal hit the streets; they seem to come fast and furious. The cover article in this edition covers the annual funding allocations for fiscal year 2004 Foreign Military Financing, International Military Education and Training, Economic Support Fund, Peacekeeping Operations, and other programs. As always, there is a lot of country-specific comments, so take a thorough look. I know everybody is interested in this issue every year as many ask when it will be published.

I will be brief, not trying to outline all the storylines here, but human rights gets it due. Note that the annual State Department Country Reports on Human Rights Practices have recently been released. Additionally, from Department of State, we have perspectives looking at the Middle East, Europe and Eurasia, East Asia and the Pacific, as well as Africa and Latin America. Certainly something for everyone!

I will call your attention to the last two articles in this edition. Note the Department of State's report on "Direct Commercial Sales Authorizations for Fiscal Year 2003." This article provides some numbers of permanent export and manufacturing, and technical assistance license applications. It also provides insight on how these play into multi-year periods with joint venture, co-production and other similar programs. It gives a good perspective in a short article and is worth the read.

The final article presents a good overview of the actions being taken at the Air Force Security Assistance Center to "link long-term strategic objectives with short-term actions" under a Balanced Scorecard methodology. We are in an age where performance measurement is critical to identifying the success of our organization. Air Force Security Assistance Center is using this means in order to get the job done better and more efficiently as it looks to the future!

One important note to pass on is that the Defense Institute of Security Assistance Management now has a research database feature on our website. This is your opportunity to provide research topics that may be used by our Tufts Global Master of Art Program II students or other students writing theses for professional military education or other graduate studies. We have folks out there looking for bona fide research topics in satisfying degree requirements, and this is one way to provide them areas of study. Come in and take a look at that segment of the website!

Thank you for your support of DISAM and the DISAM Journal. Keep in mind that we can always use articles from where you are!



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Commandant

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FEATURE ARTICLE

Fiscal Year 2004 Security Assistance Legislation and Funding Allocations

By
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Introduction

Each year, the *Defense Institute of Security Assistance Management (DISAM) Journal* publishes a summary and analysis of the legislation that impacts U.S. security assistance. In this issue, we present the twentieth in a series of annual studies of the major pieces of legislation with references to security assistance and related programs. This report is intended to alert all security assistance community members to the collective changes in legislation that will influence program planning and implementation for the coming year. The report is in outline format with key topics highlighted to facilitate locating specific statutory references. This report will also include tables showing the levels of funding for the affected countries and programs. This is possible because of the timely receipt of the security assistance funding portions of the Department of State report for the allocation of foreign operations funding submitted to Congress on March 5, 2004 in accordance with Section 653(a), *Foreign Assistance Act (FAA)*.

Because of the continuing political and military efforts required for the global war on terrorism (GWOT), the war operations in Iraq, peacekeeping and reconstruction efforts in both Iraq and Afghanistan, and the continued economic recovery in the U.S.; fiscal year (FY) 2004 marks the third year in a row that the required annual foreign operations appropriations legislative actions by the Congress and subsequent funding allocations by the Administration were not completed until the second quarter of the affected fiscal year. Fiscal year 2004 is the third year in a row that an emergency supplemental appropriation affecting security assistance or security assistance-related programs was required. Of note, the emergency supplemental appropriation for FY 2004 was legislated and enacted November 6, 2003 two months before the annual foreign operations appropriation on January 23, 2004. Because of budgetary considerations, FY 2004 also marks the fourth of the last five years that a last minute across-the-board rescission (reduction) of appropriated funding was applied, with FY 2002 being the exception.

The FY 2004 security assistance program also experienced for the first time since FY 2000 a gap in funding authorization legislation. The *Security Assistance Act of 2000*, Public Law (P.L.) 106-280, 6 October 2000, provided authorizations for FY 2001 and FY 2002 and the *Security Assistance Act of 2002*, Division B, P.L. 107-228, 30 September 2002, provided funding authorizations for FY 2003. H.R. 1950 was introduced and passed by the House to provide for, inter alia, security assistance funding authorizations for FY 2004 and was forwarded to the Senate on July 17, 2003. S.1161 was introduced and reported out of the Senate Foreign Relations Committee (SFRC) on May 29, 2003 to provide for security assistance along with other foreign assistance funding authorizations for FY 2004. The Senate took no further action on either H.R. 1950 or S.1161.

The *Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2004*, was passed and enacted as Division D of the *Consolidated Appropriations Act, 2004*, P.L. 108-

199, January 23, 2004. Division H, Section 168 (b), of the same P.L. 108-199 directed an across-the-board rescission of 0.59 percent to all FY 2004 appropriations, but exempting the earlier enacted two Department of Defense (DoD) FY 2004 appropriations, P.L. 108-87 and P.L. 108-132, and the FY 2004 emergency supplemental appropriations, P.L. 108-106.

Table 1 displays the original security assistance funding request by the Administration. For comparison, it also shows the House and Senate proposals with the initial appropriation for each of the four programs as provided by *Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2004*, Division D, P.L. 108-199, January 23, 2004. Later tables will display how each program and country programs were affected by the later rescission of 0.59 percent from Division H, P.L. 108-199.

Table 1 does not reflect the additional security assistance funding that was provided for FY 2004 by the earlier enacted *Emergency Supplemental Appropriations Act for Defense and the Reconstruction of Iraq and Afghanistan, 2004*, P.L. 108-106, November 6, 2003. This included \$287,000,000 for Foreign Military Financing Program (FMFP), \$972,000,000 for Economic Support Fund (ESF), and \$50,000,000 for peacekeeping operations (PKO). One more significant item to be noted for FY 2004 security assistance was the enacted \$550,000,000 non-appropriated FMFP loan authority for the Czech Republic within Section 133 of the first continuing resolution (CR) for FY 2004, *Continuing Appropriations for the Fiscal Year 2004, and for Other Purposes*, P.L. 108-84, September 30, 2003, requested by the Administration for the Czech purchase of used F-16s from the U.S. or support for U.S. - origin aircraft purchased from another country. As a related note, the FY 2004 appropriations process required the enactment of four continuing resolutions with the last one to expire on January 31, 2004 to keep the federal government functioning.

Program	Budget Request	House H.R. 2800 Proposal	Senate S.1426 Proposal	Initial P.L. 108-199 Appropriation
FMFP	\$4,414.000	\$4,314.000	\$4,384.000	\$4,294.000
IMET	91.700	91.100	91.700	91.700
ESF	2,535.000	2,260.100	2,415.000	2,151.000
PKO	<u>94.000</u>	<u>85.000</u>	<u>84.900</u>	<u>74.900</u>
Total	\$7,134.700	\$6,750.200	\$6,975.600	\$6,611.600

Note: Does not include the directed 0.59 percent rescission of \$39,009,000.

The following seven pieces of legislation along with one treaty ratification are to be further analyzed in this article as they relate to the U.S. security assistance program:

- *Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2004*, Division D, P.L. 108-199, January 22, 2004.
- *Emergency Supplemental Appropriations Act for Defense and the Reconstruction of Iraq and Afghanistan, 2004*, P.L. 108-106, November 6, 2003.
- *Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 2004*, Division B, P.L. 108-199, January 23, 2004.
- *Protocols to North Atlantic Treaty of 1949 on Accession of Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia, and Slovenia*, Treaty Number 108-4, May 8, 2003.

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- *Syria Accountability and Lebanese Sovereignty Restoration Act of 2003*, P.L. 108-175, December 12, 2003.
 - *Department of Defense Appropriations Act, 2004*, P.L. 108-87, September 30, 2003.
 - *National Defense Authorization Act, Fiscal Year 2004*, P.L. 108-136, November 24, 2003.

Reference Sources

The following abbreviated titles will assist in identifying principal sources of information used in this article. The laws and associated congressional reports can be viewed at the Library of Congress “Thomas” web page located at <http://thomas.loc.gov>.

- P.L. 87-195: *Foreign Assistance Act of 1961*, as amended, P.L. 87-195, September 4, 1961.
- P.L. 87-510: *Migration and Refugee Act of 1962*, P.L. 87-510, June 28, 1962.
- P.L. 94-329: *Arms Export Control Act (AECA)* as amended, June 30, 1976.
- P.L. 96-8: *Taiwan Relations Act*, P.L. 96-8, April 10, 1979.
- P.L. 96-533: *International Security and Development Cooperation Act of 1980*, P.L. 96-533, December 16, 1980.
- P.L. 96-533: *Peace Corps Act*, Title VI, P.L. 96-533, December 16, 1980.
- P.L. 99-239: *Compact of Free Association*, P.L. 99-239, January 14, 1986.
- P.L. 99-415: *Anglo-Irish Agreement Support Act of 1986*, P.L. 99-415, September 19, 1986.
- P.L. 101-179: *Support for East European Democracy Act of 1989*, (SEED) P.L. 101-179, September 28, 1989.
- P.L. 101-513: *Iraq Sanction Act of 1990*, P.L. 101-513, November 5, 1990.
- P.L. 102-511: *Freedom for Russia and Emerging Eurasian Democracies and Open Markets (FREEDOM) Support Act (FSA) of 1992*, P.L. 102-511, October 24, 1992.
- P.L. 104-106: *National Defense Authorization Act, Fiscal Year 1996*, P.L. 104-106, February 10, 1996.
- P.L. 105-85: *National Defense Authorization Act, Fiscal Year 1998*, P.L. 105-85, November 18, 1997.
- P.L. 105-261: *Strom Thurmond National Defense Authorization Act, Fiscal Year 1999*, P.L. 105-261, October 17, 1998.
- P.L. 107-38: *2001 Emergency Supplemental Appropriations Act for Recovery from and Response to Terrorist Attacks on the United States*, P.L. 107-38, September 18, 2001.
- P.L. 107-57: *An Act to Authorize the President to Exercise Waivers for Foreign Assistance Restrictions with Respect to Pakistan through September 30, 2003, and for Other Purposes*, P.L. 107-57, October 27, 2001.
- P.L. 107-115: *Kenneth M. Ludden Foreign Operations, Export Financing, and Related Programs Appropriations Act, Fiscal Year 2002*, P.L. 107-115, January 10, 2002.
- P.L. 107-117: *Department of Defense and Emergency Supplemental Appropriations for Recovery from and Response to Terrorist Attacks on the United States Act, 2002*, P.L. 107-117, January 10, 2002.
- P.L. 107-187: *Gerald B.H. Solomon Consolidation Act of 2002*, P.L. 107-187, June 10, 2002.

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- P.L. 107-206: *2002 Supplemental Appropriations Act for Further Recovery from and Response to Terrorist Attacks on the United States*, P.L. 107-206, August 2, 2002.
 - P.L. 107-206: *American Service-Members' Protection Act of 2002*, Title II, P.L. 107-206, August 2, 2002.
 - P.L. 107-228: *Foreign Relations Authorization Act, Fiscal Year 2003*, P.L. 107-228, September 30, 2002.
 - P.L. 107-228: *Department of State Authorization Act, Fiscal Year 2003*, Division A, P.L. 107-228, September 30, 2002.
 - P.L. 107-228: *Security Assistance Act of 2002*, Division B, P.L. 107-228, September 30, 2002.
 - P.L. 107-240: *Continuing Appropriations for the Fiscal Year 2004, and for Other Purposes*, P.L. 107-240, October 11, 2002.
 - P.L. 107-248: *Department of Defense Appropriations Act, 2003*, P.L. 107-248, October 23, 2002.
 - P.L. 107-314: *Bob Stump National Defense Authorization Act for Fiscal Year 2003*, P.L. 107-314, December 2, 2002.
 - P.L. 107-327: *Afghanistan Freedom Support Act of 2002*, P.L. 107-327, December 4, 2002.
 - P.L. 108-7: *Consolidated Appropriations Resolution, 2003*, P.L. 108-7, February 20, 2003.
 - P.L. 108-7: *Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2003*, Division E, P.L. 108-7, February 20, 2003.
 - P.L. 108-11: *Emergency Wartime Supplemental Appropriations Act, 2003*, P.L. 108-11, April 16, 2003.
 - P.L. 108-84: *Continuing Appropriations for the Fiscal Year 2004, and for Other Purposes*, P.L. 108-84, September 30, 2003.
 - P.L. 108-87: *Department of Defense Appropriations Act, 2004*, P.L. 108-87, September 30, 2003.
 - P.L. 108-106: *Emergency Supplemental Appropriations Act for Defense and the Reconstruction of Iraq and Afghanistan, 2004*, P.L. 108-106, November 6, 2003.
 - P.L. 108-132: *Military Construction Appropriations Act, 2004*, P.L. 108-132, 22 November 2003.
 - P.L. 108-136: *National Defense Authorization Act, Fiscal Year 2004*, P.L. 108-136, November 24, 2003.
 - P.L. 108-175: *Syria Accountability and Lebanese Sovereignty Restoration Act of 2003*, P.L. 108-175, December 12, 2003.
 - P.L. 108-199: *Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 2004*, Division B, P.L. 108-199, January 23, 2004.
 - P.L. 108-199: *foreign Operations, Export Financing, and Related Programs Appropriations Act, 2004*, Division D, P.L. 108-199, January 23, 2004.

Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2004, Division D, P.L. 108-199, 23 January 2004

- Enacted as Division D of the *Consolidated Appropriations Act, 2004*, P.L. 108-199, January 23, 2004 (H.R. 2673). The original bills were reported out of the House and Senate Appropriations Committees as H.R. 2800 (H.Rpt. 108-222) on June 17, 2003 and S.1426 (S.Rpt. 108-106) on July 17, 2003, respectively. The House and Senate passed their bills on July 23, 2003 and October 30, 2003, respectively with no immediate conference action to iron out the differences. A conference was finally convened and reported out on November 25, 2003 with H.Rpt. 108-401. This conference combined the seven remaining appropriations requiring passage for the new fiscal year into H.R. 2673, originally introduced as the agriculture appropriations bill. The House passed the consolidated appropriation on December 8, 2003 before the holiday recess with the Senate passage taking place on January 22, 2004 after the recess. Table 2 displays the funding initially appropriated within Division D for the four traditional security assistance programs - Foreign Military Financing Program, international military education and training (IMET), ESF, and PKO amounting to a total of \$6,611,600,000.

- However, Division H, Section 168 (b), of the same P.L. 108-199 directed an across-the-board rescission (or reduction) of any discretionary account within the Act and any other enacted appropriation for the fiscal year by 0.59 percent. This rescission was to exclude the three defense-related appropriations — *Emergency Supplemental Appropriations Act for Defense and the Reconstruction of Iraq and Afghanistan, 2004*, P.L. 108-106, November 6, 2003, the *Department of Defense Appropriations Act, 2004*, P.L. 108-87, September 30, 2003; and the *Military Construction Appropriations Act, 2004*, P.L. 108-132, November 22, 2003. The rescission was to be applied proportionately to each discretionary account and each item of budget authority described in such subsection and within each such account and item, to each program, project, and activity. This overall legislative action is similar to last year’s *Consolidated Appropriation Resolution, 2003*, P.L. 108-06, February 20, 2003, which combined the remaining eleven necessary appropriations with a likewise similar rescission of 0.65 percent.

Program	Initial Appropriation	Rescission	Final Appropriation
FMFP	\$4,294,000,000	\$25,335,000	\$4,268,665,000
IMET	91,700,000	541,000	91,159,000
ESF	2,151,000,000	12,691,000	2,138,309,000
PKO	<u>74,900,000</u>	<u>442,000</u>	<u>74,458,000</u>
Total	\$6,611,600,000	\$39,009,000	\$6,572,591,000

- On March 4, 2004, the Office of the Management and Budget (OMB) submitted a report to Congress outlining how the directed rescission was to be implemented. The *Allocation of Foreign Operations Funding Report*, required by Section 653(a) of the FAA, was submitted by the Department of State to Congress on March 5, 2004 indicating how the appropriated funding after rescission was to be distributed. Table 2 also displays funding rescissions and resultant appropriation available for allocation as it affected the four security assistance programs. For FY 2004, the total rescission for security assistance programs was \$39,009,000 with the resultant lower figure available for initial allocation being \$6,572,591,000.

- A separate but very much related piece of legislation was enacted for FY 2004 security assistance. On September 24, 2003, the Administration requested authority for a no-subsidy

\$550,000,000 FMFP direct loan during FY 2004 to the **Czech Republic** for the purchase of fourteen used F-16s from the U.S., to include training, weapons, and logistics support. The loan could also be used for the second option of purchasing U.S. training, weapons, and logistics support in the event the Czech Republic purchased U.S.-origin, used F-16s or F-18s from Belgium, the Netherlands, Turkey, or Canada. This non-appropriation Section 23, AECA, loan authority was inserted as Section 133 of the first continuing resolution for FY 2004, H.J.Res. 69, enacted on September 30, 2003 as P.L. 108-84. The authority required the loan to be repaid in not more than twelve years, provided no funds for any subsidy costs or loan fees, and required the Czech Republic to pay the full cost of the loan including the cost of any defaults.

Title III, Military Assistance, Foreign Military Financing Program

- Initially appropriated \$4,294,000,000 as FMFP grant assistance to carry out the provisions of Section 23, of the AECA. The mandated 0.59 percent rescission amounted to \$25,335,000 reducing the total grant program for the year to \$4,268,665,000. This new total is in addition the FMFP direct loan separately authorized for the **Czech Republic** by P.L. 108-84, and the emergency supplemental FMFP grant for **Afghanistan** separately appropriated by P.L. 108-106.

Table 3			
FY 2004 Foreign Military Financing Program (P.L. 108-199)			
Administration	House	Senate	Initial Appropriation
\$4,414,000,000	\$4,314,000,000	\$4,384,000,000	\$4,294,000,000
Note: The initial appropriation does not include the rescission of \$25,335,000.			

- As noted in Table 3, the FMFP funding originally requested by the Administration was for \$4,414,000,000. The initial conference appropriation of \$4,294,000,000 was lower than the Administration request and the House and Senate proposals.

- The two legislated earmarks for FY 2004 FMFP grant appropriations include:
 - Not less than \$2,160,000,000 for **Israel** to be disbursed within thirty days of the enactment of this Act.
 - After the rescission, Israel received an initial allocation of \$2,147,256,000.
 - This is the sixth year of a ten-year plan in which Israel’s FMFP assistance is to increase by \$60,000,000 annually to coincide with an annual decrease of \$120,000,000 in ESF grant assistance towards achieving Israel’s ten-year goal of receiving no ESF from the U.S. beginning in FY 2009.
 - As in prior years, to the extent **Israel** requests that funds be used for such purposes, funds made available to Israel shall, as agreed by Israel and the U.S., be available for advanced weapons systems, of which not less than \$568,000,000 shall be available for procurement in Israel of defense articles and services, to include research and development. This new value is \$18,000,000 greater than authorized for FY 2003.
 - Not less than \$1,300,000,000 for **Egypt**.
 - After the rescission, Egypt received an initial allocation of \$1,292,330,000.
 - As was the authority for FY 2003, any funds estimated to be outlayed for Egypt during the fiscal year shall be transferred to an interest bearing account for Egypt in the Federal Reserve Bank of New York within thirty days of enactment of this Act.

•• Before rescission, total earmarked funding within the FMFP heading for FY 2004 is \$3,460,000,000 or nearly 81 percent of the total initial appropriation leaving \$834,000,000 for other FMFP programs.

• In comparison, the earmarked figure for FY 2003 was \$3,400,000,000 or just over 83 percent of the total initial appropriation of \$4,072,000,000 leaving \$672,000,000 for other programs.

•• While not using the earmarking procedure, the conference report, H.R. 108-401, communicated the following:

• While the Administration stated that the P.L. 108-84 authorized FMFP loan of \$550,000,000 for the **Czech Republic** would have no budgetary impact, the Congressional Budget Office did not concur and estimated the subsidy cost to be \$20,000,000. As this cost must be accommodated within the budget allocation for this bill, the conference managers made necessary reductions to absorb this credit subsidy within the amounts provided under this heading.

• Agreement that **Afghanistan** is to receive \$50,000,000 in FMFP funding. After rescission, Afghanistan was allocated \$49,705,000.

• Agreement with the Senate proposal that the **Philippines** is to receive \$20,000,000 in FMFP funding. After rescission, the Philippines was allocated \$19,880,000.

• Agreement with the House proposal that **Uganda** is to receive \$2,000,000 in FMFP funding for counter-terrorism efforts. After rescission, Uganda was allocated \$1,990,000.

• While strongly supporting expansion of FMFP funding to Poland and increased assistance for all nations that are contributing coalition forces in Iraq, the managers did not concur with the Senate earmark proposal of \$27,000,000 for Poland. After rescission, **Poland** was allocated \$24,000,000. The managers expect the Administration to propose increased FMFP funding support for **Poland, Bulgaria, Latvia, and Lithuania** in the FY 2005 budget request.

• Non-earmarked FMFP funding language legislated within this heading included:

•• As proposed by the Senate, \$206,000,000 should be made available for **Jordan**. After rescission, Jordan was initially allocated \$204,785,000.

•• As proposed by the Senate, \$17,000,000 may be transferred to and merged with funds appropriated under the heading “Andean Counterdrug Initiative” and made available for aircraft and related assistance for the **Colombian National Police**.

•• Not more than \$40,500,000 may be obligated for necessary expenses, including the purchase of passenger motor vehicles for replacement only for use outside the U.S., for the general costs of administering military assistance and sales. This figure was \$38,000,000 for FY 2003.

•• Not more than \$361,000,000 of the non-appropriated foreign military sales (FMS) administrative budget may be obligated for expenses incurred by the DoD during FY 2004. This is to support administrative expenses of security assistance organizations (SAOs), agencies, military departments, etc., related to the implementation of FMS. This account is funded by surcharges which are added to all FMS cases in order to recover U.S. government expenses for sales negotiations, case implementation, program control, computer programming, accounting and budgeting, and other FMS-related administrative activities at command headquarters and higher levels. This ceiling may be exceeded only through regular notification procedures of the two congressional appropriations committees. The ceiling authorized for FY 2003 was \$356,000,000.

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- Other legislated language within the FMFP heading included:
 - As before, no FMFP funding shall be available for **Sudan, Guatemala and Liberia.**
 - As before, FMFP funding may be used for demining, the clearance of unexploded ordnance, and related activities, and may include activities implemented through non-governmental and international organizations.
 - This provision or any other provision of law relating to the use of FMFP funding in this Act or any other provision of law relating to the use of funds for programs under this heading, including provisions contained in previously enacted appropriations acts, shall not apply to activities relating to the clearance of unexploded ordnance resulting from U.S. armed forces testing or training exercises. However, this does not apply to **San Jose Island, Republic of Panama**, where such activities are already underway.
 - As before, only those countries for which assistance was justified for FMFP in the FY 1989 congressional presentation for security assistance may use FMFP funds for procurement of defense articles and service or design and construction services that are not sold by the U.S. government under the AECA
 - This includes the countries of **Israel, Egypt, Jordan, Morocco, Tunisia, Turkey, Portugal, Pakistan, Yemen, and Greece** being eligible to use FY 2004 FMFP for direct commercial sales (DCS). Refer to DoD 5105.38-M, *Security Assistance Management Manual* (SAMM), Section C9.7.4, for further information on using FMFP for DCS.
 - Table 4 provides the FY 2004 FMFP allocations which were notified to Congress on March 5, 2004 in accordance with Section 653(a), FAA. For comparison, the final allocations for FY 2003 and the Administration's FY 2004 request are also included.
 - It must be noted that the FY 2003 funding column includes the emergency supplemental appropriations of \$2,039,000,000 provided by P.L. 108-11 to several countries. It must be likewise noted that the FY 2003 figures do not reflect the large \$3,800,000,000 FMFP direct loan authorized by Section 128, P.L. 107-240, for Poland to be used for its FMS purchase of F-16s and associated support.
 - Additionally, the FY 2004 funding column does not include the emergency supplemental appropriations of \$287,000,000 provided by P.L. 108-106 and reprogrammed emergency recovery funding (ERF) provided by P.L. 107-38 in the amount of \$77,000,000, both to **Afghanistan**. It must be likewise noted that the FY 2004 figures do not reflect the \$550,000,000 FMFP direct loan authorized by Section 133, P.L. 108-84, for the **Czech Republic** to be used for an FMS purchase of U.S. or U.S. origin aircraft and associated support.

Table 4
Foreign Military Financing Program
FY 2004 Funding Allocations
(in millions)

Country/Program by Geographical Region	FY 2003 FMFP Allocation	FY 2004 Budget Request	FY 2004 FMFP Allocation
Near East			
Bahrain	\$0.000	\$25.000	\$24.850
Bahrain SUP	90.000	.000	.000
Egypt	1,291.500	1,300.000	1,292.330
Israel	2,086.350	2,160.000	2,147.256
Israel SUP	1,000.000	.000	.000
Jordan	198.000	206.000	204.785
Jordan SUP	406.000	.000	.000
Morocco	4.900	10.000	9.940
Oman	19.500	25.000	24.850
Oman SUP	61.500	.000	.000
Tunisia	4.900	10.000	9.940
Yemen	<u>1.900</u>	<u>15.000</u>	<u>14.910</u>
Sub-Total	\$5,164.600	\$3,751.000	\$3,728.861
Europe and Eurasia			
Albania	\$4.900	\$4.000	\$5.000
Albania SUP	3.000	.000	.000
Armenia	5.000	2.500	2.485
Azerbaijan	5.000	2.500	2.485
Bosnia and Herzegovina	2.400	2.000	14.900
Bulgaria	9.000	8.500	8.450
Bulgaria SUP	10.000	.000	.000
Croatia	5.500	5.000	0.000
Czech Republic	10.900	10.000	7.950
Czech Republic SUP	15.000	.000	.000
Estonia	6.500	6.250	6.000
Estonia SUP	2.750	.000	.000
Georgia	6.900	10.000	12.000
Hungary	10.900	10.000	6.955
Hungary SUP	8.000	.000	.000
Kazakhstan	2.900	3.000	2.980
Kyrgyz Republic	3.900	6.000	4.075
Latvia	6.500	6.250	6.000
Latvia SUP	2.750	.000	.000
Lithuania	6.500	7.000	6.400
Lithuania SUP	4.000	.000	.000
Macedonia	10.900	10.000	7.950
Macedonia SUP	1.000	.000	.000
Malta	5.000	1.000	0.990
Moldova	1.000	1.000	0.990
Poland	12.900	12.900	24.000
Poland SUP	15.000	.000	.000
Romania	9.900	9.000	8.950

Table 4 (Continued)
Foreign Military Financing Program
FY 2004 Funding Allocations
(in millions)

Country/Program by Geographical Region	FY 2003 FMFP Allocation	FY 2004 Budget Request	FY 2004 FMFP Allocation
Europe and Eurasia (Continued)			
Romania SUP	15.000	.000	.000
Slovakia	8.000	8.000	6.650
Slovakia SUP	6.500	.000	.000
Slovenia	4.000	4.000	2.000
Tajikistan	0.000	0.700	0.995
Turkey	17.350	50.000	35.000
Turkmenistan	0.690	0.700	0.500
Ukraine	3.000	3.000	5.000
Ukraine SUP	1.500	.000	.000
Uzbekistan	<u>8.600</u>	<u>10.000</u>	<u>6.000</u>
Sub-Total	\$252.640	\$192.400	\$184.705
Western Hemisphere			
Argentina	\$1.990	\$1.500	\$1.000
Bahamas	0.090	0.100	0.099
Belize	0.290	0.200	0.199
Bolivia	1.990	4.000	3.976
Chile	0.990	0.500	0.495
Colombia	0.000	110.000	109.350
Colombia SUP	17.100	.000	.000
Dominican Republic	0.300	0.320	2.000
Ecuador	0.990	15.000	6.955
El Salvador	2.480	2.000	3.000
Guyana	0.390	0.100	0.095
Haiti	0.390	0.330	0.295
Honduras	0.168	0.000	2.000
Jamaica	0.690	0.600	0.597
Nicaragua	1.000	0.500	0.495
Panama	0.990	2.500	2.000
Peru	0.990	2.000	1.730
Suriname	0.240	0.150	0.145
Trinidad and Tobago	0.390	0.300	0.000
Uruguay	0.990	1.000	0.990
Eastern Caribbean	<u>0.782</u>	<u>2.000</u>	<u>3.330</u>
Sub-Total	\$33.240	\$143.100	\$138.751
Africa			
Botswana	\$0.490	\$1.000	\$0.980
Djibouti	8.150	2.000	5.990
Djibouti SUP	5.000	.000	.000
Eritrea	0.000	0.500	0.480
Ethiopia	4.000	0.500	2.480

Table 4 (Continued)
Foreign Military Financing Program
FY 2004 Funding Allocations
(in millions)

<u>Country/Program by Geographical Region</u>	<u>FY 2003 FMFP Allocation</u>	<u>FY 2004 Budget Request</u>	<u>FY 2004 FMFP Allocation</u>
Africa (Continued)			
Ghana	0.490	0.500	0.480
Kenya	1.000	6.500	6.250
Nigeria	0.000	4.000	0.385
Sao Tome and Principe	0.500	0.000	0.000
Senegal	0.480	0.500	0.480
South Africa	5.950	6.000	0.000
Uganda	0.000	0.000	1.990
Military Health Affairs	<u>1.990</u>	<u>1.500</u>	<u>1.490</u>
Sub-Total	\$28.050	\$23.000	\$21.005
East Asia and The Pacific			
Timor-Leste	\$1.990	\$2.000	\$1.988
Mongolia	0.990	1.000	0.995
Philippines	19.870	17.000	19.880
Philippines SUP	30.000	.000	.000
Thailand	<u>1.990</u>	<u>1.000</u>	<u>0.995</u>
Sub-Total	\$54.840	\$21.000	\$23.858
South Asia			
Afghanistan	\$21.000	\$150.000	\$49.705
Afghanistan SUP	170.000	.000	.000
India	0.000	5.000	0.000
Nepal	2.950	10.000	3.975
Pakistan	49.500	75.000	74.560
Pakistan SUP	175.000	.000	.000
Sri Lanka	<u>0.000</u>	<u>1.000</u>	<u>0.995</u>
Sub-Total	\$418.450	\$241.000	\$129.235
Global			
EIPC	\$3.050	\$2.000	\$1.990
FMFP Admin Costs	<u>36.762</u>	<u>40.500</u>	<u>40.260</u>
Sub-Total	\$39.812	\$42.500	\$42.250
Total for Allocation	\$5,991.632	\$4,414.000	\$4,268.665
Rescission	\$26.468		\$25.335
Total Appropriation	\$6,018.100	\$4,414.000	\$4,294.000

Note: EIPC is Enhanced International Peacekeeping Capabilities

Title III, Military Assistance, International Military Education and Training

- Initially appropriated \$91,700,000 as IMET grant assistance to carry out the provisions of Section 541, FAA, of which \$3,000,000 may remain available until expended. The mandated 0.59 percent rescission amounted to \$541,000 reducing the total grant program for the year to \$91,159,000.

- As noted in Table 5, the IMET funding originally requested by the Administration and agreed upon by the Senate for initial appropriation was \$91,700,000. After the rescission was applied, the lower House figure was very close to the final appropriation of \$91,159,000.

<u>Administration</u>	<u>House</u>	<u>Senate</u>	<u>Initial Appropriation</u>
\$91,700,000	\$91,100,000	\$91,700,000	\$91,700,000

Note: The initial appropriation does not include the rescission of \$541,000.

- As was the case last year, civilian personnel for whom IMET funding may be provided may include civilians who are not members of a government whose participation would contribute to improved civil-military relations, civilian control of the military, or respect for human rights.

- IMET funding for **Guatemala** may only be available for Expanded IMET (E-IMET). Funds made available for **Algeria, Cambodia, Nigeria, and Guatemala** may only be provided through regular notification procedures to the congressional committees on appropriations. This notification stipulation did not apply to Cambodia in FY 2003.

- The conference report, H.Rpt. 108-401, communicated the following regarding IMET:

- The managers endorsed the Senate committee report, S.Rpt. 108-106, requiring improved performance evaluation procedures for the IMET program. The conference managers expected no later than ninety days after enactment of this Act, that the Secretary of State, after consultation with Secretary of Defense, shall report to the congressional committees on appropriations on other factors that will be used to measure and evaluate the success of the IMET program. The conference was critical of only counting the number of trainees.

- The managers also endorsed the Senate committee report language commending the Administration for issuing new guidance for the implementation of the IP but that more needs to be done to maximize the goals of IMET. The Senate committee requested that the Secretary of State submit a report not later than 120 days after enactment of this Act on the status of the IP guidance and the impact this has had on making the IP program more consistent with the IMET program goals.

- The managers endorsed the House committee report, H.R. 108-222, regarding the extreme value of the annual *Foreign Military Training Report* required both by the annual foreign operations appropriations act and Section 656, FAA. Beginning with Section 554 of this Act, the annual report shall be submitted in accordance with the FAA, due not later than January 31 of each year. The annual report is to be submitted to the four congressional foreign relations and appropriations committees.

- Table 6 provides the FY 2004 IMET allocations which were notified to Congress on March 5, 2004. The table also includes the final funding levels allocated in FY 2003 and the

funding requested by the Administration for FY 2004. The IMET program did not receive any additional funding from the various emergency supplemental appropriations.

Table 6
International Military Education and Training FY 2004 Funding Allocations
(in thousands)

Country/Program by Geographical Region	FY 2003 IMET Allocation	FY 2004 Budget Request	FY 2004 IMET Allocation
Near East			
Algeria	\$612	\$550	\$550
Bahrain	448	600	600
Egypt	1,232	1,200	1,200
Jordan	2,400	2,900	2,900
Lebanon	700	700	700
Morocco	1,575	1,750	1,750
Oman	567	1,000	1,000
Saudi Arabia	22	25	25
Tunisia	1,500	1,750	1,750
Yemen	<u>638</u>	<u>1,000</u>	<u>1,000</u>
Sub-Total	\$9,694	\$11,475	\$11,475
Europe and Eurasia			
Albania	\$957	\$975	\$975
Armenia	659	900	900
Azerbaijan	878	900	900
Bosnia and Herzegovina	796	900	900
Bulgaria	1,324	1,350	1,350
Croatia	700	800	800
Czech Republic	1,929	1,900	1,900
Estonia	1,099	1,200	1,200
Georgia	1,184	1,300	1,300
Greece	594	600	600
Hungary	1,888	1,900	1,900
Kazakhstan	872	1,200	1,200
Kyrgyz Republic	1,068	1,200	1,200
Latvia	1,091	1,200	1,200
Lithuania	1,087	1,200	1,200
Macedonia	676	700	700
Malta	292	250	250
Moldova	988	1,000	1,000
Poland	2,172	2,000	2,000
Portugal	850	850	850
Romania	1,651	1,500	1,500
Russia	777	800	800

Table 6 (Continued)
International Military Education and Training FY 2004 Funding Allocations
(in thousands)

Country/Program by Geographical Region	FY 2003 IMET Allocation	FY 2004 Budget Request	FY 2004 IMET Allocation
Europe and Eurasia (Continued)			
Serbia and Montenegro	00	500	250
Slovakia	920	950	950
Slovenia	935	950	950
Tajikistan	339	400	400
Turkey	2,800	5,000	5,000
Turkmenistan	216	450	450
Ukraine	1,698	1,700	1,700
Uzbekistan	<u>1,104</u>	<u>1,600</u>	<u>1,350</u>
Sub-Total	\$31,544	\$36,175	\$35,675
Western Hemisphere			
Argentina	\$1,000	\$1,100	\$1,100
Bahamas	146	140	165
Belize	173	200	200
Bolivia	800	900	900
Brazil	483	500	00
Chile	559	600	600
Colombia	1,165	1,600	1,800
Costa Rica	336	400	00
Dominican Republic	570	500	800
Ecuador	645	650	650
El Salvador	1,165	900	1,200
Guatemala	350	350	350
Guyana	316	275	375
Haiti	51	200	200
Honduras	724	650	1,000
Jamaica	646	600	700
Mexico	1,250	1,275	1,275
Nicaragua	600	400	600
Panama	209	200	400
Paraguay	297	300	300
Peru	592	700	700
Suriname	156	150	150
Trinidad and Tobago	150	150	00
Uruguay	450	450	450
Venezuela	683	700	00
Eastern Caribbean	<u>686</u>	<u>700</u>	<u>875</u>
Sub-Total	\$14,202	\$14,590	\$14,790
Africa			
Angola	\$152	\$100	\$100
Benin	382	500	500

Table 6 (Continued)
International Military Education and Training FY 2004 Funding Allocations
(in thousands)

Country/Program by Geographical Region	FY 2003 IMET Allocation	FY 2004 Budget Request	FY 2004 IMET Allocation
Africa (Continued)			
Botswana	716	700	700
Burkina Faso	00	50	50
Burundi	00	100	100
Cameroon	306	200	200
Cape Verde	143	120	120
Central African Republic	13	150	150
Chad	253	150	150
Comoros	00	50	00
Cote d'Ivoire	00	00	50
Democratic Republic of Congo	00	100	100
Djibouti	154	225	325
Equatorial Guinea	00	50	50
Eritrea	181	450	450
Ethiopia	210	570	570
Gabon	233	160	160
Gambia	68	100	100
Ghana	522	500	500
Guinea	210	350	350
Guinea-Bissau	7	100	100
Kenya	596	600	600
Lesotho	52	125	125
Madagascar	209	200	200
Malawi	312	360	360
Mali	309	350	350
Mauritania	131	125	125
Mauritius	110	125	125
Mozambique	196	225	225
Namibia	175	225	225
Niger	103	200	200
Nigeria	96	850	850
Republic of the Congo	108	110	110
Rwanda	162	175	175
Sao Tome and Principe	180	100	100
Senegal	1,062	1,000	1,000
Seychelles	53	100	100
Sierra Leone	318	300	300
South Africa	1,258	1,600	1,600
Swaziland	97	135	135
Tanzania	210	230	230
Togo	116	125	125
Uganda	170	200	200
Zambia	225	225	225
ECOWAS	00	100	100
Sub-Total	\$9,868	\$12,510	\$12,610

Table 6 (Continued)
International Military Education and Training FY 2004 Funding Allocations
(in thousands)

Country/Program by Geographical Region	FY 2003 IMET Allocation	FY 2004 Budget Request	FY 2004 IMET Allocation
East Asia and the Pacific			
Cambodia	\$00	\$200	\$00
East Timor	119	150	150
Fiji	00	200	200
Indonesia	276	600	459
Laos	00	100	100
Malaysia	831	1,200	1,200
Mongolia	767	850	850
Papua New Guinea	256	300	300
Philippines	2,400	2,700	2,700
Samoa	76	150	150
Solomon Islands	151	50	50
Thailand	1,768	2,450	2,450
Tonga	127	125	125
Vanuatu	106	100	100
Vietnam	00	100	100
Sub-Total	\$6,877	\$9275	\$8,934
South Asia			
Afghanistan	\$387	\$600	\$600
Bangladesh	72	800	800
India	1,000	1,250	1,250
Maldives	139	175	175
Nepal	500	600	600
Pakistan	990	1,250	1,250
Sri Lanka	<u>307</u>	<u>500</u>	<u>500</u>
Sub-Total	\$4,095	\$5,175	\$5,175
Global			
E-IMET Schools	\$3,000	\$2,000	\$2,000
General Costs	<u>200</u>	<u>500</u>	<u>500</u>
Sub-Total	\$3,200	\$2,500	\$2,500
Total for Allocation	\$79,480	\$91,700	\$91,159
Rescission	\$520	00	\$541
Total Appropriation	\$80,000	\$91,700	\$91,700

Note: ECOWAS is Economic Community of West African States.

Title II, Other Bilateral Economic Assistance, Economic Support Fund

- Initially appropriated \$2,132,500,000 as ESF grant assistance, to remain available until September 30, 2005, to carry out the provisions of Chapter 4, Part II, of the FAA. A second ESF appropriation of \$18,500,000 in grant funding is also provided for the International Fund for **Ireland** to be made available in accordance with the *Anglo-Irish Agreement Support Act of 1986*,

P.L. 99-415, 19 September 1986. The overall ESF total of \$2,151,000,000 is reduced by \$12,691,000 as mandated by the 0.59 percent rescission to a final total of \$2,151,000,000. This new total is in addition to the emergency supplemental ESF grant funding of \$972,000,000 separately appropriated by P.L. 108-106 for Afghanistan, Jordan, and Pakistan

- As noted in Table 7, and discounting the significant emergency supplemental, the initial appropriated amount of \$2,151,000,000 is less than the House proposal of \$2,260,100,000 and much less than the Administration's request for \$2,535,000,000 and the Senate proposal of \$2,415,000,000. The House proposal includes the International Fund for Ireland separately proposed for \$19,600,000. The Senate proposal did not address this annually supported Fund.

<u>Administration</u>	<u>House</u>	<u>Senate</u>	<u>Initial Appropriation</u>
\$2,535,000,000	\$2,260,100,000	\$2,415,000,000	\$2,151,000,000
Note: The initial appropriation does not include the rescission of \$12,691,000.			

- The seven legislated earmarks for FY 2004 ESF grant appropriations include:
 - Not less than \$480,000,000 for **Israel** to be disbursed within thirty days of the enactment of this Act.
 - After the rescission, **Israel** received an initial allocation of \$477,168,000.
 - As in previous years, in exercising the authority for the cash transfer, the President shall ensure that the level of assistance does not cause an adverse impact on the total level of non-military exports from the U.S. to Israel, and that Israel enters into a side letter agreement in an amount proportional to the FY 1999 agreement.
 - As previously noted in the FMFP for Israel discussion, this is the sixth year of a ten-year plan to increase the FMFP and phase out the ESF program by FY 2009.
 - Israel received \$596,100,000 in ESF assistance in FY 2003. Additionally, the *Emergency Wartime Supplemental Appropriations Act, 2003*, P.L. 108-11, April 16, 2003, separately authorized a loan guarantee not to exceed \$9,000,000,000 only to be used to support activities in the geographic areas which were subject to the administration of the government of Israel before June 5, 1967.
 - Not less than \$575,000,000 for **Egypt** of which sum cash transfer assistance shall be provided with the understanding that Egypt will undertake significant economic reforms which were undertaken in previous fiscal years, and of which not less than \$200,000,000 shall be provided as Commodity Import Program assistance.
 - After the rescission, Egypt received an initial allocation of \$571,608,000.
 - Egypt received \$611,002,000 in ESF assistance in FY 2003. Additionally, the *Emergency Wartime Supplemental Appropriations Act, 2003*, P.L. 108-11, April 16, 2003, separately appropriated \$300,000,000 in grant ESF and authorized a loan guarantee not to exceed \$2,000,000,000 for Egypt only to be used to support ESF activities under any terms and conditions as determined by the President and should take into consideration budgetary and economic reforms undertaken by Egypt.
 - Not less than \$250,000,000 for **Jordan**.
 - After the rescission, Jordan received an initial allocation of \$248,525,000.

• Jordan received \$248,000,000 in ESF assistance in FY 2003. Additionally, the *Emergency Wartime Supplemental Appropriations Act, 2003*, P.L. 108-11, 16 April 2003, separately appropriated \$700,000,000 in grant ESF.

• Specifically, \$13,500,000 for **Cyprus** to be used only for scholarships, administrative support of the scholarship program, bicomunal projects, and measures aimed at reunification of the island and designed to reduce tensions and promote peace and cooperation between the two communities on Cyprus.

• After the rescission, Cyprus received an initial allocation of \$13,420,000.

• This same program received \$14,902,000 in ESF assistance in FY 2003.

• Specifically, \$35,000,000 for **Lebanon** of which not less than \$4,000,000 should be used for American educational institutions for scholarships and other programs.

• Any of these funds made available for assistance to the Central Government of Lebanon shall be subject to the regular notification procedures of the congressional committees on appropriations.

• After the rescission, the Lebanon ESF program received an initial allocation of \$34,794,000.

• This same program received \$34,772,000 in ESF assistance in FY 2003.

• Not less than \$22,500,000 for the **Democratic Republic of Timor-Leste** of which up to \$1,000,000 may be available for United States Agency for International Development (USAID) administrative expenses.

• After the rescission, the Timor-Leste ESF program received an initial allocation of \$22,367,000.

• This same program received \$24,838,000 in ESF assistance in FY 2003.

• Specifically, \$5,000,000 to continue to support the provision of wheelchairs for needy persons in developing countries.

• After rescission, this ESF wheelchair program was allocated \$4,971,000. No ESF funding was allocated to this program during FY 2003.

• Under a separate ESF heading, specifically \$18,500,000 for the International Fund for Ireland.

• After the rescission, this Fund received an initial allocation of \$18,391,000.

• The International Fund for Ireland received \$24,838,000 in ESF assistance in FY 2003.

• Without an amount being specified, ESF funds are to be made available for USAID administrative costs to implement regional programs in **Asia** and the **Near East**, including the **Middle East Partnership Initiative**, in addition to amounts otherwise available for such purposes.

• Before rescission, total earmarked funding within the ESF heading for FY 2004 is \$1,399,500,000 or about 65 percent of the total initial appropriation leaving \$751,500,000 for other ESF programs.

• In comparison, the earmarked figure for FY 2003 was \$1,375,000,000 or 61 percent of the total initial appropriation leaving \$880,245,000 for other programs.

• Other ESF programs legislated to receive funds, but not earmarked, include:

•• Not less than \$1,500,000 for technical assistance for countries to implement and enforce the **Kimberley Process Certification Scheme**.

- This is an international regime aimed at stopping the trade in “Conflict Diamonds” in Africa.

- After rescission, the Kimberley Process program received an allocation of \$1,491,000.

- The FY 2003 Kimberley Process received \$2,000,000 in ESF assistance.

- Not less than \$1,750,000 for **East Asia and Pacific Environment Initiatives**.

- After rescission, this program was allocated \$1,740,000. No funding was provided in FY 2003.

- Without an amount being specified, ESF funds should be made available for supporting the development of justice and reconciliation mechanisms in the **Democratic Republic of the Congo, Rwanda, Burundi, and Uganda**, including programs to improve local capacity to prevent and respond to gender-based violence.

- Without an amount specified, ESF funds may be used to provide assistance to the **National Democratic Alliance of Sudan** to strengthen its ability to protect civilians from attacks, slave raids, and aerial bombardment by Sudanese government forces and its militia allies, and the provision of such funds shall be subject to the regular notification procedures of the congressional committees on appropriations. This assistance is further defined to include non-lethal, non-food aid such as blankets, medicine, fuel, mobile clinics, water-drilling equipment, communications equipment to notify civilians of aerial bombardment, non-military vehicles, tents, and shoes.

- Authority was provided to transfer from Iraq Relief and Reconstruction Fund heading within *Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004*, P.L. 108-106, 6 November 2003, up to \$100,000,000 for use as ESF assistance to Turkey and up to \$30,000,000 for use as ESF assistance to the **Middle East Partnership Initiative**.

- After rescission, Turkey was initially allocated \$99,410,000 in grant ESF.

- Turkey received an ESF allocation of \$1,000,000,000 during FY 2003, appropriated by the FY 2003 emergency supplemental appropriations act, and was recommended by the Administration to receive \$200,000,000 during FY 2004.

- After rescission, the Middle East Partnership Initiative received an initial allocation of \$89,469,000.

- The Middle East Partnership Initiative received an ESF allocation of \$90,000,000 during FY 2003, appropriated by the FY 2003 emergency supplemental appropriations act, and was recommended by the Administrative to receive \$145,000,000 during FY 2004.

- The conference report does not include the \$200,000,000 in ESF assistance for Pakistan as requested by the President and no funding under this Act was allocated. However, it was noted that **Pakistan** was provided the same funding level allocation separately provided by *Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004*, P.L. 108-106, 6 November 2003.

- Table 8 provides the FY 2004 ESF allocations which were notified to Congress on 5 March 2004. For comparison, the final allocations for FY 2003 and the Administration's FY 2004 request are also included.

- It must be noted that the FY 2003 funding allocation column includes the emergency supplemental appropriations of \$2,522,000,000 provided by P.L. 108-11 to several countries and

programs. It must also be noted that the authority for the non-appropriated ESF direct loans and guaranteed loans of \$8,500,000,000 for **Turkey**, \$2,000,000,000 for **Egypt**, and \$9,000,000,000 for **Israel** are not reflected in the FY 2003 column.

Table Eight			
Economic Support fund			
FY 2004 Funding Allocations			
(in thousands)			
Country/Program by Geographical Region	FY2003 ESF Allocation	FY2004 Budget Request	FY2004 ESF Allocation
Near East			
Egypt	\$611,002	\$575,000	\$571,608
Egypt SUP	00	300,000	00
Israel	596,100	480,000	477,168
Jordan	248,000	250,000	248,525
Jordan SUP	700,000	00	00
Lebanon	34,772	32,000	34,794
Yemen	9,898	15,000	11,432
Iraq Opposition	10,000	00	00
Iraq Prepositioning	140,000	00	00
Iraq War Crimes Tribunal SUP	10,000	00	00
Middle East Democracy	4,000	00	00
Middle East Multilaterals	2,900	3,000	00
Middle East Partnership Initiative	00	145,000	89,469
Middle East Partnership SUP	90,000	00	00
Middle East Regional Cooperation	4,900	5,000	5,467
NED Muslim Democracy Programs	00	00	3,479
U.S.-North Africa Economic Partnership	3,000	00	00
West Bank/Gaza	74,500	75,000	74,558
West Bank/Gaza SUP	<u>50,000</u>	<u>00</u>	<u>00</u>
Sub-Total	\$2,889,072	\$1,580,000	\$1,516,500
Europe and Eurasia			
Cyprus	\$14,902	\$7,500	\$13,420
Turkey	00	200,000	99,410
Turkey SUP	1,000,000	00	00
International Fund for Ireland	24,838	8,500	18,391
Irish Visa Program	<u>3,460</u>	<u>4,000</u>	<u>3,479</u>
Sub-Total	\$1,043,200	\$220,000	\$134,700
Western Hemisphere			
Bolivia	\$10,000	\$8,000	\$8,000
Bolivia REIMB	2,000	00	00
Cuba	6,000	7,000	6,959
Dominican Republic	3,000	3,000	2,982
Ecuador	14,500	14,000	12,923
Guatemala	6,500	5,000	4,971
Mexico	11,650	12,000	11,432
Panama	3,000	3,500	2,982

Table Eight (Continued)
Economic Support fund
FY 2004 Funding Allocations
(in thousands)

Country/Program by Geographical Region	FY2003 ESF Allocation	FY2004 Budget Request	FY2004 ESF Allocation
Western Hemisphere (Continued)			
Paraguay	3,000	3,500	2,982
Peru	8,000	9,000	7,953
Peru REIMB	2,000	00	00
Venezuela	470	500	497
Administration of Justice	5,000	7,000	4,924
Hemispheric Cooperation	00	00	9,941
Peru-Ecuador Peace	6,000	4,500	3,976
Third Border Initiative	2,500	9,000	3,976
Third Border initiative REIMB	<u>500</u>	<u>00</u>	<u>00</u>
Sub-Total	\$84,120	\$86,000	\$84,498
Africa			
Angola	\$3,825	\$3,500	\$3,479
Burundi	1,150	3,500	3,479
Democratic Republic of Congo	2,800	4,250	4,971
Djibouti SUP	25,000	00	00
Ethiopia	1,075	5,000	4,971
Kenya	2,950	8,000	7,953
Liberia	4,420	00	00
Nigeria	1,900	5,000	4,971
Sierra Leone	11,910	5,000	4,971
South Africa	80	2,000	1,988
Sudan	7,000	15,000	9,941
Zimbabwe	4,050	4,000	2,982
Africa Regional Fund	14,390	14,000	11,929
Africa Regional Fund REIMB	15,740	00	00
Countries in Transition	1,750	00	00
East Africa Counter-Terrorism REIMB	2,700	00	00
Kimberley Process	00	00	1,491
Kimberley Process REIMB	2,000	00	00
NED Democracy Programs - AF	00	00	2,982
Regional Organizations	1,700	3,000	2,982
Safe Skies	<u>5,000</u>	<u>5,000</u>	<u>4,971</u>
Sub-Total	\$109,440	\$77,250	\$74,061
East Asia and The Pacific			
Burma	\$6,954	\$6,500	\$12,923
Cambodia	15,000	15,000	16,900
Timor - Leste	24,838	13,500	22,367
Indonesia	59,610	60,000	49,705
Mongolia	10,000	10,000	9,941

Table Eight (Continued)
Economic Support fund
FY 2004 Funding Allocations
(in thousands)

Country/Program by Geographical Region	FY2003 ESF Allocation	FY2004 Budget Request	FY2004 ESF Allocation
East Asia and The Pacific (Continued)			
Philippines	15,000	20,000	17,645
Philippines SUP	30,000	00	00
ASEAN Regional	00	2,500	994
Democracy Programs (China, Hong Kong, Tibet)	5,961	00	00
EAP Regional			
HIV/AIDS REIMB	1,720	00	00
Environmental Programs	00	00	1,740
NED Democracy Programs - EAP	00	00	2,982
Regional Democracy	1,000	4,000	00
Regional Security Fund	200	250	00
Regional Women's Issues	1,000	3,000	1,988
South Pacific Fisheries	17,829	18,000	17,894
South Pacific Fisheries REIMB	171	00	00
Tibet	00	00	3,976
Sub-Total	\$189,283	\$152,750	\$159,055
South Asia			
Afghanistan	\$49,500	\$150,000	\$74,558
Afghanistan REIMB	175	00	00
Afghanistan SUP	167,000	00	00
Bangladesh	4,000	6,000	4,971
India	10,500	20,000	14,912
Nepal	4,000	6,000	4,971
Pakistan	188,000	200,000	00
Sri Lanka	3,950	14,000	11,929
South Asia Regional Funds	1,900	2,000	1,988
Sub-Total	\$429,025	\$398,000	\$113,329
Global			
Conflict Resolution Programs REIMB	\$1,494	\$00	\$00
Human Rights and Democracy Funds	31,448	17,000	34,296
Lockerbie (Pan Am 103) REIMB	8,000	00	00
Muslim Outreach SUP	10,000	00	00
Muslim Secondary Exchange Program REIMB	3,000	00	00
Oceans, Environmental, and Science Initiative	1,500	2,000	3,976
Oceans, Environmental, and Science Initiative REIMB	500	00	00
Partnership to Eliminate Sweatshops	2,000	2,000	1,988

Table Eight (Continued)			
Economic Support fund			
FY 2004 Funding Allocations			
(in thousands)			
Country/Program by Geographical Region	FY2003 ESF Allocation	FY2004 Budget Request	FY2004 ESF Allocation
Reconciliation Programs	00	00	7,953
Security and Sustainability Programs	00	00	2,982
Wheelchairs	<u>00</u>	<u>00</u>	<u>4,971</u>
Sub-Total	\$57,942	\$21,000	\$56,166
Total for Allocation	\$4,802,082	\$2,535,000	\$2,138,309
Rescission	\$14,918	00	\$12,691
Total Appropriation	\$4,817,000	\$2,535,000	\$2,151,000

• Additionally the FY 2004 funding allocation column does not include the emergency supplemental appropriations provided by P.L. 108-106 for \$972,000,000 to **Afghanistan, Jordan, and Pakistan** or the reprogrammed emergency recovery fund (ERF) provided by P.L. 107-38 to Afghanistan in the amount of \$153,000,000.

Title III, Military Assistance, Peacekeeping Operations

• Initially appropriated \$74,900,000 as PKO grant assistance for necessary expenses to carry out the provisions of Section 551, FAA, to be obligated or expended except as provided through regular notification procedures of the congressional appropriations committees. The mandated 0.59 percent rescission amounted to \$442,000 reducing the total program for the year to \$74,458,000. This new total is in addition to the FY 2004 emergency supplemental of \$50,000,000 to support the global war on terrorism appropriated earlier by P.L. 108-106.

Table 9			
FY 2004 Peacekeeping Operations (P.L. 108-199)			
Administration	House	Senate	Initial Appropriation
\$94,000,000	\$85,000,000	\$84,900,000	\$74,900,000
Note: The initial appropriation does not include the rescission of \$442,000.			

• As noted in Table 9, the PKO funding originally requested by the Administration was for \$94,000,000. The initial appropriation of \$74,900,000 was lower than the initial proposals by both the House and the Senate.

• The conference report indicated that every program in the account was fully funded as request by the Administration. The only exception was the additional financial support requested for the **Afghan National Army**. While recognizing the importance of this funding, the managers believed the earlier enacted FY 2004 emergency supplemental for \$50,000,000 was enough to fulfill the requirement.

• Table Ten provides the FY 2004 PKO allocations which were notified to Congress on 5 March 2004. The table also includes the final funding levels allocated in FY 2003 and the \$94,900,000 in funding requested by the Administration for FY 2004.

Table 10
Peacekeeping Operations
FY 2004 Funding Allocations
(in thousands)

Country/Program by Geographical Region	FY 2003 PKO Allocation	FY 2004 Budget Request	FY 2004 PKO Allocation
Africa			
Africa Regional Peacekeeping	\$59,134	\$9,000	\$8,947
Africa Regional Supplemental	11,000	00	00
Africa Contingency Operations and Assistance	<u>8,000</u>	<u>15,000</u>	<u>14,912</u>
Sub-Total	\$78,134	\$24,000	\$23,859
East Asia and the Pacific			
Timor - Leste	<u>\$3,250</u>	<u>\$2,000</u>	<u>\$1,988</u>
Sub-Total	\$3,250	\$2,000	\$1,988
Europe and Eurasia			
Georgia	\$00	\$00	\$3,000
OSCE Bosnia	9,900	11,800	11,500
OSCE Croatia	00	900	1,800
OSCE Kosovo	00	9,500	7,000
OSCE Regional - Europe	<u>7,858</u>	<u>9,300</u>	<u>8,014</u>
Sub-Total	\$17,758	\$31,500	\$31,314
Near East			
Iraq Supplemental	\$50,000	00	00
Multinational Force and Observers (MFO)	<u>16,212</u>	<u>16,400</u>	<u>16,303</u>
Sub-Total	\$66,212	\$16,400	\$16,303
South Asia			
Afghanistan	\$9,898	\$20,000	\$00
Sri Lanka	<u>00</u>	<u>1,000</u>	<u>994</u>
Sub-Total	\$9,898	\$21,000	\$994
Global			
Other Programs SUP	<u>\$39,000</u>	<u>00</u>	<u>00</u>
Sub-Total	\$39,000	\$00	\$00
Total for Allocation	\$214,252	\$94,900	\$74,458
Rescission	\$748		\$442
Total Appropriation	\$215,000	\$94,900	\$74,900

Note: OSCE is Organization for Security and Cooperation in Europe.

- The FY 2003 final PKO total does include the additional \$100,000,000 appropriated by the FY 2003 emergency supplemental, P.L. 108-11.

- The FY 2004 initial allocation for PKO does not include the additional \$50,000,000 appropriated by the emergency supplemental, P.L. 108-106.

Other P.L.108-199 Assistance Programs for FY 2004

- The following includes FY 2004 appropriations for other assistance programs funded by P.L. 108-199. The total funding for each program does not include the directed 0.59 percent rescission. Additionally, the specific allocations for each program within the account headings are not included. These figures from the 5 March 2004 allocation report to Congress were not available to the author at press time.

Title II, Bilateral Economic Assistance **Development Assistance**

- \$1,385,000,000 for development assistance of which \$150,000,000 may remain available until 30 September 2005.

International Disaster and Famine Assistance

- \$235,500,000 for international disaster relief, rehabilitation, and reconstruction assistance to remain available until expended. An additional \$20,000,000 to remain available until expended for necessary expense for assistance for famine prevention and relief including for mitigation of the effects of famine.

Transition Initiatives

- \$55,000,000 to remain available until expended to support transition to democracy and to long-term development of countries in crisis.

Capital Investment Fund

- \$82,200,000 to remain available until expended for USAID overseas construction and related costs, and for the procurement and enhancement of information technology and related capital investment pursuant to Section 667, FAA.

- The Administrator of USAID shall assess fair and reasonable rental payments for the use of space by employees of other U.S. government agencies in buildings constructed using funds appropriated under this heading and such rental payments shall be deposited into this account as an offsetting collection.

- Additionally, the assignment of U.S. government employees or contractors to space in buildings constructed using funds appropriated under this heading shall be subject to the concurrence of the Administrator of USAID.

Global HIV/AIDS Initiative

- \$491,000,000 to remain available until expended for the prevention, treatment, and control of, and research on HIV/AIDS. \$15,000,000 of this funding may be apportioned directly to the Peace Corps for necessary expense to carry out activities to combat HIV/AIDS, tuberculosis, and malaria.

Assistance for Eastern Europe and the Baltic States

- \$445,000,000 to remain available until 30 September 2005 to carry out the provisions of the *Support for East European Democracy Act of 1989*, P.L. 101-179, 28 September 1989.

- \$2,000,000 of this funding made available for **Bulgaria** should be available to enhance safety at nuclear power plants.

- Of the funds made available under this heading, and the headings of Assistance for the Independent States of the former Soviet Union, Foreign Military Financing Program, and Economic Support Fund; not less than \$53,000,000 shall be available for programs for the prevention, treatment, and control of, and research on HIV/AIDS, tuberculosis, and malaria.

•• Of the funds under this heading made available for **Montenegro**, not less than \$12,000,000 shall be made available for economic development and environmental programs in the coastal region.

•• Up to \$1,000,000 should be made available for a program to promote greater understanding and interaction among youth in **Albania, Kosovo, Montenegro, and Macedonia.**

Assistance for the Independent States of the former Soviet Union

• \$587,000,000 to remain available until 30 September 2005 to carry out the provisions of the *FREEDOM Support Act of 1992*, P.L. 102-511, 24 October 1992.

•• \$1,500,000 should be available only to meet the health and other assistance needs of victims of trafficking in persons.

•• \$17,500,000 shall be made available solely for assistance for the **Russian Far East**, of which not less than \$3,000,000 shall be made available for technical assistance through an American university in a region which received nonstop air service to and from the Russian Far East as of 1 July 1992 to facilitate the development of U.S. business opportunities, free markets, and democratic institutions in the Russian Far East. The latter earmark provision is for the program authorized by Section 307, *FREEDOM Support Act*.

•• Up to \$500,000 should be made available to support democracy building programs in Russia through the Sakharov Archives.

•• Of the funds made available for assistance for the **Ukraine**, not less than \$19,000,000 should be made available for nuclear reactor safety initiatives and not less than \$1,500,000 shall be made available for coal mine safety programs.

•• Not less than \$94,000,000 shall be made available for assistance for **Russia**.

•• Not less than \$75,000,000 shall be made available for assistance for **Armenia**.

•• Not less than \$57,000,000 should be made available, in addition to other funds otherwise available for such purposes, for assistance for child survival, environmental and reproductive health, and to combat HIV/AIDS, tuberculosis and other infectious diseases, and for related activities.

Title II, Independent Agencies

Inter-American Foundation

• \$16,334,000 to remain available until 30 September 2005 for functions the Foundation in accordance with Section 401, FAA.

African Development Foundation

• \$18,689,000 to remain available until 30 September 2005 for the Foundation to carry out *Title V, International Security and Development Cooperation Act of 1980*, P.L. 96-533, 16 December 1980.

Peace Corps

• \$310,000,000 to remain available until 30 September 2005 to carry out the provisions of *The Peace Corps Act*, Title VI, P.L. 96-533, 16 December 1980.

Millennium Challenge Corporation

• \$650,000,000 to remain available until expended for expenses for the Millennium Challenge Account of which not more than \$50,000,000 may be available for administrative expenses.

Title III, Department of State

International Narcotics Control and Law Enforcement

- \$241,700,000 to remain available until 30 September 2006 to carry out Section 481, FAA.
 - \$12,000,000 should be made available for anti-trafficking in persons programs, including trafficking prevention, protection and assistance for victims, and prosecution of traffickers.
 - \$7,105,000 should be made available for the International Law Enforcement Academy in Roswell, New Mexico, of which \$2,105,000 should be made available for construction and completion of a new facility.
 - Not more than \$26,117,000 may be available for administrative expenses.
- This is in addition to the FY 2004 emergency supplemental appropriation of \$170,000,000 by P.L. 108-106 to remain available until December 31, 2004 for accelerated assistance for **Afghanistan**.

Andean Counterdrug Initiative

- \$731,000,000 to remain available until September 30, 2006 to carry out Section 481, FAA, to support counterdrug activities in the Andean region of South America.
 - During FY 2004, funds made available to the Department of State for assistance to the government of **Colombia** shall be available to support a unified campaign against narcotics trafficking, against activities by organizations designated as terrorist organizations such as the Revolutionary Armed Forces of Colombia (FARC), the National Liberation Army (ELN), and the United Self-Defense Forces of Colombia (AUC), and to take actions to protect human health and welfare in emergency circumstances, including undertaking rescue operations.
 - This authority shall cease to be effective if the Secretary of State has credible evidence that the Colombian Armed Forces are not conducting vigorous operations to restore government authority and respect for human rights in areas under the effective control of paramilitary and guerrilla organizations.
 - The President shall ensure that if any helicopter procured with funds under this heading is used to aid or abet the operations of any illegal self-defense group or illegal security cooperative, it shall be immediately returned to the U.S.
 - Not less than \$257,000,000 shall be made available for alternative development/institution building of which \$229,200,000 shall be apportioned directly to USAID.
 - Not less than \$25,000,000 should be made available for justice and rule of law programs in Colombia.
 - In addition to this funding, not less than \$13,000,000 should be made available for organizations and programs to protect human rights.
 - Not less than \$2,500,000 should be made available for continued training, equipment, and other assistance for the Colombian National Park Service.
 - Not more than \$16,285,000 may be available for administrative expenses of the Department of State. And not more than \$4,500,000 may be available, in addition to amounts otherwise available for such purpose, for administrative expenses of the USAID.
- No U.S. armed forces personnel or U.S. civilian contractor employed by the U.S. will participate in any combat operation in connection with assistance made available to Colombia by this Act.

Migration and Refugee Assistance

- \$760,197,000 to remain available until expended for expense, not otherwise provided for, necessary to enable the Secretary of State to provide a contribution to the International Committee of the Red Cross, assistance to refugees including contributions to the International Organization for Migration and the United Nations High Commissioner for Refugees, and other related activities to meet refugee and migration needs.

- Not more than \$21,000,000 may be available for administrative expenses.

- Not less than \$50,000,000 shall be made available for refugees from the former Soviet Union and Eastern Europe and other refugees resettling in **Israel**.

- These funds may be made available for a headquarters contribution to the International Committee of the Red Cross only if the Secretary of State determines and reports to the congressional appropriations committees that the Magen David Adom Society of Israel is not being denied participation in the activities of the International Red Cross and Red Crescent Movement.

U.S. Emergency Refugee and Migration Assistance Fund

- \$30,000,000 to remain available until expended to carry out the provisions of Section 2(c) of the *Migration and Refugee Act of 1962*, P.L. 87-510, 28 June 1962.

Nonproliferation, Anti-Terrorism, Demining and Related Programs

- \$353,500,000 to carry out provisions of Part, II, Chapters 8 and 9, of the FAA, Section 504 of the *FREEDOM Support Act*, Section 23 of the AECA, or the FAA, for demining activities, the clearance of unexploded ordnance, the destruction of small arms, and related activities, notwithstanding any other provision of law, including activities implemented through non-governmental and international organizations and Section 301 of the FAA for a voluntary contribution to the International Atomic Energy Agency (IAEA) and for the U.S. contribution to the Comprehensive Nuclear Test Ban Treaty Preparatory Commission.

- Not less than \$30,000,000 to remain available until expended for the Nonproliferation and Disarmament Fund to promote bilateral and multilateral activities relating to nonproliferation and disarmament.

- Of the funds made available to demining and related activities, not to exceed \$690,000, in addition to funds otherwise available for such purposes, may be used for administrative expenses related to the operation and management of the demining program.

- The Secretary of State is authorized to provide funding not to exceed \$250,000, from this heading in this Act and previous such Acts, for public-private partnerships for mine action by grant, cooperative agreement, or contract.

- This is in addition to the FY 2004 emergency supplemental of \$35,000,000 for accelerated assistance for **Afghanistan** by P.L. 108-106.

- Funds appropriated under this heading shall be made available for programs and countries in the amounts included in the conference report for this Act. Refer to Table Eleven for these congressional conference-directed budget authorities.

Table 11
Nonproliferation, Anti-Terrorism, Demining and Related Programs
FY 2004 Funding
(in thousands)

<u>Program</u>	<u>Budget Authority</u>
Nonproliferation and Disarmament Fund	\$30,000
Export Control and Border Security Assistance	36,000
Science Centers	50,500
International Atomic Energy Agency - Voluntary Contribution	53,000
CTBT/International Monitoring System	19,000
Anti-Terrorism Assistance	97,000
Terrorist Interdiction Program	5,000
Humanitarian Demining	50,000
International Trust Fund for Demining	10,000
Small Arms/Light Weapons Destruction	<u>3,000</u>
Total Budget Authority	\$353,500

Note: This does not include the rescission of \$2,086,000.

Title V, General Provisions

Limitation on Representational Allowances (Section 505)

- Of the FMFP funding appropriated for general costs of administering military assistance and sales by this Act, not more than \$2,000 shall be available for entertainment allowances and not more than \$125,000 shall be available for representational allowances.
- Of the IMET funding made available by this Act, not more than \$50,000 shall be available for entertainment allowances.

Prohibition on Taxation of U.S. Assistance (Section 506)

- None of the funds appropriated by this Act may be made available to provide assistance to a foreign country under a new bilateral agreement governing the terms and conditions under which such assistance is to be provided unless such agreement includes a provision stating that U.S. assistance shall be exempt from taxation, or reimbursed, by the foreign government. The Secretary of State shall expeditiously seek to negotiate amendments to existing bilateral agreements, as necessary, to conform to this requirement.

- An amount equivalent to 200 percent of the total taxes assessed during FY 2004 by a foreign government or entity against commodities financed under U.S. assistance programs for which funds are appropriated by this Act, either directly or through grantees, contractors, and subcontractors, as of the date of enactment of this Act, shall be withheld from obligation from funds appropriated for assistance for FY 2005 and allocated for the central government of that country and for the West Bank and Gaza Program to the extent that the Secretary of State certifies and reports in writing to the congressional committees on appropriations that such taxes have not been reimbursed to the U.S. government.

- Foreign taxes of a de minimis nature [so insignificant or minimal that a court may overlook it in deciding an issue or case] are not subject to these reimbursement provisions.

•• The provisions of this Section shall not apply to any country or entity the Secretary of State determines does not assess taxes on U.S. assistance or has an effective arrangement that is providing substantial reimbursement of such taxes, or U.S. foreign policy interests outweigh the policy of this Section.

- The Secretary of State shall issue rules, regulations, or policy guidance, as appropriate, to implement the prohibition against the taxation of U.S. assistance.

- The terms taxes and taxation refer to value added taxes and customs duties imposed on commodities financed with U.S. assistance for programs for which funds are appropriated by this Act.

Prohibition against Direct Funding for Certain Countries (Section 507)

- None of the funds appropriated or otherwise made available by this Act shall be obligated or expended to finance directly any assistance or reparations to **Cuba, Libya, North Korea, Iran, or Syria**. This shall include direct loans, credits, insurance, and guarantees of the Export-Import Bank or its agents.

- Iraq and Sudan have been removed of this prohibition.

Military Coups (Section 508)

- None of the funds appropriated or otherwise made available by this Act shall be obligated or expended to finance directly any assistance to the government of any country whose duly elected head of government is deposed by decree or military coup.

- Pursuant to Section 1(b) of the *Pakistan Waiver Act*, P.L. 107-57, 27 October 2001, as amended by Section 2213 (1) of the FY 2004 emergency supplemental appropriations act, P.L. 108-106; Presidential Determination 2004-26 of 24 March 2004 waives this prohibition for furnishing assistance to **Pakistan** during FY 2004

- Assistance may be resumed to such government if the President determines and certifies to the congressional committees on appropriations that subsequent to the termination of assistance a democratically elected government has taken office.

- The provisions of this Section shall not apply to assistance to promote democratic elections or public participation in democratic processes.

- Any funding made available pursuant to the provisos of this Section shall be subject to the regular notification procedures of the congressional committees on appropriations.

Commercial Leasing of Defense Articles (Section 510)

- As with the last several years, notwithstanding any other provision of law, and subject to the regular notification procedures of the congressional committees on appropriations, FMFP may be used to provide financing to Israel, Egypt, North Atlantic Treaty Organization (NATO), and major non-NATO allies for the procurement by leasing, including leasing with an option to purchase, of defense articles from U.S. commercial suppliers. This is not to include major defense equipment (MDE), other than helicopters and other types of aircraft having possible civilian application, if the President determines that there are compelling foreign policy or national security reasons for those defense articles being provided by commercial lease rather than by government-to-government sale.

Availability of Funds (Section 511)

- No funding appropriated in this Act shall remain available for obligation after this fiscal year unless expressly so provided in this Act.

- However, funds appropriated for the purposes, inter alia, International Narcotics Control, Support for the Economic and Democratic Development of the Independent States of the former Soviet Union, Support for the Economic and Political Independence of the Countries of the South Caucasus and Central Asia, ESF, FMFP, and Assistance for Eastern Europe and the Baltic States, shall remain available for an additional four years from the date of which the availability of such funds would otherwise have expired, if such funds are initially obligated before the expiration of their respective periods of availability.

- Notwithstanding any other provision of this Act, any funds made available for the purposes of ESF which are allocated or obligated for cash disbursements in order to address balance of payments or economic policy reform objectives, shall remain available until expended.

Limitation on Assistance to Countries in Default (Section 512)

- No part of any appropriation in this Act shall be used to furnish assistance to a government which is in default during a period in excess of one calendar year in payment to the U.S. of principal or interest on any loan made to that pursuant to a program for which funds are appropriated under this Act unless the President determines, following consultations with the Committees on Appropriations, that assistance to such country is in the national interest of the U.S.

- Also referred to as the **Brooke-Alexander Amendment**.

Notification Requirements (Section 515)

- For the purposes of providing the Executive Branch with the Necessary administrative flexibility, none of the funds made available under this Act for, inter alia, International Narcotics Control and Law Enforcement, Andean Counterdrug Initiative, Assistance for Eastern Europe and the Baltic States, Assistance for the Independent States of the former Soviet Union, Economic Support Fund, Peacekeeping Operations, Nonproliferation, Anti-terrorism, Demining, and Related Programs, Foreign Military Financing Program, and International Military Education and Training shall be available for obligation for activities, programs, projects, type of material assistance, countries, or other operations not justified or in excess of the amount justified to the Committees on Appropriations for obligation under any of these specific headings unless the Committees on Appropriations are previously notified fifteen days in advance.

- The President shall not enter into any commitment of FMFP funds for the provision of MDE, other than conventional ammunition, or other major defense items defined to be aircraft, ships, missiles, or combat vehicles, not previously justified to Congress, or twenty percent in excess of the quantities justified to Congress unless the congressional committees on appropriations are notified fifteen days in advance of such commitment.

Special Notification Requirements (Section 520)

- None of the funds appropriated by this Act shall be obligated or expended for **Liberia, Serbia, Sudan, Zimbabwe, Pakistan, Cambodia**, or the **Democratic Republic of the Congo** except as provided through the regular notifications procedures of the congressional committees on appropriations.

- This same provision in the FY 2003 legislation applied to the same countries except **Colombia** is no longer on this restriction. However, **Cambodia** has been added to the list.

Afghanistan (Section 523)

- Of the funds appropriated by this Act, \$405,000,000 shall be made available for humanitarian and reconstruction assistance for **Afghanistan**.

- Not less than \$75,000,000 of the funds available pursuant to this Section should be from funds appropriation under Economic Support Fund.

- Not less than \$2,000,000 of the funds available pursuant to this Section should be made available for reforestation activities. This funding should be matched to the maximum extent possible with contributions from American and Afghan businesses.

- Not less than \$2,000,000 of the funds available pursuant to this Section should be made available for the Afghan Judicial Reform Commission.

- Not less than \$5,000,000 of the funds available pursuant to this Section should be made available to support programs to address the needs of Afghan women through training and equipment to improve the capacity of women-led Afghan non-governmental organizations and to support the activities of such organizations.

- Not less than \$2,000,000 should be made available for assistance for Afghan communities and families that suffer losses as the result of the military operations.

Notification of Excess Defense Equipment (Section 524)

- Prior to providing excess DoD articles (EDA) in accordance with Section 516(a), FAA, the DoD shall notify the congressional committees on appropriations to the same extent and under the same conditions as are other committees pursuant to Section 516(f), FAA.

- Before issuing a letter of offer and acceptance (LOA) an FMS LOA to sell EDA under the AECA, DoD shall notify the congressional committees on appropriations in accordance with the regular notification procedures of such committees if the defense articles are significant military equipment (SME) or valued (in terms of original acquisition cost) at \$7,000,000 or more, or if the notification is required elsewhere in this Act for the use of appropriated funds for specific countries that would receive such EDA. The notification is to include the original acquisition cost of such defense articles.

Democracy Programs (Section 526)

- Section 526(a):

- Not less than \$13,500,000 of FY 2004 ESF funding shall be made available for assistance for activities to support democracy, human rights, and the rule of law in the **People's Republic of China** and **Hong Kong**.

- FY 2004 ESF funding should be made available for assistance for **Taiwan** for the purposes of furthering political and legal reforms.

- Such funds shall only be made available to the extent they are matched from sources other than the U.S. government.

- Any funds made available pursuant to this subsection shall be subject to regular notification procedures of the congressional committees on appropriations.

- Additionally, in Section 526(b):

- Not less than \$11,500,000 of FY 2004 ESF funding shall be made available for programs and activities to foster democracy, human rights, civic education, women's development, press freedoms, and the rule of law in countries with a significant Muslim population, and where such programs and activities would be important to U.S. efforts to respond to, deter, or prevent acts of international terrorism.

- Funds made available by the authority of this subsection should support new initiatives or bolster ongoing programs and activities in those countries.

- Not less than \$3,000,000 should be made available for programs and activities that provide professional training for journalists.

- Of the funds appropriated under this heading, in addition to other amounts made available for **Egypt** under this Act, funds shall be made available to support civil society organizations working for democracy in Egypt.

- Notwithstanding any other provision of law, not to exceed \$1,500,000 of such funds may be used to making grants to educational, humanitarian and non-governmental organizations and individuals inside **Iran** to support the advancement of democracy and human rights in Iran.

- In addition, of the funds appropriated by this Act under the heading ESF not less than \$3,000,000 shall be made available for programs and activities of the National Endowment for Democracy to foster democracy, human rights, civic education, women's development, press freedom, and the rule of law in countries of the **Sub-Saharan Africa**.

- Likewise, any funds made available pursuant to this subsection shall be subject to the regular notification procedures of the congressional committees on appropriations.

- Section 526(c):

- Not less than \$10,500,000 of the funding in subsection 526(a) and not less than \$7,000,000 of the funding in subsection 526(b) shall be made available for the Human Rights and Democracy Fund of the State Department's Bureau of Democracy, Human Rights and Labor to support the activities in subsections 526(a) and (b).

- The total amount of funds made available by this Act under ESF for activities of the Bureau of Democracy, Human Rights and Labor, Department of State, including funds available in this Section shall not be less than \$34,500,000.

- Section 526(d):

- Not less than \$3,000,000 of the funding in subsection 526(a) and not less than \$3,500,000 of the funding in subsection 526(b) shall be made available for the National Endowment for Democracy to support the activities in subsections 526(a) and (b).

- The Secretary of State shall provide a report to the congressional committees on appropriations within 120 days of the enactment of this Act on the status of the allocation, obligation, and expenditures of such funds.

Prohibition on Bilateral Assistance to Terrorist Countries (Section 527)

- Funds appropriated for bilateral assistance under any heading in this Act and funds appropriated under any such heading in laws previously enacted shall not be made available to any country which the President determines grants sanctuary from prosecution to any individual or group which has committed an act of international terrorism or otherwise supports international terrorism.

- This prohibition may be waived by the President if he determines that national security or humanitarian reasons justify such a waiver. The waiver shall be published in the *Federal Register*. At least fifteen days before the waiver takes effect, the President shall notify the congressional committees on appropriations of the waiver to include the justification.

Burma (Section 531)

- The Secretary of the Treasury shall instruct the U.S. executive director to each appropriate international financial institution in which the U.S. participates, to oppose and vote against the extension by such institution of any loan or financial or technical assistance or any other utilization of funds of the respective bank to and for **Burma**.

- Not less than \$13,000,000 in ESF funding shall be made available to support democracy activities in Burma, along the Burma and Thailand border, for activities of Burmese student groups and other organizations located outside Burma, and for the purpose of supporting the provision of humanitarian assistance to displaced Burmese along Burma's border.

- \$5,000,000 shall be allocated to USAID for humanitarian assistance for displaced Burmese and host communities in Thailand.

- The sense of Congress is that the U.N. Security Council should debate and consider sanctions against Burma as a result of the threat to regional stability and peace posed by the repressive and illegitimate rule of the State Peace and Development Council.

Ceilings and Earmarks (Section 539)

- Ceilings and earmarks contained in this Act shall not be applicable to funds or authorities appropriated or otherwise made available by any subsequent act unless such act specifically so directs. Earmarks or minimum funding requirements contained in any other Act shall not be applicable to funds appropriated by this Act.

Prohibition on Assistance to Foreign Governments that Export Lethal Military Equipment to Countries Supporting International Terrorism (Section 543)

- None of the funds appropriated or otherwise made available by this Act may be available to any foreign government which provides lethal military equipment to a country the government of which the Secretary of State has determined is a terrorist government for the purposes of Section 6(j) of the *Export Administration Act* (EAA).

- This prohibition shall terminate twelve (12) months after that government ceases to provide such military equipment. This Section applies with respect to lethal equipment provided under a contract entered into after October 1, 1997.

- The prohibition may be waived if the President determines that such assistance is important to the U.S. national interest. When exercised, the President shall submit to the appropriate congressional committees a report with respect to the furnishing of such assistance detailing the assistance to be provided, including the estimated dollar amount of the assistance, and an explanation of how the assistance furthers U.S. national interests.

War Crimes Tribunals Drawdown (Section 546)

- As in prior years, authorizes the drawdown of commodities and services of up to \$30,000,000 for the **U.N. War Crimes Tribunal** with regard to the former Yugoslavia or such other tribunals or commissions as the U.N. Security Council may establish or authorize to deal with such violations.

- Any funds made available for such tribunals other than **Yugoslavia, Rwanda**, or, for the first time, the Special Court for **Sierra Leone** shall be made available subject to the regular notification procedures of the Committees on Appropriations.

Landmines (Section 547)

- As in prior years, authorizes **demining equipment** made available to USAID and the Department of State and used in support of the clearance of landmines and unexploded ordnance for humanitarian purposes to be disposed of on a grant basis in foreign countries, subject to such terms and conditions as the President may prescribe.

Prohibition of Payment of Certain Expenses (Section 549)

- As in prior years, none of the funding appropriated or otherwise made available by this Act under the headings, inter alia, IMET or FMFP or **Informational Program (IP) activities** or under the ESF may be obligated or expended to pay for:

- Alcoholic beverages or;
- Entertainment expenses for activities that are substantially of a recreational character, including but not limited to entrance fees at sporting events, theatrical and musical productions, and amusement parks.

Haiti (Section 551)

- The Government of **Haiti** shall be eligible to purchase defense articles and services under the AECA for the Coast Guard.

Limitation on Assistance to Security Forces (Section 556)

- As in previous years, none of the funding made available by this Act may be provided to any **security forces** unit of a foreign country if the Secretary of State has credible evidence that such unit has committed gross violations of human rights, unless the Secretary determines and reports to the congressional committees on appropriations that the country is taking effective measures to bring the responsible members of that unit to justice.

- Nothing in this Section shall be construed to withhold funds made available by this Act from any security forces unit of that country not credibly alleged to be involved in gross violations of human rights.

- In the event funds are withheld from any unit pursuant to this Section, the Secretary shall promptly inform the affected government of that country of the basis for this action and shall, to the maximum extent practicable, assist the government in taking effective measures to bring the responsible members of that unit to justice.

- Similar prohibition language is also included in Section 8077, of the *Defense Department Appropriations Act, 2004*, P.L. 108-87, September 30, 2003.

- This Section is sometimes referred to as the **Leahy Amendment**.

- *The Senate Appropriations Committee Report*, S.Rpt. 108-106, commended the Department of State for issuing new guidance on the implementation of the Leahy Amendment. It was noted that the guidance requires the U.S. Embassy personnel to be more proactive when investigating and reporting on allegations of human rights violations by foreign country security forces. The committee also requests State Department to inform Congress if additional resources are needed to effectively implement this and other directives in the message. The conference report did not address the subject.

Foreign Military Training Report (Section 554)

- This annual report from the Secretary of State and Secretary of Defense shall be submitted in accordance with Section 656, FAA, which requires that report not later than January 31 each year. Unless a country (or countries) is requested for inclusion by one of the appropriations committees in writing at least ninety days in advance, the report is not required to include training for NATO countries, Japan, Australia, or New Zealand.

Regional Programs for East Asia and the Pacific (Section 556)

- ESF funding requested for regional democracy assistance for **East Asia and the Pacific** shall be made available for the Human Rights and Democracy Fund of the Bureau for Democracy, Human Rights, and Labor, Department of State.

Zimbabwe (Section 557)

- The Secretary of the Treasury shall instruct the U.S. executive director to each international financial institution to vote against any extension by the respective institution of any loans, to the government of **Zimbabwe**, except to meet basic human needs or to promote democracy, unless the Secretary of State determines and certifies to the congressional committees on appropriations that the rule of law has been restored in Zimbabwe, including respect for ownership and title to property, freedom of speech, and association.

Tibet (Section 558)

- The Secretary of the Treasury should instruct the U.S. executive director to each international financial institution to use the voice and vote of the U.S. to support projects in Tibet if such projects do not provide incentives for the migration and settlement of non-Tibetans into **Tibet** or facilitate the transfer of ownership of Tibetan land and natural resources to non-Tibetans; are based on a thorough needs-assessment; foster self-sufficiency of the Tibetan people and respect Tibetan culture and traditions; and are subject to effective monitoring.

- Not less than \$4,000,000 of ESF funding shall be made available to non-governmental organizations to support activities which preserve cultural traditions and promote sustainable development and environmental conservation in Tibetan communities in the Tibetan Autonomous Region and in other Tibetan communities in China.

Authorization Requirement (Section 559)

- Funds appropriated by this Act may be obligated and expended notwithstanding Section 10, P.L. 91-672 and Section 15 of the *State Department Basic Authorities Act of 1956*.

Nigeria (Section 560)

- No FY 2004 IMET and FMFP funding may be made available to **Nigeria** until the President certifies to the congressional committees on appropriations that the Nigerian Minister of Defense, the Chief of the Army Staff, and the Minister of State for Defense/Army are suspending from the armed forces those members, of whatever rank, against whom there is credible evidence of gross violations of human rights in Benue State in October 2001 and the government of Nigeria and the Nigerian Armed Forces are taking effective measures to bring such individuals to justice.

- The President may waive such prohibitions if he determines that doing so is in the U.S. national security interest. Prior to such a waiver, the President shall submit a report to the congressional committees on appropriations describing the involvement of the Nigerian Armed Forces in the Benue State incident, the measures that are being taken to bring the individuals to justice, and whether any Nigerian Armed Forces units involved with the incident are receiving U.S. assistance.

Cambodia (Section 561)

- The Secretary of the Treasury should instruct the U.S. executive directors of the international financial institutions to use the voice and vote if the U.S. to oppose loans to the **Central Government of Cambodia**, except loans to meet basic human needs.

- The Central Government of Cambodia may not receive any funding appropriated by this Act.

- This prohibition shall not apply to assistance for basic education, reproductive and maternal and child health, cultural and historic preservation, programs for the prevention, treatment, and control of, and research on human immuno-deficiency virus and acquired immune deficiency syndrome (HIV/AIDS), tuberculosis, malaria, polio, and other infectious diseases,

programs to combat human trafficking that are provided through non-governmental organizations, and for the Ministry of Women and Veterans Affairs to combat human trafficking.

- Up to \$4,000,000 in FY 2004 ESF funding may be available for activities to support democracy, including assistance for democratic political parties.

Colombia (Section 563)

- Notwithstanding any other provision of law, funds appropriated by this Act that are available for assistance for the **Colombian Armed Forces**, may be made available as follows:

- Up to 75 percent of such funds may be obligated prior to a determination and certification (detailed below) by the Secretary of State.

- Up to 12.5 percent of such funds may be obligated only after the Secretary of State certifies and reports to the appropriate congressional committees that:

- The Commander General of the Colombian Armed Forces is suspending from the Armed Forces those members, of whatever rank who, according to the Minister of Defense or the Procuraduria General de la Nacion, have been credibly alleged to have committed gross violations of human rights, including extra-judicial killings, or to have aided or abetted paramilitary organizations.

- The Colombian Government is prosecuting those members of the Colombian Armed Forces, of whatever rank who, have been credibly alleged to have committed gross violations of human rights, including extra-judicial killings, or to have aided or abetted paramilitary organizations, and is promptly punishing those members of the Colombian Armed found to have committed such violations of human rights or to have aided and abetted paramilitary organizations.

- The Colombian Armed Forces have made substantial progress in cooperating with civilian prosecutors and judicial authorities in such cases to include providing requested information, such as the identity of persons suspended from the Armed Forces and the nature and cause of the suspension, and access to witnesses, relevant military documents, and other requested information.

- The Colombian Armed Forces have made substantial progress in severing links; to include denying access to military intelligence, vehicles, and other equipment or supplies, and ceasing other forms of active or tacit cooperation; at the command, battalion, and brigade levels, with paramilitary organizations especially in regions where these organizations have a significant presence.

- And, the Colombian Armed Forces are dismantling paramilitary leadership and financial networks by arresting commanders and financial backers especially in regions where these networks have a significant presence.

- The balance of the funding may be obligated after July 1, 2004 if the Secretary of State certifies and reports to the appropriate congressional committees after such date that the Colombian Armed Forces are continuing to meet the conditions contained in the above earlier report. This second report is to also include that the Colombian Armed Forces are conducting vigorous operations to restore government authority and respect for human rights in areas under the effective control of paramilitary and guerrilla organizations.

- Not later than sixty days after the enactment of this Act and every ninety days thereafter until September 30, 2005, the Secretary of State shall consult with internationally recognized human rights organizations regarding progress in meeting the conditions outlined in the reports.

- Aided or abetted is defined to mean providing any support to paramilitary groups, including taking actions which allow, facilitate, or otherwise foster the activities of such groups.

- Paramilitary groups is defined to mean illegal self-defense groups and illegal security cooperative.

- This year's report and certification requirements are similar last year and recognize progress is being made.

Central Asia (Section 568)

- Funding appropriated by this Act may be available for assistance for the government of **Uzbekistan** only if the Secretary of State determines and reports to the congressional committees on appropriations that the government of Uzbekistan is making substantial and continuing progress in meeting its commitments under the Declaration on the Strategic Partnership and Cooperation Framework between the Republic of Uzbekistan and the United States of America, including respect for human rights, establishing a genuine multi-party system, and ensuring free and fair elections, freedom of expression, and the independence of the media.

- Funds appropriated by this Act may be made available for assistance for the government of **Kazakhstan** only if the Secretary of State determines and reports to the congressional committees on appropriations that the government of Kazakhstan has made significant improvements in the protection of human rights during the preceding six months.

- This requirement may be waived by the Secretary if he determines and reports to the congressional committees on appropriations that such a waiver is in the U.S. national security interests.

- Not later than October 1, 2004, the Secretary of State shall submit a report to the congressional committees on appropriations and foreign relations describing the following:

- The defense articles, defense services, and financial assistance provided by the U.S. to the countries of Central Asia during the six-month period ending thirty days prior to submission of each such report.

- The use during such time of defense articles, defense services, and financial assistance provided by the U.S. by units of the armed forces, border guards, or any other security forces of such countries.

- For the purposes of this report, the countries of Central Asia include **Uzbekistan, Kazakhstan, Kyrgyz Republic, Tajikistan, and Turkmenistan.**

War Criminals (Section 570)

- None of the funds appropriated or otherwise made available pursuant to this Act may be made available for assistance, and the Secretary of the Treasury shall instruct the U.S. executive directors to the international financial institutions to vote against any new project involving the extension by such institutions of any financial or technical assistance to the same aforementioned uncooperative country, entity, or municipality whose competent authorities have failed, as determined by the Secretary of State, to take necessary and significant steps to implement its international legal obligations to apprehend and transfer to the **International Criminal Tribunal for the former Yugoslavia** all persons in their territory who have been indicted by the Tribunal and to otherwise cooperate with the Tribunal.

- This Section shall not apply to humanitarian assistance or assistance for democratization.

- This Section shall apply unless the Secretary of State determines and reports to the appropriate congressional committees that the competent authorities of such country, entity, or

municipality are cooperating with the Tribunal including access for investigators to archives and witnesses, the provision of documents, and the surrender and transfer of indictees or assistance in their apprehension, and are acting consistently with the Dayton Accords.

- The Secretary of State may waive the application of this restriction with respect to projects within a country, entity, or municipality upon written determination to the congressional committees on appropriations that such assistance directly supports the implementation of the Dayton Accord.

- Country for this Section means **Bosnia and Herzegovina, Croatia, and Serbia**. Entity refers to the **Federation of Bosnia and Herzegovina, Kosovo, Montenegro** and the **Republika Srpska**. Municipality means a city, town or other subdivision within the above defined country or entity.

Funding for Serbia (Section 572)

- Funds in this Act made be made available for assistance for **Serbia** after March 31, 2004, if the President has made the determination and certification to the congressional committees on appropriations that the government of the Federal Republic of Yugoslavia (or a successor state) is:

- Cooperating with the International Criminal Tribunal for the former Yugoslavia including access for investigators, the provision of documents, and the surrender and transfer of indictees or assistance in their apprehension including making all practicable efforts to apprehend and transfer Ratko Mladic;

- Taking steps that are consistent with the Dayton Accords to end Serbian financial, political, security and other support which has served to maintain separate Republika Srpska institutions, and;

- Taking steps to implement policies which reflect a respect for minority rights and the rule of law, including the release of political prisoners from Serbian jails and prisons.

- After March 31, 2004, the Secretary of the Treasury should instruct the U.S. executive directors to the international financial institutions to support loans and assistance to the government of the Federal Republic of Yugoslavia (or successor state) subject to the conditions in the above presidential determination and certification.

- The Section does not apply to Montenegro, Kosovo, humanitarian assistance or assistance to promote democracy in municipalities.

Community-Based Police Assistance (Section 573)

- FY 2004 ESF funding may be used to enhance the effective and accountability of civilian police authority in **Jamaica** and **El Salvador** through training and technical assistance in human rights, the rule of law, strategic planning, and through assistance to foster civilian police roles that support democratic governance including assistance for programs to prevent conflict and foster improved police relations with the communities they serve.

Philippine Education and Health Infrastructure (Section 578)

- \$600,000 of the ESF funding appropriated for the **Philippines** by the FY 2003 emergency supplemental, P.L. 108-11, shall be available only for upgrading education and health infrastructure in the **Sulu Archipelago**.

War Crimes in Africa (Section 589)

- Congress recognizes the role Nigeria played in reaching an agreement with Liberia and also recognizes the important contributions other African nations and supports continued

assistance aimed at resolving conflicts that gave destabilized West Africa and the Great Lakes region.

- Congress reaffirms its support for the **International Criminal Tribunal for Rwanda (ICTR)** and the **Special Court for Sierra Leone (SCSL)**.

- FY 2004 funds may be made available for assistance to the central government of a country in which individuals indicted by the ICTR and SCSL are credibly alleged to be living, if the Secretary of State determines and report to the congressional committees on appropriations that such government is cooperating with the ICTR and SCSL, including the surrender and transfer of indictees in a timely manner.

- This determination does not apply to PKO funding assistance or to Title II assistance of this Act.

- The U.S. shall use its voice and vote in the U.N. Security Council to fully support efforts by the ICTR and SCSL.

- The President may waive any funding prohibition on a country basis if determined to be in the U.S. national security interest.

- Not less than \$5,000,000 of ESF funding appropriated for FY 2003 by P.L. 108-7 shall be made available during FY 2004 for a contribution to the Special Court of Sierra Leone to be disbursed no later than thirty days after enactment of this Act.

Indonesia (Section 597)

- FY 2004 FMFP assistance may be made available for assistance for **Indonesia**. Additionally, export licenses may be issued for the export of lethal defense articles for the Indonesian Armed Forces, only if the president certifies to the appropriate congressional committees that:

- The Indonesia Minister of Defense is suspending from the Armed Forces those members, of whatever rank, who have been credibly alleged to have committed gross violations of human rights, or to have aided or abetted militia groups;

- The Indonesian government is prosecuting those members of the Indonesian Armed Forces, of whatever rank, who have been credibly alleged to have committed gross violation of human rights, or to have aided or abetted militia groups, and is punishing those members of the Indonesian Armed Forces found to have committed such violations of human rights or to have aided or abetted militia groups;

- The Indonesian Armed Forces are cooperating with civilian prosecutors and judicial authorities in Indonesia and with the joint U.N.-East Timor Serious Crimes Unit (SCU) in such cases including extraditing those indicted by the SCU to East Timor and providing access to witnesses, relevant military documents, and other requested information, and;

- The Minister of Defense is making publicly available audits of receipts and expenditures of the Indonesian Armed Forces.

- FY 2004 IMET funding assistance may be made available to Indonesia if the Secretary of State determines and reports to the appropriate congressional committees that the Indonesian government and the Armed Forces are cooperating with the Federal Bureau of Investigation's investigation of the murders of two American citizens and one Indonesian citizen on August 31, 2002 in Timika, Indonesia.

- This restriction shall not apply to E-IMET which may include English language training.

Modification on Reporting Requirements (Section 599B)

- Amends Section 3204(f), *Emergency Supplemental Act, 2000*, P.L. 106-246, July 13, 2000, changing the bi-monthly report (every sixty days) for the numbers, locations, activities, and length of assignment for all temporary and permanent U.S. military and civilians retained as contractors involved in the anti-narcotics campaign in Colombia to now a quarterly report (every ninety days).

Coalition Provisional Authority Details (Section 599C)

- The Office of Personnel Management shall provide the congressional committees on appropriations by February 1, 2004 a report of the number of federal employees detailed from each executive agency to the Coalition Provisional Authority in Iraq on the date of enactment of this Act.

- The report shall identify by agency the number of non-reimbursable and reimbursable details and the report shall be updated and submitted on a quarterly basis until May 2005.

Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004, P.L. 108-106, 6 November 2003

- On 17 September 2003, the Administration requested a supplemental appropriation of \$87,000,000,000 for ongoing operations in Iraq and Afghanistan as well as relief and reconstruction activities in those two countries. The request was divided into two major categories — \$65,700,000,000 for the Department of Defense and classified activities and \$21,400,000,000 for the Coalition Provisional Authority (CPA) in Iraq and the Department of State.

- In response to the Administration's request, the Senate Appropriations Committee reported out S.1689 on September 30, 2003 with S.Rpt. 108-160; and the House Appropriations Committee reported out H.R. 3289 on October 9, 2003 with H.R. 108-312. Both Houses approved their versions of the request on October 17, 2003. The subsequent conference reported out H.R. 3289 on October 30, 2003 with H.Rpt. 108-337. The House and Senate approved H.R. 3289 on October 30 and November 3, 2003, respectively, essentially providing the funding as requested. The President enacted the bill on November 6, 2003 as P.L. 108-106.

- This funding is exempted from the overall 0.59 percent rescission directed by P.L. 108-199.

Title I - National Security

Chapter 1, Department of Defense - Military Operations and Maintenance, Defense - Wide

- Provides an additional amount of \$4,355,452,000, of which:
 - Not to exceed \$15,000,000 may be used for the CINC Initiative Fund account to be used primarily in Iraq and Afghanistan.
 - Not to exceed \$1,150,000,000 to remain available until expended may be used for payments to reimburse Pakistan, Jordan and other key cooperating nations for logistical and military support provided, or to be provided, to the U.S. military operations in connection with military action in Iraq and the global war on terrorism (GWOT).

Iraq Freedom Fund

- Provides \$1,988,600,000 for the Iraq Freedom Fund, established earlier by P.L. 108-11, to remain available for transfer until 30 September 2005.

- One of the authorized transfers is the Overseas Humanitarian, Disaster, and Civic Aid account.

Drug Interdiction and Counter-Drug activities, Defense

- Provides an additional \$73,000,000 for the DoD Drug Interdiction and Counter Drug Activities account to be used only for such activities related to **Afghanistan**.

General Provisions

- **Section 1106** authorizes the Secretary of Defense during FY 2004 to use DoD funds to provide supplies, services, transportation, including airlift and sealift, and other logistical support to coalition forces supporting military and stability operations in **Iraq**.
- **Section 1107** authorizes the Secretary of Defense, with the concurrence of the Secretary of State, to use an amount not to exceed \$150,000,000 of the Operation and Maintenance, Defense-Wide account in this Act to provide assistance only to the **New Iraqi Army** and the **Afghan National Army** to enhance their capability to combat terrorism and to support U.S. military operations in Iraq and Afghanistan. This assistance may include the provision of equipment, supplies, services, training, and funding.
- **Section 1110** authorizes during FY 2004 the use of funds available from this Act not to exceed \$180,000,000 to fund the Commander's Emergency Response Program established by the Administrator of the Coalition Provisional Authority for the purpose of enabling military commanders in **Iraq** to respond to urgent humanitarian relief and reconstruction requirements within their areas of responsibility by carrying out programs that will immediately assist the Iraqi people, and to establish and fund a similar program to assist the people of **Afghanistan**.

Title II – Iraq and Afghanistan Reconstruction and International Assistance

Chapter 2 Other Bilateral Economic Assistance

Iraq Relief and Reconstruction Fund

- \$18,649,000,000 to remain available until September 30, 2006 for security, relief, rehabilitation and reconstruction in **Iraq** to be allocated as follows:
 - \$3,243,000,000 for security and law enforcement;
 - \$1,318,000,000 for justice, public safety infrastructure, and civil society, of which \$100,000,000 shall be for democracy building activities and \$10,000,000 for the U.S. Institute for Peace for activities supporting peace enforcement, peacekeeping, and post-conflict peacebuilding;
 - \$5,560,000,000 for electric sector;
 - \$1,890,000,000 for oil infrastructure;
 - \$4,332,000,000 for water resources and sanitation;
 - \$500,000,000 for transportation and telecommunications;
 - \$370,000,000 for roads, bridges, and construction;
 - \$793,000,000 for health care;
 - \$153,000,000 for private sector development; and
 - \$280,000,000 for education, refugees, human rights, and governance.
- \$100,000,000 of this funding shall be transferred to the ESF account for assistance to **Jordan**.
- \$100,000,000 of this funding shall be transferred to the International Disaster and Famine Assistance account for assistance to **Liberia**.

- \$10,000,000 of this funding shall be transferred to the International Disaster and Famine Assistance account for assistance to **Sudan**.

- In a memorandum to the Secretary of State on December 5, 2003, citing his constitutional power as the President and in accordance with Section 632, FAA, to transfer FAA-authorized funding to any agency, all of the funds appropriated under this heading are transferred to the Secretary of Defense.

Economic Support Fund

- \$872,000,000 to remain available until December 31, 2004.
 - Not less than \$672,000,000 only for accelerated assistance for **Afghanistan**.
 - \$60,000,000 should be for assistance for Afghan women and girls.
 - \$5,000,000 shall be for the Afghan Independent Human Rights Commission.
 - Not less than \$8,000,000 only for the provision of adequate dedicated air transport and support for civilian personnel at provincial reconstruction team sites.
 - Subject to a determination by the President that the government of **Pakistan** is cooperating with the U.S. in the GWOT, an amount not to exceed \$200,000,000 may be used for costs of modifying direct loans and guarantees for Pakistan. This assistance shall not be considered assistance for the purposes of provisions of law limiting assistance to a country.
 - This determination was provided on February 26, 2004 by Presidential Determination 2004-25.

International Disaster and Famine Assistance

- \$110,000,000 to remain available until September 30, 2005 to respond to or prevent unforeseen complex foreign crises in **Liberia** and **Sudan**. Not less than \$100,000,000 of this funding shall be for assistance to Liberia.

International Narcotics Control and Law Enforcement

- \$170,000,000 to remain until December 31, 2004 for accelerated assistance for **Afghanistan**.

Nonproliferation, Anti-Terrorism, Demining, and Related Programs

- \$35,000,000 for accelerated assistance to **Afghanistan**.

Foreign Military Financing Program

- \$287,000,000 for accelerated assistance to **Afghanistan**.

Peacekeeping Operations

- \$50,000,000 to support the GWOT.

General Provisions

Section 2201 directs that none of the funds appropriated by this Act or any unexpended funds provided by P.L. 108-11 may be used to repay, in whole or in part, principal or interest of any loan or guarantee agreement entered into by the government of **Iraq** with any private or public sector entity including the government of any country or with any international financial institution prior to May 1, 2003.

Section 2204 extends the authority of Section 1503, P.L. 108-11, to expire September 30, 2005 (in place of 2004). This P.L. 108-11 section authorized the President to suspend the application of any provision of the *Iraq Sanctions Act of 1990*, P.L. 101-513, November 5, 1990,

which applies to the *Commerce Control List* (CCL) within the *Export Administration Regulations* (EAR).

Section 2205 extends the authority of Section 1504, P.L. 108-11, to expire September 30, 2005 (in place of 2004). This P.L. 180-11 section authorized the President to export any non-lethal military equipment on the *U.S. Munitions List* (USML) within the *International Traffic in Arms Regulation* (ITAR) to **Iraq** when determined to be in the U.S. national interest. Additionally, the export of lethal military equipment designated by the Secretary of State for use by a reconstituted (or interim) Iraqi military or police force, and of small arms designated also by the Secretary for use for private security purposes may be authorized.

Section 2206 amends Section 202(b) of the *Afghanistan Freedom Support Act of 2002*, P.L. 107-327, December 4, 2002, by authorizing the Section 506, FAA, special drawdown of defense articles, services, and training not to exceed an aggregate value of \$450,000,000 (to place of \$300,000,000). This is for the government of **Afghanistan** and **eligible countries** and international organizations participating in military, peacekeeping, or policing operations in Afghanistan and specifically for use in these operations.

Section 2213 amends the *Act to Authorize the President to Exercise Waivers for Foreign Assistance Restrictions with Respect to Pakistan through September 30, 2003, and for Other Purposes*, P.L. 107-57, 27 October 2001.

- Section 1(b), P.L. 107-57, is amended so **Pakistan** can be waived during FY 2004 from not receiving assistance because of a **military coup**. Section 508, P.L. 108-199, in general, prohibits assistance during FY 2004 to a country where a military coup as taken place.

- The Presidential Determination 2004-26 of March 24, 2004 provides for the Pakistan military coup waiver during FY 2004.

- Section 3(2), P.L. 107-57, is amended so that the **Brooke-Alexander Amendment** does not apply to Pakistan during FY 2004. The Brooke-Alexander Amendment [Section 512, P.L. 108-199, for FY 2004] prohibits any further assistance to a country that is more than twelve months in arrearage of loans repayment to the U.S.

- Section 6, P.L. 107-57, is amended to change the expiration of the law authority to 1 October 2004 (in place of 2003) thus allowing the waiver for Pakistan of Section 73(e), AECA, and Section 11B(b)(5), EAA, regarding the **Missile Technology Control Regime** (MTCR) sanctions; and Section 620(q), FAA, regarding six month loan repayment arrearage sanctions.

- It also extends the Section 506(a)(2)(i)(III), FAA, five day exception (in place of normal fifteen) for advance notification to Congress regarding any **special drawdown** for the purpose of anti-terrorism assistance; and the Section 516(f)(1), FAA, fifteen day exception (in place of normal thirty) for advance notification to Congress regarding the **grant EDA transfer** of significant military equipment (SME) or defense articles originally acquired at \$7,000,000 or more when determined important to U.S. efforts to respond to, deter, or prevent acts of international terrorism.

Section 2214 amends Section 108(a) of the *Afghanistan Freedom Support Act of 2002*, P.L. 107-327, December 4, 2002, authorizing economic and democratic development assistance for **Afghanistan** of \$1,825,000,000 for FY 2004, \$425,000,000 for each fiscal year 2005 and 2006.

Section 2217(c) provides that activities carried out by the U.S. with respect to training for military and police forces in Afghanistan and Iraq shall include training, designed in consultation with women's organizations in **Afghanistan** and **Iraq**, respectively, on the protection, rights, and particular needs of women.

Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 2004, Division B, P.L. 108-199, January 23, 2004

- Enacted as Division B of the *Consolidated Appropriations Act, 2004*, P.L. 108-199, 23 January 2004 (H.R. 2673). The original bills were reported out of the House and Senate Appropriations Committees as H.R. 2799 (H.Rpt. 108-221) on July 21, 2003 and S.1585 (S.Rpt. 108-144) on September 5, 2003 respectively. The House approved H.R. 2799 on July 23, 2003 and the Senate did not take action on S1585. However, on November 11, 2003, the Senate voted to proceed with H.R. 2799. As was the case with the foreign operations appropriations (H.R. 2800), the conference placed H.R. 2799 into the consolidated appropriations using the proposed agriculture bill (H.R. 2673) as the mechanism for final passage. The conference reported out on November 25, 2003 with H.Rpt. 108-401 which was ultimately passed by both houses and enacted on January 23, 2004 as P.L. 108-199.

- The following funding figures are subject to the directed 0.59 percent rescission.

Title IV – Department of State and Related Agency, Department of State, Administration of Foreign Affairs

Diplomatic and Consular Programs

- \$3,420,000,000 for necessary expenses of the Department and the Foreign Service not otherwise provided for, to include, inter alia:

- Not exceeding 69 permanent positions, \$7,311,000 shall be expended for the Bureau of Legislative Affairs.

- Up to \$4,000,000 may be transferred to the Emergencies in the Diplomatic and Consular Service account to be available only for emergency evacuations and terrorism rewards.

- \$301,563,000 shall be available only for public diplomacy international information programs.

- \$3,000,000 shall be available only for the establishment and operations of an Office on Right-Sizing the U.S. Government Overseas Presence.

- These funds may be available for a U.S. government interagency task force to examine, coordinate, and oversee U.S. participation in the U.N. headquarters renovation project.

- No funds may be obligated or expended for processing licenses for the export of satellites of U.S.-origin, to include commercial satellites and satellite components, to the PRC unless, at least fifteen days in advance, the congressional committees on appropriations are notified of such proposed action.

- \$646,701,000 to remain available until expended for costs of worldwide security upgrades.

- \$5,000,000 is available for the State Department to establish the Center for Antiterrorism and Security Training.

- \$40,000,000 to remain available until expended for the costs of worldwide OpenNet and classified connectivity infrastructure.

Capital Investment Fund

- \$80,000,000 to remain available until expended for necessary expenses of the Capital Investment Fund.

Protection of Foreign Missions and Officials

- \$10,000,000 to remain available until September 30, 2005 for expense not otherwise provided to enable the Secretary of State to provide for extraordinary protective services.

Embassy Security, Construction, and Maintenance

- \$530,000,000 to remain available until expended for necessary expenses for preserving, maintaining, repairing, and planning for buildings that are owned or directly leased by the DoS, renovating in addition to funds otherwise available the Harry S. Truman Building, and carrying out the Diplomatic Security Construction Program.
- \$861,400,000 to remain available until expended for the costs of worldwide security upgrades, acquisition, and construction.

Emergencies in the Diplomatic and Consular Service

- \$1,000,000 to remain available until expended to enable the Secretary of State to meet unforeseen emergencies arising in the Diplomatic and Consular Service.

Payment to the American Institute in Taiwan

- \$18,782,000 for expenses to carry out the *Taiwan Relations Act*, P.L. 96-8, 10 April 1979.

International Organizations

Contributions to International Organizations

- \$1,010,463,000 for expenses necessary to meet annual obligations of membership in international multilateral organizations pursuant to treaties ratified pursuant to the advice and consent of the Senate.
- The Secretary of State shall notify the congressional committees on appropriations at least fifteen days in advance of any U.N. action to increase funding for any U.N. program without identifying an offsetting decrease elsewhere in the U.N. budget and cause the U.N. to exceed the adopted budget for the biennium 2002-2003 of \$2,891,000,000.
- Funds may be obligated and expended to pay the full U.S. assessment to the civil budget of NATO.

Contributions for International Peacekeeping Activities

- \$550,200,000 to pay assessed and other expenses of international peacekeeping activities directed to the maintenance or restoration of international peace and security of which ten percent shall remain available until September 30, 2005.
 - \$95,358,000 of this funding shall be derived from prior year unobligated balances from funds previously appropriated under this heading.
- None of this funding shall be made available for obligation or expending for any new or expanded U.N. peacekeeping mission unless, at fifteen days in advance of voting in the U.N. Security Council, the Congressional appropriations committee and other appropriate committees are:
 - Notified of the estimated cost and length of the mission, the vital national interest that will be served, and the planned exit strategy, and;
 - A preprogramming of funds pursuant to Section 605 of this Act is submitted, and procedures therein followed, setting forth the source of funds that will be used to pay for the cost of the new or expended mission.
- None of this funding is available to pay the U.S. share of the cost of court monitoring that is part of any U.N. peacekeeping mission.

Other

International Center for Middle Eastern-Western Dialogue Trust Fund

- \$7,000,000 to remain available until expended for a grant to the Middle Eastern-Western Dialogue Trust Fund for operation of the International Center for Middle Eastern-Western Dialogue in Istanbul, Turkey. \$250,000 of this funding shall be made available for the establishment and operation of a steering committee which the Secretary of State shall appoint to establish the International Center for Middle Eastern-Western Dialogue.

General Provisions – Department of State and Related Agency

Section 404 directs the Secretary of State, upon request of the citizen, to record Israel as the place of birth for the purposes of registration of birth, certification of nationality, or issuance of a passport of a U.S. citizen born in the city of Jerusalem.

Protocols to North Atlantic Treaty of 1949 on Accession of Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia, and Slovenia, Treaty Number 108-4, May 8, 2003

- On April 10, 2003, the President submitted to the Senate for ratification, in accordance with Article II, Section 2, Clause 2, of the U.S. Constitution, the proposed change to the membership of NATO to also include **Bulgaria, Estonia, Latvia, Lithuania, Slovakia, and Slovenia**. This would increase the membership to twenty-six.

- The FAA and AECA security assistance impact would include many changes for these seven countries to include, among others: reducing the required advance notification to Congress for FMS, DCS, third country transfer, and leasing from thirty days to fifteen days; upon request, increased waiver authorities for certain FMS pricing; waiving of certain training tuition costs; certain priorities and authorities in licensing of DCS; and increased authorities for participation in international armaments cooperation programs.

- Earlier, on March 12, 1999, Hungary, Poland, and the Czech Republic became members of NATO.

- On April 30, 2003, the Senate Foreign Relations Committee reported out the proposed change recommending ratification.

- On May 8, 2003, the Senate ratified the change to the NATO Treaty as requested by the President.

- The ratification included the Senate finding that it will keep its door open and will it keep under review for future rounds of NATO enlargement to possibly include the countries of **Albania, Croatia, and the Former Yugoslav Republic of Macedonia**.

- Another Senate finding was that the seven new members have been acting as de facto NATO allies through their contributions and participation in peacekeeping operations in the Balkans, Operation Enduring Freedom, and the International Security Assistance Force (ISAF).

- The ratification included a few conditions that shall be binding upon the President.

- Certification that the inclusion of the seven new members will not have the effect of increasing the overall percentage share of the U.S. in the common budgets of NATO.

- Certification that the inclusion of the seven new members does not detract from the ability of the U.S. to meet or to fund its military requirements outside of the North Atlantic area.

- These two certifications were provided by the President on February 26, 2004.

- For a three year period following the date of entry into force, an annual report shall be submitted not later than April 1 to the appropriate congressional committees, both in classified and unclassified form, to include the following information:

- Amount contributed to the common budgets of NATO by each member during the preceding calendar year,

- The proportional share assigned to, and paid by, each member under NATO's cost-sharing arrangements, and

- The national defense budget of each member, the steps taken by each member to meet NATO force goals, and the adequacy of the national defense budget of each member in meeting common defense and security obligations.

- Prior to any decision by NATO to invite any other country to begin accession talks with NATO, a detailed report on how the country(s) will further the principles of NATO, eligibility for membership, affect on U.S. national security interests, cost analysis of integration and costs to borne by the current members, and an analysis of implications for the U.S. defense budget.

- Not later January 1, 2004, a report to the congressional intelligence committees on the progress by the new members in satisfying the security sector and security vetting requirements for membership.

- This report was provided by the President on February 26, 2004.

- The Director of Central Intelligence is also include an initial report on procedures and requirements established by the new members for the protection of intelligence sources and methods and how they compare to the other NATO membership countries.

- Certification that the new members are fully cooperating with the U.S. to obtain the fullest possible accounting of captured or missing U.S. personnel from past military conflicts or Cold War incidents to include:

- Facilitating full access to relevant archival material, and;

- Identifying individuals who may possess knowledge relative to these U.S. personnel and encouraging such individuals to speak with U.S. government officials.

- These two certifications were likewise provided by the President on February 26, 2004.

- On March 29, 2004, the President welcomed the Prime Ministers of all seven countries to the White House along with the NATO Secretary General and the Prime Ministers of Albania, Croatia, and Macedonia.

- Also on March 29, 2004, the Secretary of State presided over the NATO accession ceremony and luncheon held at the U.S. Department of the Treasury. He accepted the instruments of accession from the seven Prime Ministers and their countries immediately became the newest members of NATO. The U.S. is the depository nation for the North Atlantic Treaty.

Syria Accountability and Lebanese Sovereignty Restoration Act of 2003, P.L. 108-175, December 12, 2003

- Enacted to halt Syrian support for terrorism, end its occupation of Lebanon, and stop its development of weapons of mass destruction, and by so doing hold Syria accountable for the serious international problems it has caused in the Middle East. Introduced with 297 cosponsors as H.R. 1828 and referred on April 12, 2003 to the House International Relations Committee. On October 15, 2003, reported out with H.Rpt 108-314. The House promptly approved the bill on the same date and forwarded to the Senate for approval. Without referral to the Senate Foreign Relations Committee (SFRC), the Senate considered the House bill and approved it on November 11, 2003 with one amendment, S.Amdt 2148. The Senate originally considered a similar bill, S.982, with 81 cosponsors. It was referred to the SFRC on May 1, 2003 with no

resulting action. The House approved the Senate amendment to the bill on November 20, 2003 and it was enacted on December 12, 2003.

- The law contains several Congressional findings, to include, inter alia, the following:
 - Syria is prohibited by law from receiving U.S. assistance because it has repeatedly provided support for acts of international terrorism and determined by the Secretary of State to provide safe haven and support to several terrorist groups.
 - Hizballah, Hamas, Palestinian Islamic Jihad, the Popular Front for the Liberation of Palestine, and the Popular Front for the Liberation of Palestine - General Command; all maintain offices, training camps, and other facilities on Syrian territory and operate in areas of Lebanon occupied by the Syrian armed forces, and receive supplies from Iran through Syria.
 - Approximately 20,000 Syrian troops and security personnel occupy Lebanon.
 - Syria will not allow Lebanon to deploy its own troop to its own southern border.
 - Syria continues to develop and deploy short and medium-range ballistic missiles.
 - Syria is pursuing the development and production of biological and chemical weapons and has a nuclear research and development program. Though not a party to the Chemical Weapons Convention or the Biological Weapons Convention, Syria is a party to the Treaty on the Non-Proliferation of Nuclear Weapons.
 - During his testimony on September 25, 2003 to the House International Relations Committee (HIRC), Ambassador L. Paul Bremmer, III, stated that out of the 278 third-country nationals captured by coalition forces in Iraq, the single largest group were Syrians.
- Until the President makes the determination and certification later outlined, the President shall prohibit the export, to include commercial licensing, of any item on the *U.S. Munitions List* (USML) or the *Commerce Control List* (CCL) of dual items to Syria.
 - The President shall also impose two or more of the following sanctions:
 - Prohibit the export of U.S. products other than food and medicine,
 - Prohibit U.S. businesses from investing or operating in Syria,
 - Restrict Syrian diplomats in Washington DC, and the United Nations in New York City to a travel radius of 25 miles,
 - Prohibit aircraft if any air carrier owned or controlled by Syria to take off from, land in, or over fly the U.S.,
 - Reduce U.S. diplomatic contacts with Syria, or
 - Block transactions in any property in which Syria has any interest, by person, or with respect to any property, subject to the jurisdiction of the U.S.
 - The President may waive these prohibitions if he determines and reports to the appropriate congressional committees with justification that it is in the U.S. national security interest to do so.
 - The required determination and certification in regard to restoring normal diplomatic and economic relationships with Syria include the following:
 - Syria has ceased providing support for international terrorist groups and does not allow the previously listed terrorist groups to maintain facilities in territory under Syrian control,
 - Syria has ended its occupation of Lebanon,

- Syria has ceased the development and deployment of medium and long-range surface-to-surface ballistic missiles, is not pursuing or engaged in the research, development, acquisition, production, transfer, or deployment of biological, chemical, or nuclear weapons, has provided credible assurances that such behavior will not be undertaken in the future, and has agreed to allow the U.N. and other international observers to verify such actions and assurances.

- Syria has ceased all support for, and facilitation of, all terrorist activities inside Iraq, including preventing the use of territory under its control by any means whatsoever to support those engaged in terrorist activities in Iraq.

- The President may provide Chapter 1, Part I of the FAA, developmental assistance to Syria if:

- It is determined that Syria meets the requirements described in the above certification.

- It is determined that substantial progress has been both in negotiations aimed at achieving a peace agreement between Israel and Syria and in negotiations aimed at achieving a peace agreement between Israel and Lebanon.

- It is determined that Syria is strictly respecting the sovereignty, territorial integrity, unity, and political independence of Lebanon under the sole and exclusive authority of the government of Lebanon through the Lebanese army throughout Lebanon.

- The Secretary of State shall submit a status report regarding Syria's progress in meeting the requirements of the conditions desired within the above described presidential determination and certification to the appropriate congressional committees not later than six months after enactment of this Act.

- This report is to also include the connections, if any, between individual terrorists and terrorist groups which maintain offices, training camps, or other facilities on Syrian territory or operate in areas of Lebanon occupied by the Syrian armed forces and terrorist attacks on the U.S. or its citizens, installations, or allies.

- How the U.S. is increasing its efforts against Hizballah and other terrorist organizations support by Syria.

- This six month report is to be followed up with an updated report every twelve months thereafter until the above desired determination and certification are met by Syria.

- When the President announced his enactment of H.R. 1828 on December 12, 2003, he did so with the following observations:

- A law cannot burden or infringe the President's exercise of a constitutional power to conduct foreign affairs, and as Commander-in-Chief, in particular with respect to the conduct of foreign diplomats in the U.S., the conduct of U.S. diplomats abroad, and the exporting of items and provision of services necessary to the performance of official functions by U.S. government personnel abroad.

- Additionally, the requirement for the Secretary of State, an officer of the Executive Branch, to furnish information to Congress shall be construed in a manner consistent with the President's constitutional authority to withhold information the disclosure of which could impair foreign relations, national security, the deliberative processes of the Executive, or the performance of the Executive's constitutional duties.

Department of Defense Appropriations Act, 2004, P.L. 108-87, 30 September 2003

- Reported out of the House Appropriations Committee as H.R. 2658 on 2 July 2003 with H.R. 108-187. Passed in the House on July 8, 2003. S.1382 reported out the Senate Appropriations Committee on July 10, 2003 with S.Rpt. 108-87. Passed the Senate on July 17,

2003. Conference was held and reported out on 24 September 2003 with H.Rpt. 108-283. Passed the House and Senate on September 24 and 25, 2003, respectively, and forwarded to the White House for enactment.

- This bill and the legislative branch appropriations bill, H.R. 2559, were the only two FY 2004 appropriations bills that were enacted into law before the start of calendar year 2003.
- This funding is not subject to the directed 0.59 percent rescission.

Title II, Operation and Maintenance

Defense - Wide

- \$30,000,000 for the CINC Initiative Fund.

Overseas Humanitarian, Disaster, and Civic Aid

- \$59,000,000 to remain available until September 30, 2005 for Overseas Humanitarian, Disaster, and Civic Aid programs.

Former Soviet Union Threat Reduction

- \$450,000,000 to remain available until September 30, 2006 for the republics of the former Soviet Union, including assistance provided by contract or by grants, for facilitating the elimination and the safe and secure transportation and storage of nuclear, chemical and other weapons. This is also for establishing programs to prevent the proliferation of weapons, weapons components, and weapons-related technology. This is also for programs relating to the training and support of defense and military personnel for demilitarization and protection of weapons, weapons components and weapons technology and expertise, and for defense and military contacts. Of this amount, \$10,000,000 shall be available only to support the dismantling and disposal of nuclear submarines and submarine reactor components in the Russian Far East.

Title VIII, General Provisions

- Section 8002, as in prior years, states that during FY 2004, provisions of prohibiting the payment of compensation to, or employment of, any person not a citizen of the U.S. shall not apply to personnel of the DoD.

- Salary increases granted to direct or indirect hire foreign national DoD employees funded by this Act shall not be at a rate in excess of the percentage increase authorized by law for DoD civilians whose pay is computed under the provisions of 5 U.S.C. 5332, or at a rate in excess of the percentage increase provided by the appropriate host nation to its own employees, whichever is higher. This does not apply to DoD foreign national employees of the DoD in the Republic of Turkey. This also does not apply to DoD foreign service national employees serving at U.S. diplomatic missions whose pay is set by the Department of State under the *Foreign Service Act of 1980*.

- Section 8009 authorizes the use of operation and maintenance funds to be obligated for humanitarian and civic assistance costs pursuant to 10 U.S.C. 401 and these obligations are to be reported to Congress as of September 30 of each year.

- These funds shall be available for providing humanitarian and similar assistance by using Civic Action Teams in the **Trust Territories of the Pacific Islands (TTPI)** and **freely associated states of Micronesia** pursuant to the Compact of Free Association as authorized by P.L. 99-239.

- Upon determination by the Secretary of the Army that such action is beneficial for graduate medical education programs conducted by the Army medical facilities located in Hawaii, the Secretary may authorize the provision of medical services at such facilities and transportation to the facilities on a nonreimbursable basis for civilian patients from **American**

Samoa, Commonwealth of the Northern Mariana Islands, Marshall Islands, Federated States of Micronesia, Palau, and Guam.

- Section 8027 authorizes DoD during FY 2004 to incur obligations not to exceed \$350,000,000 for purposes specified in 10 U.S.C. 2350j(c), in anticipation of receipt of contributions only from **Kuwait** to credited to the appropriations or fund which incurred such obligations.

- Section 8051 states that none of the funds appropriated or otherwise made available by this Act, may be obligated or expended for assistance to the Democratic People's Republic of North Korea unless specifically appropriated for that purpose.

- Section 8065 states that none of the funds available for DoD during FY 2004 may be obligated or expended to **transfer defense articles or services** (other than intelligence services) to another nation or international organization for specified below activities unless the congressional defense committees, the Senate Foreign Relations Committee, and the House International Relations Committee are notified fifteen (15) days in advance of the transfer.

- The specified activities include any international peacekeeping, peace-enforcement or humanitarian assistance operation.

- This notification shall include a description of the transfer, value of the transfer, a statement whether the inventory requirements of all elements of the Armed Forces for the type of transfer have been met, and whether the items to be transferred will have to be replaced. If replacement is required, how does the President propose to provide the funds for such a replacement?

- When this legislation was enacted, the President stated on October 1, 2003 that the Executive Branch shall construe this Section in manner consistent with the President's constitutional authority as the Commander-in-Chief of the Armed Forces. This was expressed in concern that the actions may require implementation before the fifteen day advanced notification period expired.

- Section 8066 authorizes the Secretary of Defense to issue loan guarantees of up to \$15,000,000,000 in support of U.S. defense exports not otherwise provided for. The exposure fees charged and collected for guarantee shall be paid by the country involved and shall not be financed as part of a loan guaranteed by the U.S. Section 1321, *Defense Authorization Act*, Fiscal Year 1996, P.L. 104-106, February 10, 1996, first authorized this program as the **Defense Export Loan Guarantee (DELG) Program**.

- Section 8075, as in prior years, states that none of the funds made available in this Act may be used to approve or license the **sales of the F-22** advanced tactical fighter to any foreign government.

- Section 8076 allows the Secretary of Defense, on a case-by-case basis, to waive with respect to a foreign country each limitation on the procurement of **defense items from foreign sources** provided in law if the Secretary determines that the application of the limitation with respect to that country would invalidate **cooperative programs** entered into between the DoD and the foreign country, or would invalidate **reciprocal trade agreements** for the procurement of defense items entered into under 10 U.S.C. 2531, and the country does not discriminate against the same or similar defense items produced in the U.S. for that country.

- This applies to contracts and subcontracts entered into on or after the date of enactment of this Act.

- For options for the procurement of items that are exercised after such date under contracts that are entered into before such date if the option prices are adjusted for any reason other than the application of a waiver granted under this Section.

- Section 8077 states that none of the funds made available by this Act may be used to support any training program involving a unit of the **security forces of a foreign country** if the Secretary of Defense has received credible information from the Department of State that the unit has committed a gross violation of human rights, unless all necessary corrective steps have been taken.

- The Secretary of Defense, in consultation with Secretary of State, shall ensure that prior to a decision to conduct any training program involving a security force unit, full consideration is given to all credible information available to the Department of State relating to human rights violations by foreign security forces.

- The Secretary of Defense, after consultation with the Secretary of State, may waive this prohibition if he determines that such a waiver is required by extraordinary circumstances. Not more than fifteen days after exercising such a waiver, the Secretary shall submit a report to the congressional defense committees describing the extraordinary circumstances, the purpose and duration of the training program, the U.S. and foreign security forces involved in the program, and the information relating to the human rights violations that necessitates the waiver.

- Section 8095 directs that \$144,803,000 of the funds appropriated under FY 2004 Research, Development, Test, and Evaluation shall be made available for the **Arrow missile** defense program. \$80,000,000 shall be available for producing Arrow missile components in the U.S. and Arrow missiles and components in **Israel** to meet Israel's defense requirements, consistent with each country's laws, regulations, and procedures.

- Section 8120 authorizes the use of \$20,000,000 appropriated under the heading Operations and Maintenance, Defense-Wide for the **Regional Defense Counter-Terrorism Fellowship Program**, to fund the education and training of foreign military officers, ministry of defense civilians, and other foreign security officials, to include U.S. military officers and civilian officials whose participation directly contributes to the education and training of these foreign students.

- Section 8137 directs that none of the funds provided by this Act may be used to pay any fee charged by the Department of State for the purpose of constructing new U.S. diplomatic facilities.

National Defense Authorization Act for Fiscal Year 2004, P.L. 108-136, November 24, 2003

- Reported out of the House Armed Services Committee as H.R. 1588 on May 16, 2003 with H.Rpt. 108-106 to be passed the House on May 22, 2003. A separate bill was reported out of the Senate Armed Services Committee as S.1050 on May 13, 2003 with S.Rpt. 108-46. On May 22, 2003, the Senate approved S.1050 and placed it as an amendment into H.R. 1588 on June 4, 2003. A conference was held with H.R. 1588 being reported out on November 7, 2003 with H.Rpt. 108-354. The House and the Senate approved the final H.R. 1588 on November 7 and 12, 2003, respectively. The bill was presented to the President for enactment on November 24, 2003.

Division A – Department of Defense Authorizations
Title II – Research, Development, Test, and Evaluation
Subtitle D - Other Matters

Section 231. Global Research Watch Program in the Office of the Director of Defense Research and Engineering

- Amends Chapter 139 of 10 U.S.C. by inserting a new Section 2365 establishing the **Global Research Watch Program** directing the Director of Defense Research and Engineering (DDRE) to carry out this new program. The program goals include:
 - To monitor and analyze the basic and applied research activities and capabilities of foreign nations in the areas of military interest, including allies and competitors,
 - To provide standards for comparison and comparative analysis of research capabilities of foreign nation in relation to the research capabilities of the U.S.,
 - To assist Congress and DoD officials in making investment decisions for research in technical areas where the U.S. may not be the global leader,
 - To identify areas where significant opportunities for cooperative research may exist,
 - To coordinate and promote the international cooperative research and analysis activities of each of the armed forces and Defense Agencies, and
 - To establish and maintain an electronic database on international research capabilities, comparative assessments of capabilities, cooperative research opportunities, and ongoing cooperative programs.
- The program shall be focused on research and technologies at a technical maturity level equivalent to DoD basic and applied research programs.
- The Military Department Secretaries and directors of defense agencies shall provide DDRE such assistance as the Director may require for purposes of this program.
- The database shall be maintained at the unclassified level but, as determined necessary by DDRE, a classified level may be established.
- The requirement to carry out this program under this new section shall terminate on September 30, 2006.

Title III – Operation and Maintenance

- Section 301 (18) authorizes the FY 2004 appropriation of \$59,000,000 for **Overseas Humanitarian, Disaster, and Civic Aid Programs**. P.L. 108-87 appropriated this same figure.
- Section 301 (19) authorizes the FY 2004 appropriation of \$450,000,000 for **Cooperative Threat Reduction (CTR) Programs**. P.L. 108-47 appropriated this same figure.

Subtitle D – Other Matters

Section 341. Cataloging and Standardization for Defense Supply Management

- Amends 10 U.S.C. 2451 with a subsection d that the Secretary shall coordinate with the Administrator of General Services to enable the use of commercial identifiers for commercial items within the **Federal Cataloging System**.

Title V – Military Personnel Policy

Subtitle A – Officer Personnel Matters

Section 503. Repeal of Required Grade of Defense Attaché in France

- Repeals 10 U.S.C. 714 so that the officer selected to be the defense attaché in Paris no longer has, or a selectee, to be a brigadier general or rear admiral (lower half).

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- This was a requirement from Section 597(a), P.L. 105-85, November 18, 1997.

Section 509. Secretary of Defense Approval Required for Practice of Wearing Uniform Insignia of Higher Grade Known as Frocking

- Amends 10 U.S.C. 777(b) with a new subsection (3) requiring the Secretary of Defense, or a civilian officer within the OSD whose appointment was made with the advice and consent of the Senate and to whom the Secretary delegates such approval, to approve the **frocking of a selectee to O-7 or above**. The Secretary must also submit a written notification to Congress of the intent to authorize the frocking thirty days prior to the event. This does not apply to any authorized frocking that took place before the enactment of this Act.

Title VI – Compensation and Other Personnel Benefits

Subtitle A – Pay and Allowances

Section 606. Temporary Increase in Authorized Amount of Family Separation Allowance

- Amends 37 U.S.C. 427 to authorize the **monthly FSA** of \$250 during the period 1 October 2003 to December 31, 2004.

Subtitle B – Bonuses and Special Incentive Pays

Section 619. Temporary Increase in Authorized Amount of Hostile Fire and Imminent Danger Special Pay

- Amends 37 U.S.C. 310 to authorize the subject pay to \$225 during the period October 1, 2003 to December 31, 2004.

Section 620. Retroactive Payment of Hostile Fire or Imminent Danger Pay for Service in Eastern Mediterranean Sea in Operation Iraqi Freedom

- Authorizes the Secretary of Defense to provide the subject pay to members during the period March 19, 2003 to April 11, 2003 in the **Mediterranean Sea** east of 30 degrees East Longitude (sea area only) in connection with Operation Iraqi Freedom.

Title IX – Department of Defense Organization and Management

Subtitle A – Duties and functions of Department of Defense Officers and Organizations

Section 902. Combatant Commander Initiative Fund

- Amends 10 U.S.C. 166(a) changing the CINC Initiative Fund to read **Combatant Commander Initiative Fund**.

Subtitle C – Department of Defense Intelligence Components

Section 921. Redesignation of National Imagery and Mapping Agency as National Geospatial-Intelligence Agency

- Amends 10 U.S.C. 467 changing the National Imagery and Mapping Agency (NIMA) to read National Geospatial-Intelligence Agency (NGA)

Title X – General Provisions

Section 1006. Reimbursement Rate for Certain Airlift Services Provided to the Department of State

- Amends 10 U.S.C. 2642(a) authorizing the Secretary of Defense to use the DoD reimbursement rate for military airlift services provided by a DoD component for the **transportation of armored motor vehicles** to a country associated with the overseas travel of the Secretary of State in that country.

Section 1007. Limitation on Payment of Facilities Charges Assessed by Department of State

- Effective October 1, 2003, funds appropriated for DoD may be transferred to the Department of State as remittance for a fee charged to DoD by the Department of State for any

year for maintenance, upgrade, or construction of U.S. diplomatic facilities only to the extent that the amount charged, when added to other amounts previously so charged for that fiscal year, exceeds the total amount of the unreimbursed costs incurred by DoD during that year in providing goods and services to the Department of State.

Section 1021. Expansion and Extension of Authority to Provide Additional Support for Counter-Drug Activities

- Amends Section 1033 of the *National Defense Authorization for Fiscal Year 1998*, P.L. 105-85, November 18, 1997, authorizing the governments of **Afghanistan, Bolivia, Ecuador, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan** to receive the subject support.

- The amendment also changes the authorized amount of support to read “\$20,000,000 during any of the fiscal years 1999 through 2003 or \$40,000,000 during any of the fiscal years 2004 through 2006”

- The amendment also strikes the countries of Peru and Colombia and inserts other countries.

Section 1023. Use of Funds for Unified Counterdrug and Counterterrorism Campaign in Colombia

- Authorizes the use of FY 2004 DoD funds to provide assistance to the government of **Colombia** to support a unified campaign by Colombia against narcotics trafficking and against activities by organizations designated as terrorist organizations such as the Revolutionary Armed Forces of Colombia (FARC), the National Liberation Army (ELN), and the United Self-Defense Forces of Colombia (AUC).

- No U.S. armed forces personnel, U.S. civilian employees, or U.S. civilian contractor personnel employed by the U.S. may participate in any **combat operation** in connection with assistance provided by this Section except for the purpose of acting in self defense or of rescuing any U.S. citizen, including any U.S. armed forces personnel, U.S. civilian employee, or civilian contractor employed by the U.S.

Title XII – Matters Relating to Other Nations

Subtitle B – Matters Relating to Export Protections

Section 1211. Review of Export Protections for Military Superiority Resources

- The Secretary of Defense shall carry out a review to:
 - Identify goods or technology, as defined by Section 16 of the *Export Administration Act of 1979*, that, if obtained by a potential adversary, could significantly undermine the U.S. military superiority or qualitative military advantage over potential adversaries or otherwise contribute to the acquisition of weapons of mass destruction and their delivery systems, and;

- Determine whether any of the items or technologies identified are not currently controlled for export purposes on either the *Commerce Control List* (CCL) or the *U.S. Munitions List* (USML).

- A report of this review shall be submitted to the congressional armed services committees not later than March 1, 2004.

- An update of this report shall also be submitted annually for the next two years.

Section 1212. Report on Department of Defense Costs Relating to National Security Controls on Satellite Exports

- The Inspector General of the DoD shall conduct a study of the costs incurred by DoD for each fiscal year from FY 1999 through FY 2003 relating to national security controls on **satellite**

exports pursuant to Section 1514 of the *Strom Thurmond National Defense Authorization Act for Fiscal Year 1999*, P.L. 105-261, October 17, 1998, in connection with licenses for the export of satellites and related items. Refer to *The DISAM Journal*, Spring 1999, p. 47, for additional information on this requirement. This report is to be provided not later than April 1, 2004 to the congressional armed services committees.

Subtitle C - Administrative Requirements and Authorities

Section 1221. Authority to Use Funds for Payment of Costs of Attendance of Foreign Visitors under Regional Defense Counterterrorism Fellowship Program

- Amends Subchapter I of Chapter 134 of Title 10 U.S.C. with a new 10 U.S.C. 2249c, authorizing the use of DoD funding not to exceed \$20,000,000 annually to pay for any costs associated with the attendance of foreign military officers, ministry of defense officials, or security officials at U.S. military educational institutions, regional centers, conferences, seminars, or other training programs conducted under the Regional Defense Counterterrorism Fellowship Program, including costs of transportation and travel and subsistence costs. There is to be an annual report submitted to Congress regarding this program conducted during the previous fiscal year.

Section 1222. Recognition of Superior Noncombat Achievements or Performance by Members of Friendly Foreign Forces and Other Foreign Nationals

- Amends Chapter 53 of Title 10 U.S.C. with a new 10 U.S.C. 1051b, authorizing the Secretary of Defense to present awards and mementos purchased with DoD funding to for the subject recognition of foreign military or civilian nationals that significantly enhance or support the National Security Strategy of the U.S.

Section 1223. Expansion of Authority to Waive Charges for Costs of Attendance at George C. Marshall European Center for Security Studies

- Amends Section 1306(b)(1) of the *National Defense Authorization Act for Fiscal Year 1995*, P.L. 103-337, October 5, 1994, for waiving student costs at the Center by expanding the eligibility from NATO or Partnership-for-Peace countries to countries located in Europe or the territory of the former Soviet Union.

Section 1225. Depot Maintenance and Repair Work on Certain Types of Trainer Aircraft to be Transferred to Foreign Countries as Excess Aircraft

- The Secretary of Defense shall make all reasonable efforts to endure that T-2 Buckeye and T-37 Tweet trainer aircraft receives necessary depot maintenance and repair work in the U.S. before transfer as **excess aircraft**. This work shall be at no-cost to DoD.

Title XIII - Cooperative Threat Reduction with States of the former Soviet Union

Section 1302. Funding Allocations

- Table 12 displays the Cooperative Threat Reduction program funding authorizations for FY 2004.

Table 12
Cooperative Threat Reduction Program Authorizations FY 2004 Funding
(in millions)

Program	Authority
Strategic Offensive Arms Elimination in Russia	\$57,600,000
Strategic Nuclear Arms Elimination in Ukraine	3,900,000
Nuclear Weapons Transportation Security in Russia	23,200,000
Nuclear Weapons Storage Security in Russia	48,000,000
Activities Designated as Other Assessments/Admin Support	13,100,000
Defense and Military Contacts	11,100,000
Chemical Weapons Destruction in Russia	200,300,000
Biological Weapons Proliferation Prevention in the former Soviet Union	54,200,000
Weapons of Mass Destruction Proliferation in the States of The Former Soviet Union	<u>39,400,000</u>
Total CTR Program Authorization	\$450,800,000

Conclusion

This year's article includes the description and analysis of six separate pieces of legislation and one treaty ratification that affected security assistance. The Administration's request for FY 2004 funding was provided with a fourteen percent growth in IMET funding. However, the delay in receiving the appropriation and allocation until the second quarter of the affected fiscal year has a negative impact on the security assistance community. This year witnessed the community receiving an emergency supplemental appropriation before receiving its annual appropriation. For the first time since FY 2000, the security assistance program did not have a specific authorization act.

Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2004, Division D, P.L. 108-199, January 23, 2004, initially appropriated \$6,611,600,000 for the FY 2004 security programs; however, Division H of the same law directed an across-the-board rescission of 0.59 percent which amounted to \$39,009,000 causing the final appropriation for ESF, FMFP, IMET, and PKO to total \$6,572,591,000 for the year. The *Emergency Supplemental Appropriations Act for Defense and the Reconstruction of Iraq and Afghanistan, 2004*, P.L. 108-106, November, 6, 2003, separately appropriated an additional \$287,000,000 for FMFP, \$972,000,000 for ESF, and \$50,000,000 for PKO for ongoing operations in Southwest Asia. Section 133 of the first continuing resolution (CR) for FY 2004, *Continuing Appropriations for the Fiscal Year 2004, and for Other Purposes*, P.L. 108-84, September 30, 2003, also separately authorized a non-appropriated FMFP loan of \$555,000,000 of support the Czech Republic purchase of U.S. aircraft.

Other than funding, the most significant change in foreign military sales and direct commercial sales procedures for FY 2004 was the addition of seven new NATO members bringing the total membership to twenty-six countries. The Senate *Protocols to North Atlantic Treaty of 1949 on Accession of Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia, and Slovenia*, Treaty Number 108-4, 8 May 2003, followed later with a Secretary of State hosted-ceremony on March 29, 2004 in Washington, D.C., allowed Bulgaria, Estonia, Latvia, Lithuania,

Romania, Slovakia, and Slovenia to be eligible for the special NATO security assistance considerations authorized by the *Foreign Assistance Act* and the *Arms Export Control Act*.

Security assistance programs continue to be a principal U.S. tool for building and reinforcing alliances and coalitions throughout the world. U.S. support of coalition operations in the Middle East and Southwest Asia continues to include the significant security assistance element of security cooperation to achieve U.S. foreign policy objectives and the success of U.S. ongoing and future military operations.

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This article has been placed on the DISAM web page by Donna Fell-Bourelle for future reference. It is located at <http://www.disam.dsca.mil/pubs/USG/USGPub.htm> along with other security assistance related material to include the legislation articles from prior fiscal years.

About the Author

Ken Martin has been at DISAM for over fifteen years as an associate professor for the management of security assistance. In addition to teaching, his duties include being the legislation and policy functional manager and the editor for the annually republished DISAM "green textbook," *The Management of Security Assistance*. He is a retired U.S. Navy surface warfare officer. His education includes an undergraduate degree in the field of economics from the Illinois Institute of Technology in Chicago and a masters degree in administration from Central Michigan University

LEGISLATION AND POLICY

Freedom, Health, and Prosperity: America's Agenda for the 21st Century

**By
Paula J. Dobriansky
Under Secretary of State for Global Affairs**

[The following are excerpts of the remarks to the Helms International Diplomacy Lecture, Washington, D.C., March 15, 2004.]

While global institutions and America's foreign policy were always prominent concerns of Senator Helms, at times it may have been a struggle to persuade the American people that these institutions and our relationship with them should be a prominent concern. After September 11, 2001 Americans will never doubt that America's ability to lead and project its power at a global level and with global institutions is essential to our security at home. Today, I would like to talk about the complex area that Senator Helms helped shape over his thirty years in the United States Senate: American foreign policy especially from my vantage point as Under Secretary for Global Affairs and ways in which we engage international organizations like the United Nations in achieving our foreign policy goals. The primary objective of our foreign policy of any country's foreign policy is to promote the national interest. This means, first and foremost, defending America, our allies and our friends from foreign threats. It also means promoting conditions abroad that minimize those threats and create a climate in which Americans and all people can live in a world that is peaceful, free, and prosperous.

In the wake of September 11, 2001 no speech on American foreign policy or foreign relations can begin without discussing the implications of that tragic day. Osama bin Laden and his terrorist network did not just launch a despicable attack on the American people. At a more fundamental western countries and the Islamic world to live in peace and prosperity. As Secretary of State Colin Powell aptly stated, "This attack was not an assault on America. It was an assault on civilization; it was an assault on democracy; it was an assault on the right of innocent people to live their lives."

As we fight the War on Terror, this Administration has brought an even sharper focus to transnational issues. This Administration understands that many of these issues are central to the War on Terror and precursors to larger problems, and that an approach favoring early prevention is preferable over a later and costly one. Our approach has been one of striking the proper balance between the immediate necessities of the war and the longer-term approach of addressing global issues like narcotics trafficking, environmental issues, humanitarian assistance, and law enforcement issues, to name a few. When Congress established the position of Under Secretary for Global Affairs in the early 1990s, it acknowledged the rapid growth in the number and importance of transnational issues that transcend multiple borders and impact entire regions or the whole world and the effects of that growth on our foreign policy. The importance and impact of these global issues continues to increase. In fact, just before President Bush took the oath of office, the National Intelligence Council released a report titled *Global Trends 2015* that predicts an even greater role for many transnational or global issues in shaping the 21st century.

The National Intelligence Council report cited population changes, the environment, science and technology, globalization, and governance, among others, as key issues that will profoundly affect the world in which we live. Many of these issues used to be looked at as individual problems that were not necessarily related to one another, much less to our foreign policy and national security. But we increasingly find that they can be critical to us and that managing them requires active engagement with other nations through a variety of means.

For example, the report projected that populations will continue to grow, mainly in rapidly expanding urban centers. Uncontrolled growth will likely lead to increased poverty and disillusionment among the young. Poverty does not make poor people into terrorists. Poverty, weak institutions, and corruption can make weak states vulnerable to terrorist networks and drug cartels within their borders. Thus, addressing these looming issues is a matter of security and stability. Dealing with these issues on a daily basis, I know that we must be prepared to explore many different approaches to be successful. Sometimes that means working through the United Nations or other regional or international organizations. At other times, it means finding alternative cooperative approaches. But at all times, our guiding principle is to use the tools that are most effective and that are consistent with our American principles and Constitution.

Senator Helms summed up this approach when he became the first American senator to address the United Nations Security Council in early 2000. He said:

Most Americans do not regard the United Nations as an end in and of itself, they see it as just one part of America's diplomatic arsenal. To the extent that the United Nations is effective, the American people will support it. To the extent that it becomes ineffective or worse, a burden the American people will cast it aside.

I do not believe that Senator Helms comments intended to cast aside the United Nations or international cooperation, but to say that international institutions that expect the support of America and other countries must become more efficient and effective. Though America is the leader of the free world, it does not, and cannot, act alone. Virtually everything we do in the realm of foreign policy and national defense is collaborative in nature. Intelligence gathering, fighting international drug dealers and drug traffickers, enforcing non-proliferation agreements, and protecting the global environment, to name just a few, all require collaboration and cooperation from our allies. To the extent the United Nations (U.N.) can facilitate this international cooperation, it provides an invaluable contribution to the cause of freedom.

We remain committed to making the U.N. work. Senator Helms co-sponsored the *Helms-Biden Act*, which began the process of paying American arrears funds for the United Nations that had been withheld beginning in the 1980s. This was done in exchange for meaningful reforms that have transformed the United Nation's operations and improved its profile. The United Nations can be an important element of United States policy, but America has many effective alternatives at its disposal. Thus, in addition to the United Nations we often work through a number of formal and informal multilateral arrangements as well as bilateral contacts with individual governments.

Four important global issues illustrate how we have applied this Administration's approach to solving global problems through American leadership. Though I could talk about countless examples, four prominent ones where a proactive approach is producing results are human immuno deficiency virus and acquired immune-deficiency syndrome (HIV/AIDS), climate change, trafficking in persons, and democracy and human rights.

Despite the miracles of modern medicine, more people die each year of infectious diseases than are killed in wars. The HIV/AIDS epidemic is a critical global problem requiring urgent attention. It is not just a health issue it is an important foreign policy and security challenge.

Absent action on the part of the U.S. and the world community, AIDS will decimate populations in Africa, Asia, and the Caribbean, leaving in its wake the risk of failed or collapsed states where lawlessness and anarchy reign conditions ripe for violence, smuggling, and terrorist activity.

On May 11, 2001, President Bush made the first pledge to what would become the Global Fund to Fight AIDS, Tuberculosis, and Malaria. The U.S. government was a leader in the creation of the Global Fund. The Fund embodies a new way of doing business, bringing together diverse partners, including the public and private sectors, donors and recipients, and non-governmental organizations and affected communities, to mobilize resources for combating these diseases quickly and effectively. The United States leads the world in donations to the Fund with \$623 million in contributions to date and has pledged a total of \$1.97 billion from the inception of the Fund through 2008.

However, given the enormity of the challenge, and the prospect that HIV/AIDS will cause serious problems and potentially destabilize the worst affected countries, the President announced even more direct action in his 2002 State of the Union Address. The President's Emergency Plan for AIDS Relief, as it is called, brings unprecedented resources to bear against the disease. Utilizing \$15 billion over five years, the President's commitment is the largest in history by a single nation for an international health initiative. The President's Emergency Plan dramatically ramps up prevention, treatment, and care services through bilateral programs in fifteen focus countries most affected by HIV/AIDS. Together, these countries represent at least 50 percent of HIV infections worldwide. Overall, the plan will provide treatment to two-million HIV-infected people, prevent seven-million new HIV infections, and provide care to ten-million people infected and affected by HIV/AIDS, including orphans and vulnerable children.

This humanitarian aid represents America's commitment to compassion and our desire to help address the epidemics that tear at the fabric of societies. Our national interests are served by the fulfillment of our moral obligations. Tackling the issue of HIV/AIDS means doing our part to save lives and help maintain stability in the nations that are most affected by the disease. Failure to take action would mean an unimaginable number of deaths, and would create the prospect of collapsed or failed states that could cause serious problems for the regions in which they are located, and for the world. Our work with the United Nations, the Global Fund, and many countries bilaterally underscores our strong commitment to combating this global pandemic.

Environmental issues are another area where the United States is engaged in a global approach. We cannot fix global environmental problems by acting alone, but we will not go along with international agreements that will negatively impact our economy simply because they are international agreements. They must also sufficiently and effectively address the problem. We can and should adopt a leadership role, designed to bring our friends and allies to support sound environmental strategies that consider all of our long-term interests as a whole. Accordingly, the Bush Administration has approached the problem of climate change by working through the United Nations, other multilateral arrangements, and bilateral programs.

The Administration remains committed to the United Nations Framework Convention on Climate Change and shares its ultimate objective of stabilizing greenhouse gas concentrations in the atmosphere. We have been active participants in the annual Conference of the Parties to the Framework Convention; in fact, I attended the most recent meeting in Milan at the end of last year. I believe that the Framework Convention creates a useful forum for discussing the issues of climate change, and sharing a wide range of approaches for addressing it. The December 2003 meeting in Milan provided the United States and other countries the opportunity to exchange our different perspectives. However, all 194 parties to the Framework Convention, which includes developed and developing countries, do not see the challenge of climate change in the same way. Developing countries will soon be the largest emitters of greenhouse gas, yet they are not

included under the current Kyoto Protocol framework. We need to support mechanisms that address emissions equitably for countries at all stages of economic development. This is why the U.S. has embraced flexible and cost-effective strategies. To succeed in a sustainable way, we need to engage countries in ways that reflect their individual objectives and our common interests. We are acting now to revolutionize how the world produces and consumes energy in ways that can enhance people's quality of life, improve energy security, reduce air and water pollution and meet climate change challenges. In this way, we will move forward rather than sideways.

For example, we are partnering with various countries to move toward a hydrogen economy, to deploy the technology needed to capture and store carbon dioxide before it enters the atmosphere, to make fusion energy a reality, and to create the next generation of safe nuclear power plants. We are also collaborating with countries from around the world so as to develop a better understanding of the science of climate change. The United States spends \$1.7 billion every year on climate science and related research, more than the rest of the world combined.

These multilateral initiatives are undertaken by countries that bring real solutions to the table. They recognize that if key countries come together, cooperative efforts can achieve much more than individual actions. No less important, these initiatives are not limited to developed countries; we are also working closely with many developing countries, particularly those in which the adoption of new approaches can make the greatest difference in future emissions.

Fostering this sense of partnership and taking into account these nations' aspirations to build a prosperous future for their citizens is critical to a sustainable long-term approach to addressing climate change. The United States also works on climate through other international forums including the Organization for Economic Cooperation and Development, Asia-Pacific Economic Cooperation (APEC), the International Energy Agency, and the G8. And on top of all of this, we understand that in working bilaterally, it is critical to make use of the unique experiences and expertise of countries from different parts of the world. As a result, America has forged thirteen different bilateral relationships on climate and energy with countries and regional organizations, including the European Union. Together with the U.S., these nations account for over 70 percent of the global greenhouse gas emissions. The partnerships have resulted in joint projects on climate change science; clean and advanced energy technologies; and carbon capture, storage, and sequestration. Overall, our global climate change strategy is based upon a judicious mix of national, bilateral, and multilateral efforts, with a realistic assessment of the potential impacts on our national interests.

The crime of trafficking in persons is deplorable. It is a modern-day form of slavery, and it must end. While for too long these victims faced abuses without public awareness, now that the pervasiveness of this crime has come to light, we are acting decisively to end it. Congress voiced its concern about this issue by passing the bipartisan *Trafficking Victims Protection Act*. At the State Department, we now have an Office to Combat Trafficking in Persons, and the Secretary of State chairs a cabinet-level group to address trafficking issues. Each year, a comprehensive report is issued rating various nations' ability and willingness to confront this challenge. The data gathered provides an informed basis for making important decisions about allocation of U.S. aid and other forms of support to various countries. The report also provides an invaluable mechanism to pressure countries to improve their response.

In fiscal year 2003, the State Department provided funding to a variety of organizations for twenty-five noteworthy anti-trafficking programs around the globe. About half of these were directly affiliated with the United Nations, such as the International Labor Organization, United Nations International Children's Emergency Fund (UNICEF), and the United Nations Office on

Drugs and Crime. The other half involved non-U.N. organizations like the International Organization for Migration and the Asia Fund, an international non-governmental organization.

The U.N. has played a constructive role in fighting trafficking through a number of important international conventions, including the Protocol on Trafficking in Persons, the U.N.'s Transnational Crime Convention, and the International Labor Organization's Convention concerning the elimination of the worst forms of child labor. More than 100 governments have signed these documents. While fewer have ratified them, the conventions add momentum to our anti-trafficking efforts and draw greater attention to those nations that are not yet on board.

Since these victims are often bought and sold across countries and continents, the response must be coordinated and multilateral. This is one area where the United States must project its power and use its leverage to address a moral issue that is contrary to the fundamental tenet of our nation — that all people are created equal and free. There is one final global issue I would like to discuss. After tonight's event, I leave for Geneva to attend the annual session of the U.N. Commission on Human Rights. Respect for human rights a key measure of a nation's governance is one of the most important transnational issues because of its powerful effects on families and futures everywhere, and we realize that the promotion of international human rights has a direct effect on our domestic national security.

We know that terrorism at its core is about contempt for free societies. It is rooted in political oppression and sometimes religious fanaticism. Repressive regimes feed the discontent and alienation that terrorist organizations prey upon when recruiting for their immoral acts. The violation of human rights by repressive regimes provides fertile ground for popular discontent. In turn, this discontent is cynically exploited by terrorist organizations and their supporters. By contrast, a stable government that responds to the legitimate desires of its people and respects their rights, shares power, respects diversity, and seeks to unleash the creative potential of all elements of society is a powerful antidote to extremism.

The Declaration of Independence captured these ideals of equality more than 200 years ago, and we are increasingly working through international organizations to promote them around the world. The U.N. Charter and the Universal Declaration of Human Rights enshrine rights that are the foundation of freedom, justice, and peace in the world. They call for the inherent dignity and of the equal and inalienable rights of all members of the human family.

The United Nations Commission on Human Rights is intended to be a place for nations to speak out in favor of these universal principles and condemn those who repeatedly and egregiously violate them. Unfortunately, in the past, the Commission has failed to do this in a sufficiently forceful manner. Worse, the forum has at times been populated by non-democratic states that routinely violate their citizens rights and whose participation undermines and contradicts the very purpose of the organization.

But rather than abandoning the Commission and a potentially valuable channel through which to promote our ideals, we are working hard to improve its performance most notably by joining other free nations in advocating the creation of a democracy caucus. We believe a caucus of other free nations with representative governments could make a real difference in shaping the voice of the Commission and in the U.N. more broadly. The caucus provides an opportunity for those nations who share principles of tolerance, free expression, and free elections to speak as a unified moral voice for more free and open societies around the world. We are also pressing the issue of human rights and democracy through other multilateral instruments. Our flagship effort in this regard is the Community of Democracies, a global network in which new and old democracies gather to strengthen representative government, to share experiences, to help one another, and to coordinate policies in areas of common interest. Well over one hundred free nations have come

together first in Warsaw in 2000 and then again in Seoul in 2002 to reaffirm their commitment to consolidating their own democratic institutions and working with other countries to help them along the path of democratization. In Seoul, a six-point Plan of Action was enacted. It calls for action within global regions, working together to respond to threats to democracy, educating people about democracies, promoting stronger democracies through good governance, building stronger civil societies through volunteerism, and coordinating democracy assistance. The next gathering of the Community of Democracies will take place in 2005 in Chile.

The goal of the Community is to achieve practical results that directly benefit democracies and to refocus other international organizations on the ideals of liberty and self-determined government, which are frequently espoused but less frequently attained. Our significant and long-term challenge is to ensure that the global environment is safe and protected, that freedom is maximized, and that the opportunity for success is available to all.

One of the conclusions of the National Intelligence Council's *Global Trends 2015* report was that regions, countries, and groups feeling left behind will face deepening economic stagnation, political instability, and cultural alienation. They will foster political, ethnic, ideological, and religious extremism, along with the violence that often accompanies it.

In other words, the way we address these issues now will inherently shape America's security and the global environment in the coming decades. Global trends related to governance, the environment, population, and other issues transcend borders and call out for strong American engagement and leadership. At this time in history, America must lead, both to preserve our freedoms, and to guarantee the hope and opportunity of freedom for the rest of the world.

After all, our foremost goal even in the War on Terror is not just fighting against terrorism; it is fighting for civilization and democracy. In working with other nations, through the United Nations and other international organizations, in a pragmatic, proactive, and cooperative way, we will secure our national interest and do our part to promote freedom, health, and prosperity in America and the world Senator Helms lifelong goal.

Remarks on the Country Reports on Human Rights Practices for 2003

By
Colin L. Powell
Secretary of State

[The following are excerpts of the speech presented to Congress in Washington, D.C., February 25, 2004.]

It is my pleasure to present the State Department's *Country Reports on Human Rights Practices for the Year 2003*. These congressionally mandated reports reflect the deep dedication of the United States to the cause of freedom worldwide. [The complete State Department's Country Report on Human Rights Practices is available at the following web site <http://www.state.gov/g/drl/hr/c1470.htm>.

As President Bush put it in his State of the Union Message in January: "Our aim is a democratic peace, a peace founded upon the dignity and rights of every man and woman."

A world in which human rights and fundamental freedoms are respected and defended is a world of peace in which tyrants and terrorists cannot thrive. President Bush regards the defense and advancement of human rights as America's special calling, and he has made the promotion of human rights an integral and active part of his foreign policy agenda. That is why the annual *Country Reports* are more than a valuable informational tool, they are a vital policy instrument. *The Country Reports* help us to identify and close gaps between principles and practices, between internationally agreed human rights standards and the actual enjoyment of such rights by a country's citizens. The United States is strongly committed to working with other governments and civil society around the world to expose and end existing human rights violations, and to foster the legal and democratic reforms that can prevent further violations from occurring.

We have done our utmost to ensure that these *Country Reports* are accurate and objective. We trust that they will provide as useful set of a information to other governments as they do for our own government. And we hope that they will further the cause of courageous men and women across the globe who work for human rights and democratic freedoms within their own countries and throughout the international community. The past year saw important strides for human rights and democratic freedoms. I will cite only a few. When last year's *Country Reports* were issued, United States (U.S.) forces and our coalition partners were fighting in Iraq against an outlaw regime which had flouted twelve years of United Nations Security Council resolutions, not least of all resolutions on human rights. Today, Iraq no longer threatens international peace and security. Saddam Hussein's torture chambers have been put out of business. Mass graves no longer await his victims.

And we are working intensively with our coalition partners and the United Nations to help the Iraqi people achieve a united, stable country, and move toward democracy and prosperity under a representative government that respects the rights of all of its citizens. In 2003, an Afghanistan freed from the dual tyranny of the Taliban and the terrorists established a new constitutional order which recognizes fundamental freedoms, including the rights of women and minorities. Now, in both Iraq and Afghanistan, we are working to ensure that respect for fundamental freedoms, the rule of law, and democratic norms are built into international reconstruction efforts and put into practice by the new leaderships.

In 2003, NATO and the European Union prepared to welcome new members who over the past decade have embraced democracy and accepted international human rights standards and mechanisms. Having benefited from over ten years of U.S. democracy support efforts, the people

of Georgia charted a peaceful course to responsive and representative government. Last year, in furtherance of President Bush's United States and Middle East Partnership Initiative, we worked across the region to assist political, economic and social reformers. Those seeking freedom in the Middle East began to receive the same support that we have long provided to citizens of Latin American, Central European, Asian and African countries.

In 2003, the United States Congress passed the President's Millennium Challenge Initiative, a revolutionary initiative, the most substantial international development assistance effort since the Marshall Plan. In the years ahead, the Millennium Challenge effort will act as a powerful spur to improved human rights performance, since funding from that initiative will only go to those developing countries that govern justly, promote economic freedoms, and invest in their people, especially the rights of their people.

Indeed, throughout the globe in 2003, the United States helped to build democratic institutions, promote good governance and strengthen civil societies by supporting the rule of law, independent media, religious liberty and the rights of minorities. We defended the rights and enhanced the political, social and economic standing of women. And we led the international effort against human trafficking. Yet, even a cursory reading of the *Country Reports for 2003* confirms that many too many governments across the globe still violate the most basic rights of their citizens. As President Bush put it in his speech to the National Endowment for Democracy last November:

These regimes cannot hold back freedom forever and, one day, from prison camps and prison cells, and from exile, the leaders of new democracies will arrive . . . and we will stand with oppressed peoples until the day of their freedom finally arrives.

Promoting Democracy and Human Rights

By

Paula J. Dobriansky

Under Secretary of State for Global Affairs

[The following are excerpts of the remarks at a High-Level Segment of the United Nations Commission on Human Rights, Geneva, Switzerland, March 16, 2004.]

Distinguished colleagues, I am pleased to be here in Geneva to address the opening of the 60th Session of the United Nations Commission on Human Rights. As Under Secretary of State, I have devoted much attention to promoting democracy and human rights around the world — it is a struggle that is close to my heart. I have also had the chance to travel to countries where tyranny and abuse of human rights have given way to freedom and respect for the individual. Last month, I visited Afghanistan and met with many groups of women there. One need only see the hope and joy that comes from their newfound freedom and witness their nascent democracy, to know that the work we can do for human rights in this forum is worthy and of manifest importance. Whether or not we are effective can directly impact the lives of millions of people around the globe. The United Nations Commission on Human Rights should be a place for nations to speak out in favor of these universal principles and condemn those who repeatedly and egregiously violate them.

We are here to fulfill the responsibility bestowed on us by the people of our nations to stand up for the principles that men and women everywhere hold dear — the universal and inalienable rights to life, liberty, and security of person. These and other rights are spelled out clearly in the *Universal Declaration of Human Rights*, and there should be no doubt that they are indeed universal they are the God-given rights of everyone, everywhere. Each of our nations, in becoming a member of the United Nations and seeking membership on this Commission has pledged to uphold these sacred rights. But it is clear that there are many nations in the world that do not protect the high principles of the *Declaration*, just as it is clear to many that this Commission has not always fully lived up to its mandate to draw attention to human rights violations, call on abusers to end their practices, and help those on the path of change. Thus we have reached a time for choosing. Over the next several weeks, we can choose either to take seriously the mandate we have been given and stand up for those around the world who yearn for liberty like the Burmese and Cuban people whose aspirations are symbolized by Aung San Sun Kyi and Oswaldo Payá, or we can choose to find reasons for inaction or silence. Let us seize this opportunity. Now, we have the chance to do something great both for our own nations, and for people everywhere. Let us fight for the greatest asset of all freedom.

The *Universal Declaration* states that human rights abuses have outraged the conscience of mankind. It also notes that rectifying these abuses will promote the development of friendly relations between nations. Herein lies an often overlooked fact of the human rights debate. Standing up for the rights of the oppressed is not only an act of charity, nor is it solely an act of conscience. Democratic nations can promote their own interests by seeing to it that respect for human rights expands around the globe, because nations that cherish these values are far less likely to threaten the peace through aggression or internal instability. As freedom advances, all democratic nations become more secure.

That is why the Community of Democracies is such an important initiative. The Community is a global network that brings together new and old democracies to bolster representative government, to share experiences, and to coordinate policies in areas of common interests. It can help newly freed countries develop their democratic institutions and ensure that those still under the yoke of tyranny do not struggle alone.

President Bush has emphasized the responsibility that democracies have in advancing freedom throughout the world and has made liberty a cornerstone of U.S. foreign policy. The United States believes that countries can best develop when their citizens are free to realize their full potential. The world is safer when countries are governed by leaders that respect the rule of law and human rights.

As President Bush has said, "We believe that liberty is the design of nature; we believe that liberty is the direction of history. We believe that human fulfillment and excellence come in the responsible exercise of liberty. And we believe that freedom — the freedom we prize — is not for us alone, it is the right and the capacity of all mankind. That is why America and many other democratic nations will continue the fight for human rights." Over the past year, there have been some important achievements for human rights:

- In Kenya, an elected government made impressive strides.
- Qatar has a new constitution and its government has worked hard to increase political participation.
- Guatemala successfully completed its third peaceful and democratic transfer of power.
- Morocco's new family code dramatically improves the status of women.

By fulfilling our obligation to condemn human rights abuses in this Commission, we are not disengaging from or isolating the nations we criticize. On the contrary, the hallmark of effective diplomacy is candor. When it comes to human rights violations, we ought to be open and frank with each other especially in this forum. Offering criticism is not necessarily counterproductive; it can be an important step forward in recognizing problems and identifying solutions.

Ideas matter, but action is essential. Over the past two decades, freedom and democracy have taken hold around the globe. Millions of people who once lived in tyranny are now free. Freedom is not merely a Western concept reserved for a handful of states and people, but a universal right of mankind. Accordingly, this body should stand up for those who seek freedom around the world, such as the Tibetans who seek cultural and religious autonomy, and the Belarussians who long to join a free Europe.

Apartheid in South Africa ultimately ended in large measure due to international pressure. Can anyone in this room seriously argue that the people of South Africa would be better off had the international community not spoken out forcefully against apartheid? The Commission passed its first country specific resolution on South Africa. It agreed on the need to highlight human rights abuses there. Today, we see the result millions of freed South Africans.

Those of us who have struggled for and have gained freedom, respect human rights, and know what good governance and democracy mean must stand up for those activists who seek freedom around the world. As members of the United Nations Commission on Human Rights, it is our responsibility. We are prepared to stand together with other democracies to ensure that the democratic values and principles that govern our countries are protected and promoted in this body.

The United Nations Commission on Human Rights should be a place for nations to speak out in favor of these universal principles and condemn those who repeatedly and egregiously violate them. Here, in Geneva, we have the opportunity, the privilege, the obligation, to make a real difference in the lives of millions of people. In doing so, we serve not only them, but we can make the world a better, safer, more prosperous place for every nation. As members of this Commission, we have a decision to make. I urge this session to do the right thing. Let us back up our words of support for human rights with real action.

New Developments in the United States Approach to Landmines

By
Lincoln P. Bloomfield, Jr.,
Assistant Secretary of State for Political-Military Affairs

[The following are excerpts of the *On-The-Record Briefing*, Washington, D.C., February 27, 2004.]

I wish to announce the President's policy decisions and initiatives relating to landmines. There are several elements, but the thrust of the policy is that the United States will now accelerate, by its example, diplomacy and resources, the effort to end the humanitarian crisis caused by live landmines left behind in former conflict areas all over the world. More specifically, under the new policy, the United States is committed to eliminate persistent landmines of all types from its arsenal by a date certain and is requesting a substantial increase in funding for our humanitarian mine action programs worldwide.

The President's policy serves two important goals: a strong push to end the humanitarian risks posed by landmines; and ensuring that our military has the defensive capabilities it needs to protect our own and friendly forces on the battlefield. The new policy demonstrates that our humanitarian and military goals are fully compatible; one does not have to be achieved only at the expense of the other. We can and will prevent unnecessary harm to innocent civilians and, at the same time, protect the lives of American service men and women.

The President's approach departs from landmine policy formulations of the past. It addresses squarely the condition that has caused the humanitarian crisis of civilian casualties and continued hazards in cities, towns and farmlands around the world. That condition is called persistence, referring to a live landmine that sits, ready to explode, for months, years, and often decades, after the conflict that led to its use has ended. We estimate that there are sixty million persistent landmines posing risks to innocent civilians in more than sixty countries today.

The President's policy applies to all persistent landmines, be they anti-personnel landmines or the larger anti-vehicle landmines. Let me spell out the four key elements of the President's new policy:

- The first element is the President's firm, specific and unconditional commitment that after 2010 the United States will not use persistent landmines of any type, neither anti-personnel nor anti-vehicle landmines. The United States becomes the first major military power to make this comprehensive commitment regarding all persistent landmines. Any use of persistent anti-vehicle landmines outside Korea between now and the end of 2010 will require Presidential authorization. The use of persistent anti-personnel landmines during this period would only be authorized in fulfillment of our treaty obligations to the Republic of Korea. In either case, use of these mines would be in strict accordance with our obligations under international agreements on the use of these weapons. Within two years, the United States will begin the destruction of those persistent landmines that are not needed for the defense of Korea.

- The second element of the new policy is a firm commitment that within one year the United States will no longer have any non-detectable landmine of any type in its arsenal. The United States becomes the first major military power to make a commitment covering all landmines to the internationally recognized level of eight grams iron ore equivalent of metal content, assuring reliable detection by humanitarian deminers using the standard equipment in use today.

- Third, the President has directed a concerted effort to develop alternatives to its current persistent landmines, both anti-personnel and anti-vehicle, incorporating enhanced self-destructing, self-deactivating technologies and control mechanisms, such as “man-in-the-loop” and on-off commands that would allow our forces to recover the munitions. These enhancements are to be brought forward within the decade.

- The fourth major element of this policy is the President’s decision to request from Congress a 50 percent increase in the budget for worldwide humanitarian mine action programs administered by the Department of State, starting in fiscal year 2005, measured against the fiscal year 2003 budget level, to a total level of \$70 million. Additionally, the Administration will soon solicit international support for a worldwide ban on the sale or export of all persistent mines, with exceptions only for training deminers or countermine personnel, improving countermine capabilities, and the like. The United States already has a statutory prohibition on transfers of anti-personnel landmines, and we will continue to obey the law.

The Administration came to this position in drawing from sixteen years of United States experience assisting mine-affected communities all over the world. The United States is already the world’s largest contributor to humanitarian mine action, having provided close to \$800 million to forty-six countries over the past decade for landmine clearance, mine risk education and survivor assistance. What we have seen, very simply, is that the landmines harming innocent men, women and children, and their livestock, are persistent landmines. Nor are these lingering hazards caused solely by the anti-personnel category of persistent landmines. We find that persistent anti-vehicle landmines are left behind following conflicts, posing deadly risks to innocent people and requiring remediation by ourselves and the many other parties engaged in humanitarian mine action.

And so the President’s policy focuses on the kinds of landmines that have caused the humanitarian crisis, namely persistent landmines, and it extends to all persistent landmines because the roads and fields we are helping to clear, in the Balkans, Africa, Asia and elsewhere, are infested with lethal anti-vehicle landmines in addition to the live anti-personnel landmines. Let me hasten to add that the President’s decision to end United States military use of persistent landmines after 2010 is not to draw a connection between our military and the harm being done to civilians in mine-affected countries. The deadly landmines being painstakingly uncovered by the deminers of many nationalities, hard at work in at least forty mine-affected countries today, are not mines left behind by United States forces, the only potential exception being United States mines left behind during the Vietnam conflict more than three decades ago. Rather, the worldwide humanitarian crisis is very much the product of persistent landmines used by other militaries or non-state actors who did not observe international conventions relating to the use of these munitions. The United States military already follows the strictures of the *Amended Mines Protocol* and the *Convention on Conventional Weapons*, which specifies obligations to mark, monitor and clear persistent minefields after hostilities end.

So the question may be, “Why impose restraints on the United States use of persistent landmines if these American munitions are not the ones contributing to the humanitarian crisis?” The answer is that the Administration recognized that persistent landmines used indiscriminately by so many others have created a serious crisis with at least 300,000 innocent victims, by most estimates, and a terrible burden on the international community to help mine-affected countries clear these mines and help their societies recover from conflict, particularly their landmine survivors.

Under the President’s policy, the United States will take even further measures to ensure these weapons do not threaten civilians by becoming the first major military power to adopt a policy ending use of all persistent landmines, and maintaining the international standard of detectability

for landmines of any kind. We are not seeking to impose our policy on other countries, but this policy correctly places the focus on the problems that can be caused by persistent landmines. We want to strengthen provisions in existing international arms control mechanisms relating to the use of persistent landmines of any kind, and compliance with the goal of ending the indiscriminate laying of persistent landmines anywhere in the world.

Now, as you may have inferred from the emphasis on persistence as the source of the humanitarian problem with landmines, there are other kinds of landmines on which the Administration's policy is not imposing restrictions. These munitions have reliable features that limit the life of the munition to a matter of hours or a few days, by which time it self-destructs. And in the unlikely event the self-destruct features fail, the battery will run out within ninety days, rendering it inert, and these batteries always expire. The evidence is clear that self-destruct and self-deactivate landmine munitions do not contribute to the grave risks of civilian injury that we find with persistent landmines that can and do, literally, wait for decades before claiming an innocent victim.

To illustrate this point, if all landmines ever used had been destroyed within hours or days of being deployed, and in any case rendered inert after ninety days, there would be no humanitarian landmine issue in the world today. We would not see an estimated 10,000 civilian casualties every year. Refugees would not resist returning to their villages and farms for fear of mine explosions, and we would not need to mount a global humanitarian mine action effort.

At this point, let me invite my Defense Department colleague, Dr. Joseph Collins to address the military requirements aspect of the President's policy.

Ladies and gentlemen, the Office of the Secretary of Defense, the joint staff of our military services were active partners in the development of the policy that Secretary Bloomfield has outlined for you today. Let me say just a few words about the military aspects of landmines. The United States military forces presently carry a very large burden of security missions around the world. Recent history has shown that we cannot predict with confidence where, or against whom, our forces may be engaged in hostilities.

It is the considered judgment of our senior military commanders that they need the defensive capabilities that landmines can provide. These capabilities enable a commander to shape the battlefield to his or her advantage. They deny the enemy freedom to maneuver his forces. They enhance the effectiveness of other weapons systems, such as small arms, artillery or combat aircraft. They act as force multipliers, allowing us to fight and win with fire with fewer forces, rather, against numerically superior opponents; and they also protect our forces, saving the lives of our men and women in uniform. At present, no other weapon system exists that provides all of these capabilities.

As Assistant Secretary Bloomfield mentioned, the President's policy calls for the development of more sophisticated, counter-mobility and tactical barrier capabilities in the future. But the United States Armed Forces will retain the ability to use self-destruct, self-deactivate landmines.

In sum, the President's policy strikes an appropriate balance that accommodates two important national interests: It takes significant and comprehensive steps, by our example and by the increased commitment of funds backed by a strategic plan, toward surmounting the global problem caused by persistent landmines, while at the same time meeting the needs of our military for defensive capabilities that may save American and friendly forces' lives in combat. Many Americans, and others, upon hearing of the new United States policy, will ask how the United States policy relates to the *Ottawa Treaty* banning anti-personnel landmines of all kinds. And

while we have no desire to revisit or revive policy disagreements of the previous decade, we will not become a party to the *Ottawa Treaty*.

The *Ottawa Convention* offers no protection for innocent civilians in post-conflict areas from the harm caused by persistent anti-vehicle landmines, and it would take away a needed means of protection from our men and women in uniform who may be operating in harm's way. We are hopeful that Americans will support the President's judgment that focusing on persistent mines, both anti-vehicle and anti-personnel landmines, addresses the root of the humanitarian crisis, which is indiscriminately used persistent landmines of all types.

With that in mind, we will work with other nations within the treaty provisions of the *Convention on Certain Conventional Weapons* to seek the end — to end the discriminate use — indiscriminate use of all landmines.

As a final note, it should be clear that the President's decision to increase substantially our humanitarian mine action funding is a positive call to action in cooperation with all our partners in humanitarian mine action. This \$70 million Mine Action Program will be conducted on the basis of a comprehensive strategic plan with clear measures of performance. The intent is to provide relief to mine-affected areas of greatest humanitarian need and to accelerate their progress toward being declared mine safe. We recognize that among the nations dedicated to mine action, there may be differing perspectives on landmine policy, based on respective national equities involved. But it is a high priority for this Administration to have effective coordination and partnership among donor nations, the United Nations and the international non-government organization community. We should never let policy debates stand in the way of the strongest, most comprehensive and energetic possible global effort to help mine-affected countries and their people overcome the burdens of persistent landmines still waiting to claim new victims under their feet.

There are many Americans, and a large international community of people and organizations, who have dedicated tremendous effort to address this humanitarian crisis in recent years, and we respect and appreciate them all. In conclusion, as we carry out these policy and program initiatives directed by the President, we look forward to working with the Congress, our private partners in humanitarian mine action, and the international community to accelerate progress in ending this terrible problem around the world once and for all.

National Security, Emerging Threats and International Relations

By

Margaret DeBardeleben Tutwiler
Under Secretary of State for Public Affairs

[Testimony before the House Committee on Government Reform Subcommittee on National Security, Emerging Threats and International Relations, Washington, D.C., February 10, 2004.]

I experienced September 11, 2001, and all that has come afterwards from the perspective of living and working in an Arab Muslim country in North Africa. In Morocco, a strong ally of the United States and a nation of thirty million Muslims, regrettably, as in many nations today, too many of their citizens have a different view of the United States than we would desire. Much of what I learned about foreign views of our country was from listening, engaging and interacting with Moroccans from all walks of life, and much of what I learned was troubling and disturbing. I would never have known how our country is really viewed both the positives and the negatives had I not been serving overseas for the last two turbulent years.

In the two months that I have been serving as the Under Secretary for Public Diplomacy and Public Affairs, I have gained a greater understanding and appreciation of what the Under Secretary's office, our three bureaus, the public diplomacy offices of the regional bureaus, and our overseas posts do in the field of public diplomacy. Over the past two years, much has been written and debated about the effectiveness or ineffectiveness of the U.S. government public diplomacy activities and programs overseas. Helpful and responsible reports by Ambassador Ed Djerejian's Advisory Group, Dr. Abshire's Center for the Study of the Presidency, the Council on Foreign Relations, and the Heritage Foundation have served to help us examine that which our government does well and that which can be improved. Many of their insights and recommendations we can all agree upon.

As we all know, unfortunately, our country has a problem in far too many parts of the world today, especially in the Middle East and South East Asia, a problem we have regrettably developed over many years through both Republican and Democratic administrations, and a problem that does not lend itself to a quick fix or a single solution or a simple plan. Just as it has taken us many years to get into this situation, so too will it take many years of hard focused work to get out of it. I believe our strategic goals are clear. We need to continue to focus on those areas of the world where there has been a deterioration of the view of our nation. That deterioration is most stark in the Arab and Muslim world. At the same time, we must work equally as hard in those areas where the opinion of the United States has not changed to date.

We should listen more, not only to foreign audiences, but to our own public diplomacy personnel overseas. Shortly, all public diplomacy officers will be able to communicate and share new ideas amongst ourselves and across all regions through a new interactive website devoted to the concerns of public diplomacy. Effective policy advocacy remains a priority, and I believe we basically do a good job of advocating our policies and explaining our actions. Audiences may not agree or like what we say and do, but we are communicating our policies to governments and influential elites, including in the foreign media. Our senior officials, Ambassadors and embassy staff are out there explaining U.S. policy, goals, and initiatives. We can all, of course, do better. We must do a better job of reaching beyond the traditional elites and government officials. We have not placed enough effort and focus on the non-elites who, today much more so than in the past, are a very strong force within their countries. This must be a priority focus now and in the future.

We only have to look at the outreach activities of many U.S. corporations overseas to see the value of being present and engaged in neighborhoods that we in government have for too long neglected. We need to support those programs and activities that go to the bottom line of halting and reversing this deterioration. We need to constantly ask ourselves, Is this activity or program still effective in today's world? If it is, we should keep it? If it is judged to no longer contribute, then we should let it go. Developing effective mechanisms for evaluating program impact and effectiveness is a priority. We must continue to pursue new initiatives and improve older ones in the hopes of reaching younger, broader and deeper audiences. I believe we can all agree that programs that bring Americans and foreigners together, whether in person or even in a video or press conference, create greater understanding.

As Under Secretary, I would like to see us expand our exchange programs however we can. Last year, the State Department directly sponsored over 30,000 academic, professional and other exchanges worldwide. Exchange programs constitute the single largest part of the State Department public diplomacy budget, \$316,633,000 in fiscal year 2004, which regrettably is \$28,713,000 less than the President's request including a rescission of \$3,367,000. Within this amount, we must set priorities.

Allocation of exchange resources already reflects the priority of the Arab and Muslim world. Twenty-five percent of funding for exchanges will go to programs in the Middle East and South Asia in fiscal year 2004, compared to 17 percent in fiscal year 2002. We have restarted the Fulbright program in Afghanistan after a twenty-five year hiatus. Twenty Afghan Fulbrighters will arrive next month. Just a few days ago, twenty-five Iraqi Fulbright students arrived here for orientation prior to beginning their regular studies.

Through our School Internet Connectivity Program, 26,000 high school students from the Middle East, South Asia, South East Europe, Central Asia and the Caucasus currently collaborate in online projects on current affairs, entrepreneurship, health, and civic responsibility with U.S. students. Expanding the circle of opportunity is the concept behind Partnerships for Learning (P4L), an initiative of the Bureau of Educational and Cultural Affairs (ECA), which seeks to extend our exchange programs to undergraduate college students and also high school students. P4L has initiated our first high school exchange program with the Arab and Muslim world. Today, 170 high school students from predominantly Islamic countries are living with American families and studying at local high schools. Another 450 high school students from the Middle East and South Asia will come here in 2004 for the next academic year. Small numbers, but a beginning.

In addition, 70 undergraduate students — men and women — from North Africa and the Middle East will come to the U.S. beginning next month for intensive English language training prior to their enrollment in university degree programs. In other forms of engagement, since September 11, 2001, the Bureau of Public Affairs has organized over 1,000 digital video conferences between American officials and experts and foreign audiences. In the past year, we facilitated nearly 500 interviews and press conferences with senior officials from the Department of State for foreign media outlets.

Public Affairs worked with our embassy in Jakarta to broadcast this year's State of the Union Address live, with simultaneous interpretation in Bahasa Indonesian. Print and broadcast media covered the address extensively. One national radio station carried the entire broadcast live, reaching millions in this predominately Muslim nation. These are exactly the kinds of initiatives I believe we should be pursuing. A new initiative which I am exploring is the idea of micro-scholarships for English learning and to attend our American Schools overseas. The U.S. has been incredibly successful with micro-credits for entrepreneurs and small businesses. Why not take that same concept and apply it to education and English language learning?

Another program which holds promise is American Corners. In recent years we have had good results from our American Corners program which as you know constitutes partnerships between our embassies and local institutions like libraries, universities and chambers of commerce. These corners are a source for information outreach at the grassroots level. We currently have more than 100 American Corners around the world. In fiscal year 2004, we are planning on opening 194 more in 64 countries. Of these 194, we will establish 58 in the Middle East and South Asia, including ten in Afghanistan and fifteen in Iraq. Just last month, we opened two new American Corners in Bosnia, Herzegovina, in Zenica and Tuzla, cities with sizeable Muslim populations and religious teaching centers.

Virtual consulates, could be another tool for reaching wide audiences. The virtual consulate concept is a commitment by personnel in a U.S. mission overseas to periodically travel to a chosen outlying district in order to make live personal presentations and informally mix with the people of the visited region. The travel is supported by a special website that celebrates connections between the Americans and the people and institutions of that region.

- **English Teaching:** To strengthen English teaching programs, ECA is devoting an additional \$1,573,000 to these programs. This is not enough, but it is a start. Whether through direct teaching or training instructors, English language programs offer great scope for advancing public diplomacy objectives. For example, over the past five years, Embassy Damascus estimates that it has trained over 9,000 of Syria's 12,000 English-language teachers, a excellent example of meaningful outreach.

- **Book Programs:** The Department has developed "book sets" about American history, culture and values for younger audiences around the world. Embassies donate the "book sets" to local libraries and primary/secondary schools. As of September 2003, embassies worldwide had distributed over \$400,000 worth of book sets. We are examining our overseas book buys and journal publications as well.

- **Private Sector Cooperation:** We have created a new position in my office to explore ways to draw on the expertise of the private sector to advance our public sector objectives. We can expand public-private partnerships, initially focusing on key industries such as technology, health care and education.

There is much more we can do in the field of sports. We know from past experience that an effective outreach to youth is through sports activities. Through ECA's new Culture Connect program, America's cultural leadership directly communicates with elite and non-elite foreign youth about our country and values. We currently have ten Culture Connect Ambassadors, and we are going to expand the program this year.

Television offers a powerful tool for public diplomacy and public affairs. We are using co-operative programming with local broadcasters and exploiting new distribution channels and technologies to create a fuller, more accurate picture of the U.S. for general audiences abroad. Over the past two years, we have funded several hundred foreign journalists both for broadcast and print media overseas, more than half of which have been in Muslim majority countries. We intend to increase these types of journalist tours. However we do it, we must engage, listen and interact especially with the young. They are the key to a future peaceful world.

Interagency coordination is essential to the effectiveness of public diplomacy. The President's Middle East Partnership Initiative (MEPI), whose mission is to support economic, political and educational reform in the Middle East and North Africa, integrates policy, public diplomacy, development and technical assistance programs throughout the region. We will continue working with the White House to insure close coordination of our messages. The White House coordinates a daily conference call on public diplomacy vis-a-vis Iraq.

The new State-USAID Joint Policy Council and the State-USAID Management Council are intended to improve program coordination in public diplomacy, as in other areas, and help ensure the most effective use of program resources in both the Department and the U.S. Agency for International Development. Regrettably, all too often, our important and meaningful assistance to developing countries is going unnoticed and unappreciated, while other nations assistance to these same countries is widely known and appreciated. This must change.

Government-wide, we have to do a much better job of insuring that the U.S.'s efforts are widely known well beyond the foreign government officials. We can no longer afford for recipients overseas to have no idea that the people of the United States provide assistance to their country. In closing, Mr. Chairman, let me say again that we all know that there is much work to be done. We all know that our public diplomacy programs, those I have mentioned and others, must advance our national interests and do a better job of explaining not only our policies, but also who we are as a people.

In a world of finite funding, we must ensure that our public diplomacy resources are used as effectively as possible. We must prioritize and ask ourselves, "Is the activity I am doing getting the job done?" We must listen to our field force. Today the Department of State has approximately 1,200 employees working in the field of public diplomacy. I maintain that every American, regardless of Agency or Department, has to make an extra effort to communicate, listen, and engage with not only our traditional audiences, but to audiences to whom we previously have not given as much effort and time. We must move beyond the walls of our embassies overseas and foreign government offices.

I am realistically optimistic that we can achieve over time a better, healthier and much more accurate impression of our nation and people. No one, most especially myself, underestimates the challenge and the difficult task at hand. The public diplomacy officials I work with are reaching, questioning and searching for more effective ways to enunciate our policies and have our values understood. We will continue to make some mistakes but I truly believe we will ultimately get there. We have no choice. We must.

United States Economic and Trade Policy in the Middle East

By
Alan P. Larson

Under Secretary of State for Economic, Business, and Agricultural Affairs

[The following are excerpts of the testimony presented to the Senate Finance Committee, Washington, D.C., March 10, 2004.]

The Middle East Challenges and Opportunities

I can think of no other region in the world today that is as vital to U.S. interests, yet poses as many challenges for us, as the Middle East. As President Bush declared in his speech last May, “What happens in the Middle East greatly matters to America.” Among those challenges, and the focus of my remarks today, is the growing thirst for opportunity that characterizes the Middle East, and the substantial efforts the United States is undertaking to respond to that demand. U.S. policies to stimulate economic reform and trade liberalization have much to offer, both in terms of generating growth and employment, and in solidifying our broad ties with this diverse and culturally rich region. At the same time, they promote U.S. economic and commercial interests.

During the last week of February, I had the opportunity to visit several Middle Eastern cities, including Ramallah, Jerusalem, Amman, Riyadh, and Cairo. Last week, my colleague Under Secretary Marc Grossman visited Rabat, Cairo, Manama, and Amman. In our meetings with a broad spectrum of individuals - from students to business and civic leaders to government officials - several consistent themes emerged:

- The people of the Middle East, and especially the young people, are yearning for greater economic opportunities;
- Governments in the region increasingly understand the imperative for economic reform;
- The many regional leaders - and we ourselves - believe that change and economic reform come from within, and that the region’s cultural and historical legacy will be an important factor in shaping those reforms.

The widely quoted *United Nations Development Program (UNDP) Arab Human Development Reports for 2002 and 2003* examine in considerable detail the challenges and opportunities for building a better Middle East. As the 2003 report concludes, a strategic vision for establishing a “knowledge society” in the Arab world requires diversifying economic structures and markets. This also requires upgrading the Arab presence in the “new economy,” and in opening up to other cultures.

Grounded in home-grown ideas and a realization that change is necessary to generate jobs, there is growing support in the Middle East for the catalytic role of economic opportunity, a light that shines brightly, dispelling negativism and despair. I am encouraged by concrete demonstrations that the Middle East is taking ownership of this process; last September’s U.S. Arab Economic Forum in Detroit the first ever provided ample evidence of this energy and enthusiasm.

Of course, I do not want to downplay the formidable challenges and obstacles that lie ahead before a new, more open, and economically vibrant Middle East can be realized. The Middle East remains woefully un-integrated in the global trading system. The region’s share of total world exports accounted for only 5 percent in 2001, and less than 1 percent of global foreign direct investment.

Middle Eastern economies are characterized by structural rigidities, red tape, high unemployment, and a lack of export diversity, which have led to sub-optimal economic performance over many decades. Despite its abundant energy resources and oil wealth, the Middle East has not been successful in creating opportunities that engender a sense of a better tomorrow. This in turn has fostered a loss of hope, particularly among young people, which has increased their susceptibility to those who use terrorism as a means to channel their desperation.

Nonetheless, there is a growing awareness in the Middle East of the nature of the problem, and of the need to change. U.S. economic and trade policy is calibrated to support these nascent developments by promoting economic reforms, and by fostering economic ties and trade linkages. This in turn can help build the prosperity and stability needed to anchor lasting peace in the region. Recent examples of developments that reflect positive movement in this direction include:

- Our trading relationship with Jordan has already borne considerable fruit; the U.S.-Jordan Free Trade Agreement has contributed to regulatory reforms, a dramatically improved investment climate, and increased investment in human capital. Indeed, Jordan and the United States have experienced an increase in bilateral trade of 205 percent from 2001 to 2003 alone. Jordan's economic reforms have also resulted in the establishment of eleven Qualifying Industrial Zones, wherein products manufactured in cooperation between Jordanian, Palestinian, and Israeli entities can be exported to the United States tariff free;
- The U.S.-Morocco Free Trade Agreement, which was just concluded on March 2 of this year;
- Substantial progress is being made in negotiating the U.S.-Bahrain Free Trade Agreement;
- Trade and Investment Framework Agreements were signed on February 6 with Kuwait and Yemen; agreements are also pending with Oman, Qatar, and the United Arab Emirates, and;
- We are partnering with Saudi Arabia to facilitate its accession to the World Trade Organization (WTO), a process that is gaining momentum through technical cooperation.

Responding and Supporting Regional Reforms

The Greater Middle East (GME) proposal reflects President Bush's "Forward Strategy for Freedom." This strategy seeks to support peace and security in the Middle East through the pursuit of freedom and promotion of democracy and human rights, through both words and deeds. In consultation with various European, G-8, and Middle Eastern partners, we are seeking ways to encourage and support those individuals, organizations, and governments in the region willing to embark on the path of reform and positive change. Our efforts should leverage U.S. resources and those of our partners for the maximum benefit of the region.

This approach has provoked a constructive discussion, launching open debate on the directions reforms should take, and on the means to achieve those ends. Countries of the Middle East are contemplating how better to define and organize their approaches to the reform process, and are engaging a broad cast of interlocutors. In short, the interest and energy of Middle Eastern countries provide impetus for change and the development of a social climate that increasingly accepts change.

As recently as last week's troika meeting with Irish Foreign Minister Brian Cowen, European Union (E.U.) High representative Javier Solana, and E.U. External Affairs Commissioner Christopher Patten, Secretary of State Powell held productive discussions on how the E.U. and the United States can best work together to support indigenous voices for reform in the Greater

Middle East. After the meeting between Secretary Powell and his European Union counterparts, the Secretary declared that the United States and the E.U. “see great opportunity and scope for cooperation on a Greater Middle East Initiative in the run-up to the G-8, U.S.-E.U., and NATO summits” to be held this coming June.

The Greater Middle East proposal signals a readiness to undertake projects to address indigenous calls for change in areas defined by Arab reformers themselves. This self-diagnosis, outlined in the *UNDP Arab Human Development* reports, has produced the following priorities for the region:

- Promoting good governance;
- Building a knowledge-based society, and;
- Expanding economic opportunities.

The last of these, expanding economic opportunities, is essential for a variety of reasons. The *UNDP Arab Human Development Report for 2002* notes that all Arab countries had a combined 1999 GDP of \$531 billion, less than that of Spain alone. GDP growth, investment, and productivity have all declined in Arab countries over the past two to three decades. The World Bank also estimates that the Middle East will need to create 100 million new jobs by 2020 to keep pace with the growth in the labor force-age population. The region’s persistent economic problems demand action in terms of increased economic growth and development, regional economic integration, and foreign direct investment.

As we prepare for the G-8 Sea Island Summit on June 8-10, 2003, we are considering a number of ideas that could expand economic opportunities in the Greater Middle East. Among them are:

- Information technology for business development. With the world’s lowest per capita Internet access, the Middle East suffers from critical information deficits. Training and technical assistance can address this vital need.

- Financial reform and the development of capital markets and increased capital access to small and medium-sized enterprises (SMEs). Increasing economic growth and job creation in the Middle East requires more efficient allocation of capital and a more vibrant private sector. Partners should cooperate to improve financial institutions and capital markets to improve the business environment for small and medium-sized enterprises, which comprise the vast majority of private businesses in the region.

- Promotion of good business practices and improving the investment climate. Efforts in this area should include expanding modern business education, promoting best practices for businesses, and encouraging a level playing field to stimulate investment.

- Promoting regional dialogue on economic and social reform. Partners should address the need for serious dialogue on economic and social reform by supporting regional fora, fostering discussion by government officials, regional and international financial and development institutions, private business leaders, and academics.

- Improving trade opportunities. Intra-regional trade in the Middle East is among the lowest in the world; furthermore, the area also suffers from low levels of integration with the global trading system. Partners should provide training and technical assistance to address this situation, and support regional trade initiatives to facilitate intra-regional trade.

Trade Policy: Export Opportunities and Promoting Reform

The United States has several objectives in its economic and trade engagement with the Middle East, including:

- Ensuring a level playing field for exports, so that our goods and services are not disadvantaged in comparison to those of others, such as the European Union, in terms of their ease of market entry;

- Encouraging greater market access generally, so that the Middle East becomes more fully integrated into the world trade system, with minimal barriers to entry, and commercial transactions with a broader range of partners involving a greater scope of goods and services;

- Accelerating economic reforms and trade liberalization essential to the development of sound fiscal and monetary policies that provide the foundation for long-term, sustainable growth and employment creation, and;

- Engendering alternatives to the often stagnant economic situation many countries face, which is all too often accompanied by rising unemployment, minimal technology transfer and skills development, and a lack of export diversification. Supporting innovative efforts to transform economies from sluggish to dynamic will pay social dividends, as countries become increasingly able to provide opportunities commensurate with rising expectations. This will offer alternatives to despair and acts of desperation, as societies afford a broader range of prospects for prosperity. Economic reforms will also provide opportunities for those, particularly the young, who might otherwise become disillusioned and hence vulnerable to exploitation by those who advance terrorism as a means to express their grievances.

The U.S. experienced a \$17.9 billion dollar merchandise trade deficit with the Middle East in 2003. U.S. imports of crude oil and petroleum products represent over 55 percent of Middle Eastern exports to the United States. Without trade in crude oil and petroleum products, the U.S. would have run a \$3 billion/year trade surplus with the Middle East.

In 2002, U.S. exports to the region reached a level of \$23.6 billion, principally from sales of machinery, equipment, vehicles, manufactured goods, and foodstuffs. This, however, is dwarfed by the volume of exports from the European Union to the Middle East, which attained a value of \$97.7 billion in 2002. In terms of total bilateral business activity, the U.S. traded \$62.1 billion with the region in 2002, in comparison to \$176.2 billion for the European Union.

Market access is therefore an area that needs to be addressed. Tariffs and quotas in the region remain too high and limit the opportunities for U.S. products in Middle Eastern markets. Moreover, U.S. goods and services have also been handicapped by the advantages European traders have enjoyed in the region.

Building on its favored position, the European Union has an ambitious trade agenda for the Middle East. It has already entered into an Association Agreement with Egypt. It is essential that the United States strive to counter these trends in the Middle East to ensure that we gain equal market access and enjoy a level playing field. While that market is currently small, the potential for growth is large.

The United States is addressing this situation with abroad strategy of economic engagement activities. On May 9, 2003, President Bush reaffirmed the U.S. government's commitment to promoting and supporting economic reform in the region. This broad policy initiative includes the proposed Middle East Free Trade Area (MEFTA).

The President's vision for MEFTA is to build, over a decade, on current free trade agreements with Israel and Jordan. MEFTA offers a framework for openness, trade integration, and economic development for the Middle East. Applying technical assistance, it seeks to promote trade expansion and policy reforms, re-igniting economic growth and expanding opportunities throughout the region.

The U.S. government is working with countries of the Middle East through a series of graduated steps tailored to their individual level of development.

Trade and Investment Framework Agreements (TIFAs) - are typically the initial fora for ongoing dialogue with the U.S. government on economic reform and trade liberalization. TIFAs promote the establishment of legal protections for investors, improvements in intellectual property protection, more transparent and efficient customs procedures, and greater transparency in government and commercial regulations.

As of mid-2003, the United States had signed TIFA agreements with Algeria, Bahrain, Egypt, Tunisia, and Saudi Arabia. In February 2004, we signed with both Kuwait and Yemen. Furthermore, TIFAs are currently under negotiation with Oman, Qatar, and the United Arab Emirates. Through this process, and the joint development of robust action plans, the U.S. government can identify potential partners for further trade cooperation, such as free trade agreements.

In consultation with Congress, the U.S. government is pursuing a series of Free Trade Agreements (FTA) with Middle Eastern countries to build on those already concluded with Israel and Jordan. These agreements are designed to expand bilateral trade through commitments to high standards and comprehensive trade liberalization.

On March 2, following a year of intense negotiations, we concluded Free Trade Agreements negotiations with Morocco; which will immediately provide duty-free market access to 95 percent of traded goods, providing significant incentives for both countries to identify and target opportunities in each other's markets. This agreement covers all agricultural products, and provides substantial market access to the services sector, such as banks and insurance companies. Furthermore, the FTA affords legal protections for U.S. investors, as well as covering trademarks, copyrights, and patents. The Morocco FTA is a high-quality agreement that will set the standard for FTAs with other Middle East partners.

Building on the Morocco agreement, the U.S. government hosted Round II of the U.S.-Bahrain Free Trade Agreement negotiations here in Washington last week. The round went well; based on progress attained so far, we look forward to concluding the agreement by mid-year.

Many Middle Eastern trading partners are in close and active consultations with us through the TIFA process, and have a strong interest in concluding an FTA with us, including the United Arab Emirates, Tunisia, and Egypt. More open markets in these and other countries will offer not only significant opportunities for U.S. exporters, it will also reinforce their economic reform efforts. We are actively engaged with these countries on a range of pending bilateral trade and economic reform issues through the TIFA Council process and other bilateral discussions. Continued progress in these areas will help pave the way toward eventual FTAs.

The U.S. government has been working with countries of the region so that they can take advantage of the Generalized System of Preferences program. On March 1, 2004, President Bush announced that Algeria had qualified for GSP; on the same day, he also announced that Bahrain would graduate from GSP eligibility on January 1, 2006, as its per capita income had moved it above the World Bank's developing country threshold a Middle East success story.

The U.S. government is also actively engaged with several Middle Eastern countries - Saudi Arabia, Algeria, Yemen, and Lebanon - to expedite their accession to the WTO. The accession process involves countries voluntarily opting for economic reform and trade liberalization in order to join the rules-based world trade system. We see WTO accession as a key step forward, as it involves making commercially meaningful market access commitments for goods, services, and agricultural products. So powerful is the interest to participate in the global marketplace that

Iraq has already sought and gained WTO status as an observer. This will help accelerate its reintegration into the global trading system.

The United States would like to see countries of the region play a stronger role in advancing the World Trade Organization's Doha Development Round. Leadership, particularly by key countries such as Egypt, Morocco, Tunisia, and Jordan, as well as Pakistan and Turkey, would go far to reinvigorate this essential global dialogue about the future of the world's commercial transactions. Their concerted efforts could result in the preparation of a framework agreement by mid-2004 by leveraging participation by a broader spectrum of countries.

A major weakness the Middle East shares with other regions of the world is a lack of expertise and skills needed to promote greater trade. In recognition of this, the United States has committed, as a part of the Doha Development Round agenda, to a major effort to help these countries to develop these skills. There are a variety of means that the U.S. government is undertaking to build trade capacity, so that countries of the Middle East can take full advantage of increased trade opportunities with the United States. In addition to promoting trade-related policies that enhance the business environment, the Middle East Partnership Initiative (MEPI) plans to establish regional offices in Tunis and Abu Dhabi to coordinate trade capacity building efforts.

In 2003, the U.S. government expended over \$174 million in the Middle East in trade capacity building. Most of this assistance involved trade facilitation, financial sector development, support for governmental transparency, export promotion, and business services and training.

A key funding mechanism for trade capacity building and trade-related technical assistance derives from the MEPI. MEPI-provided assistance, carried out in cooperation with the United States Trade Representatives and U.S. Agency for International Development, includes a broad spectrum of economic reform and trade liberalization elements. It involves facilitating WTO accession, assisting in TIFA-driven policy restructuring, and supporting regulatory measures for ensuring compliance with FTA provisions. Broadening the base of trade between the United States and the countries of the Middle East is necessary but not sufficient. It is essential that the U.S. government also work to promote trade between Middle Eastern countries. Economic interdependence is key to forging strong linkages between countries of the region, which will promote mutual prosperity and increase the collective stake in regional peace and stability. This presents a complex issue, as many Middle Eastern countries have relied for too long on petroleum-based exports to drive their economies, versus building a more diverse export base.

Trade within the Middle East accounted for only 8 percent of the region's total trade in 2001. This is far below the intra-regional level of nearly 75 percent for Europe and 50 percent for Asia. Increased intra-regional trade not only promotes economic growth and development, it also enhances the political stability of the region through fostering interdependence.

The United States can foster greater intra-regional trade through several means, including supporting the efforts of the Gulf Cooperation Council (GCC) to generate a greater volume of trade between its six member states through the customs union it launched in January 2003; the Agadir Initiative, wherein Morocco, Tunisia, Jordan, and Egypt are forming a free trade area; and the promotion of an economic policy dialogue within the region.

Conclusion

To summarize, the countries of the Middle East have taken stock of their economic situation, and have decided to participate more fully in the world trade system. Recognizing that the future of their youthful societies lies in the creation of meaningful economic opportunities, the countries of the Middle East are increasingly open to making the sometimes-difficult choices required to effect economic reform and trade liberalization. The United States is responding to this thirst for

economic opportunity. Through MEFTA, MEPI, and other components of our economic and trade policy, we are supporting efforts of Middle Eastern countries to reform and liberalize, while simultaneously increasing market access opportunities for U.S. goods and services - a “win-win” situation.

United States Foreign Assistance Programs

By

A. Elizabeth Jones

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[The following is the testimony presented before the Senate Foreign Relations Committee, in Washington, D.C., March 2, 2004.]

The United States assistance programs are key to achieving our foreign policy goals in Europe and Eurasia, and we greatly appreciate your current and past support in providing us with this important diplomatic tool.

Assistance Advances American Interests

In the region covered by my bureau, there is strong evidence of how foreign assistance can serve U.S. national security interests. Our military assistance, through the foreign military finance (FMF), international military education, and training (IMET) and the voluntary peacekeeping operations (PKO) accounts, is helping us gain capable allies in the war on terrorism and it strengthens the capabilities of our new North Atlantic Treaty Organization (NATO) allies. Our political and economic transition assistance through the *Freedom Support Act* (FSA) and *Support for East European Democracy Act* (SEED) is expanding Europe's zone of democracy and prosperity eastward. The intense engagement we achieve through our assistance, with governments and the broader society, is building strong ties that will help anchor U.S. relations with these countries for years to come. Moreover, the support we give to nurture grassroots non-governmental organizations will help these indigenous groups sustain the impetus for open and competitive political and economic systems, even beyond the lifespan of formal American assistance. No other donor is as active as the United States in this area, and we will continue to support civil society organizations as they strive to implant themselves.

Since this Committee examined our foreign assistance in Europe and Eurasia a year ago, the countries of Central and Eastern Europe and the former Soviet Union have demonstrated that our assistance pays large dividends. They support U.S. foreign policy priorities and are valued partners for the United States in the global war on terrorism. Of the twenty-seven transition countries, all of which have received substantial U.S. assistance since the early 1990's, twenty-four are active supporters of Operation Iraqi Freedom (OIF) and/or Operation Enduring Freedom (OEF) (Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, the Kyrgyz Republic, Latvia, Lithuania, Macedonia, Moldova, Poland, Romania, Serbia and Montenegro, Slovakia, Tajikistan, Ukraine, and Uzbekistan). Three Central Asian countries have provided some form of basing to our troops. Our overall foreign assistance has played a key role in cementing bilateral relations. Our military assistance has allowed these countries to contribute effectively to OEF, OIF, and the war on terrorism.

Our military assistance has also made it possible for many of these states to be part of critical peacekeeping efforts in the Balkans. Our security aid through the FMF, IMET and PKO accounts enhances interoperability of European and Eurasian militaries with NATO. We have helped new NATO entrants build capabilities that they will contribute to the alliance. We have strengthened the ability of other nations to contribute to U.N. peacekeeping missions in Lebanon, Sierra Leone and Liberia. Increasingly, these countries are not just consumers of assistance but contributors to our global security interests.

The United States has a strong national security interest in fostering stability, prosperity and democracy in those European and Eurasian countries that lived under Communism and Soviet

domination. The picture is mixed and the challenges are complex. This can be seen very clearly by examining another significant development of the past year that I know this Committee followed closely — the regime change in Georgia. While Georgia is a relatively small country, the Revolution of Roses that took place there last November had huge reverberations in the former Soviet Union. It has caused governments throughout the region to take stock of their internal political situation.

The United States assistance did not play a role in the choice exercised by the Georgian people for a change in leadership nor should it have. But U.S. assistance was key in building the capabilities of Georgians and Georgian organizations so that they could make choices for themselves about their future. Newly elected President Saakashvili is an alumnus of a *Freedom Support Act* graduate fellowship at Columbia University. Fourteen members of his cabinet, including Prime Minister Zhvania and the ministers of Foreign Affairs, Defense, Agriculture, Economy, Interior, Justice and Finance, also participated in U.S.-funded exchange programs. U.S. assistance in Georgia's November balloting, particularly our funding of exit polls and contributions to the training of 2,500 domestic election monitors, made the scale of election fraud immediately and abundantly clear. The sustained and ultimately effective response of Georgia's political parties and non-government organizations to the fraud was also a testament to the vibrancy of Georgian civil society. Ultimate credit goes to Georgians themselves. That is as it should be. But there is no question that the training, grants, and exposure to new ideas provided through U.S. assistance programs helped create the foundations for Georgians to exercise their political will.

Emerging Progress, Continuing Challenges

With strong Congressional support for SEED and FSA over the years, we have made considerable progress in many of these countries. Eight countries in Central and Eastern Europe no longer receive transition assistance, and three more will join them in the next several years. Three countries (Poland, Hungary and the Czech Republic) have joined NATO and seven more countries that have received SEED assistance (Estonia, Latvia, Lithuania, Slovakia, Slovenia, Romania and Bulgaria) will join NATO this year.

Over the past several years, many of these transition economies have remained resilient in the face of a sluggish world economy. Economic growth across all twenty-seven transition countries in 2003 is estimated by the European Bank for Reconstruction and Development (EBRD) to have averaged 4.7 percent. Most of the economies of the former Soviet states have finally reversed the painful economic contraction that occurred after Soviet structures collapsed and before market policies took hold. Their gross domestic products (GDPs) are estimated to have grown by an average of 6.2 percent in 2003, but some of these economies (Russia, Kazakhstan, Azerbaijan) still remain overly dependent on energy sales.

Most countries of Southeast Europe and Eurasia remain poor. Ten have a per capita GDP under \$1,445, the World Bank cut-off for low-income countries. Unemployment remains a scourge in the Balkans, the Caucasus countries and much of Central Asia, with jobless rates (especially among youth) ranging from 20 to 30 percent, and in some cases much higher. Such high unemployment in politically volatile areas can threaten stability. Small and medium enterprise development is a key tool to combat this issue. Countries also need to rebuild broken trade links within the region.

The process of democratic reform has also been uneven across the region. While every leader in the region claims legitimacy through a democratic process, the quality of democracy ranges from countries like Estonia, Latvia, Lithuania, Poland, Hungary, the Czech Republic, Slovakia and Slovenia, which have had over a decade of free and fair elections, to the dictatorships in

Belarus and Turkmenistan. In between there are countries that improve from election to election. In the former Soviet Union we have seen a trend toward less outright manipulation of elections but use of strong central controls to manipulate the pre-election environment and access to media. Judiciaries are weak salaries are low and are subject to corruption. We must train judges and instill standards that will make the judicial branch of government a check on oligarchic rule. This process in some countries will be generational.

Since the beginning of our SEED and FSA programs, we have invested heavily in the creation of a vibrant civil society. Nonexistent during the Soviet period, groups that advocate for business, environment, health, human rights, media, and hundreds of other causes are emerging as communities organize themselves and address their most basic problems. These groups allow for broad citizen participation in civil society and help educate communities, citizens and voters. These non-government organizations are essential to making government accountable.

Many of the greatest obstacles to a full economic and democratic transition in the region are transnational. Virulent organized criminals who traffic in narcotics, human beings and weapons are a growing problem in the region and threaten the forward development of rule of law and good governance systems. Corruption is a stubborn problem in many countries, particularly when there is no clear message from the most senior government officials that it must stop. HIV/AIDS is poised to ravage these transition countries, particularly Russia, Ukraine and the Baltic States.

In the Balkans, SEED assistance has contributed to stability in an area torn by a decade of violent ethnic conflict that ended just a few years ago. As Southeastern Europe advances toward Euro-Atlantic integration, we are hastening the day when the international military presence in the region can be reduced and ultimately withdrawn. Serbia and Montenegro, in many ways the linchpin in the Balkans, made a dramatic turn-around several years ago. We want that to continue and see the country develop as a positive regional player. Its full cooperation with the International Criminal Tribunal for the former Yugoslavia is of course key to its continued progress in this regard.

Looking Forward: Strategic Priorities

These complex trends present us with complex foreign policy challenges. American assistance programs are a crucial tool to help these transition countries become stronger partners with shared values. I would like to outline four sets of assistance priorities to advance our foreign policy interests Partners in the Global War on Terror. As I have mentioned, many countries are already contributing to international peacekeeping efforts and to the global war on terrorism. These partnerships are nascent, and it is in our interest to help these countries do more. For this purpose, our FMF, IMET and PKO assistance accounts play a crucial role. This assistance helps build capabilities that countries use to advance peace and stability. If not for the participation of these countries in the Balkans, OIF and OEF, the burdens on American troops would be greater. We need our partners to be interoperable with the United States and NATO. It helps when we train these troops in modern military practices. In today's world of global security challenges, we need reliable partners. Our FMF and IMET assistance is an investment in our own security.

Support for Democratic process, including civil society. There are important elections in fifteen transition countries in the next year, including Presidential elections in Russia, Slovakia, Ukraine, Romania and Macedonia, and Parliamentary elections in Belarus, Slovenia, Uzbekistan, Kazakhstan, Tajikistan, Georgia and Romania, as well as Kosovo. We have learned that it takes at least a year to address electoral issues and can take generations to make societal changes. We rely heavily on an experienced and dedicated cadre of partners to monitor these elections and try to make them increasingly fair, transparent and democratic. The National Democratic Institute,

The International Republican Institute, the International Foundation for Electoral Systems, the National Endowment for Democracy, the Organization for Security and Cooperation in Europe, to name just a few, all help to advance our efforts to see free and fair elections held in the transition countries. We increase our funding in the year prior to municipal, parliamentary and Presidential elections in the transition countries where we are active.

More than ten years ago we understood that the transitional challenges in this region would be generational, and that we needed to invest in the people who could carry the torch of reform forward in their own societies. I mentioned the Georgian example. There are now more than 100,000 graduates from exchange programs in Southeast Europe and Eurasia. The greatest asset we offer them are American values an appreciation for freedom, a respect for human rights. Islamic leaders in Central Asia have gone home from U.S. programs stunned by America's religious tolerance, and ready to spread the word in their communities.

Creation of jobs and support for the emerging entrepreneurial class. Quite simply, jobs for a middle class are a force for stability. Property ownership gives citizens a stake in their country. Support for job creation may seem unexciting. In this region it is radical. In each of our transition countries, we are putting together financial and regulatory packages key to freeing up the private sector. Lending facilities and the creation of capital markets, deregulation, rationalization of tax policies, commercial law reform, promotion of regional trade, identifying areas of competitiveness and privatization of land especially in rural areas are the keys to the creation of a vibrant market economy. Mortgage programs have also helped free up large amounts of capital. In the Baltic states, through the Enterprise Fund, and in Kazakhstan, through a USAID program, we have had two highly successful mortgage programs.

Elsewhere in the economic sector, we have focused on the growth of small and medium enterprises and an emerging middle class of entrepreneurs. In Ukraine, twenty-one-stop shops for business registration reduced registration time from 30 to 14 days. In Kazakhstan, technical assistance and training for mortgage lending have facilitated \$200 million in mortgage loans and another \$67 million in secondary market transactions. Throughout the region, the United States has partnered with the European Bank for Reconstruction and Development to support micro and small-business lending. A U.S. government investment of \$71.3 million, coupled with \$600 million in capital from other donors has produced over 300,000 loans worth in excess of \$2 billion for small and micro lending in thirteen different countries. Repayment rates are averaging over 99 percent.

Fighting Transnational Threats

We are devoting increasing resources to combating trafficking in humans, and HIV/AIDS, seeking to focus increased resources to efforts to fight both those scourges. With regard to combating trafficking in persons (TIP) across Europe and Eurasia, I want to note that we have raised our funding levels for anti-TIP activities considerably over the past three fiscal years and we are hopeful that our assistance and diplomatic efforts in this area will help those countries of the region that face significant TIP problems to deal with them successfully.

But I want to focus today on another serious transnational problem, narcotics smuggling and the linkages to organized crime. Heroin from Afghanistan is flooding into the former Soviet Union and Southeast Europe, but it is not just transiting these states. It is contributing to crime, disease and corruption to such an extent that it threatens to overwhelm recent gains, particularly in Central Asia. Russia, Ukraine and the Balkans have also been victims of this scourge, which is the principal cause of escalating HIV infection. For fiscal year 2005 we are asking for an increase in the *Freedom Support Act* account of approximately \$16 million for programs that combat the drug trade in Central Asia. We are actively coordinating with the European Union and the United

Kingdom. We are drawing on the resources of all key American agencies including the Department's Bureau of International Narcotics and Law Enforcement Affairs Matters, the U.S. Drug Enforcement Agency, the Federal Bureau of Investigation, the Department of Defense, and our intelligence agencies. At this point, we can barely dent the problem with available resources.

Conclusion

I want go back to the point I highlighted at the beginning of my remarks: the overwhelming support we have received from the recipients of SEED and FSA assistance in the global war on terrorism. It is worth pointing out that this support is not just based on the policies of governments currently in power. I truly believe that in many cases it is based on shared values that go deeper into these societies. These shared values have been promoted by our foreign assistance including, very importantly, our public diplomacy and exchange programs for the past fifteen years since the fall of the Berlin Wall. Through our aid programs, Americans are engaging with non-governmental organizations, educational institutions, private companies, students, scientists, and many, many others. And this engagement is helping to form a network of linkages between our society and their societies, a web of linkages and shared values strong enough to withstand the ups and downs of bilateral relations in the long run. That is an excellent return on the investment of our foreign assistance dollars, and it is one that members of this Committee, and particularly you, Mr. Chairman, can be proud to have supported.

Fiscal Year 2005 Foreign Assistance Programs in the East Asia and Pacific Region

By

Donald W. Keyser

Deputy Assistant Secretary of State for East Asian and Pacific Affairs

[The following are excerpts of the remarks presented to the Senate Foreign Relations Committee Washington, D.C., March 2, 2004.]

Mr. Chairman, I am pleased to share with the Committee our priorities for foreign assistance programs in the East Asia and Pacific region for fiscal year 2005.

Overview: U.S. Interests

The Bureau of East Asian and Pacific Affairs (EAP) has placed counter-terrorism (CT) at the top of its list of strategic foreign assistance goals for fiscal year 2005. In light of a continued terrorist threat in Southeast Asia, evident in major bombings in Bali and Jakarta in the past two years, efforts to combat terrorist activity have been central to the pursuit of EAP's strategic goals that encompass the following: our traditional, primary long-term goal of promoting regional stability; fostering democracy and human rights; encouraging economic prosperity; fighting transnational issues and international crime; and preventing the proliferation of weapons of mass destruction (WMD).

Counter-terrorism: Terrorism in the Asia-Pacific region is a serious threat to U.S. national security interests, including the welfare and security of American citizens in the region and the security of friends and allies. It poses a direct and immediate threat to regional trends toward stability, democratization, and prosperity that are otherwise generally positive. The Bureau's goal is to root out terrorism and address the underlying conditions, including the absence of rule of law, that make the region vulnerable to terror.

EAP will work with countries in the region bilaterally and through regional organizations to strengthen their capacity to combat terrorism and to foster the type of international cooperation needed to fight the global war on terrorism.

In Indonesia, for example, we intend to build on the successful efforts, funded by the Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) account, to continue training and to expand the Indonesian National Police's Counter-terrorism Task Force. And, we will use the increase in fiscal year 2005 Economic Support Fund (ESF) funds for Indonesia to support basic education through our United States Agency for International Development (USAID) program as a key element in the effort to combat terror. This initiative, announced by President Bush in October of 2003, will prepare Indonesia's children to be effective participants in their own democratic society while reducing extremism and intolerance, and supporting democracy and respect for diversity. The bureau will leverage U.S. efforts through cooperation with friends and allies, particularly those with the capability to help build regional CT capacity, including Japan, Australia, Korea, Singapore, Thailand, Malaysia, and China.

Regional Stability

Regional stability has long been the Bureau's main long-term strategic goal. In fiscal year 2005, regional stability will be advanced through success in attacking terrorism. EAP will sustain alliances with our five treaty partners in the region while promoting their increased integration into U.S. regional and international strategy; promote stability in Northeast Asia, including on the Korean Peninsula; support the positive integration of China into regional and global institutions; strengthen regional institutions for managing political and economic challenges, including the

ASEAN Regional Forum (ARF), Association of Southeast Asian Nations (ASEAN), and Asia-Pacific Economic Cooperation (APEC); and pursue regional growth and integration through free trade agreements (FTAs), Trade and Investment Framework Agreements (TIFAs), market openings, and other economic liberalization measures, as well as through democratization and rule of law programs.

The ASEAN Cooperation Plan is an essential tool for building long-term stability in Southeast Asia. To support activities under the ASEAN Cooperation Plan, we have requested \$2.5 million for fiscal year 2005. The funds will be used to bolster the ability of ASEAN to play a constructive and stabilizing role in Asia, to facilitate cooperation to address transnational issues, to foster economic and political integration, to spur development and to enhance our influence in a region of significant economic importance to the United States. We are requesting \$250,000 in fiscal year 2005 for regional security to support U.S. efforts in the ASEAN Regional Forum to shape regional views on issues such as arms control, counter-terrorism, and maritime security through seminars, workshops, and exchanges and to promote regional stability through strengthening regional institutions in which the United States participates.

Democracy and Human Rights

The relative stability of the EAP region has allowed democracy to take hold in many areas, including South Korea, the Philippines, Mongolia, Thailand, and Taiwan as well as many Pacific Island states. This year will see citizens of five nations in the EAP region namely Indonesia, Korea, Philippines, Malaysia and Mongolia — plus Taiwan go to the polls. EAP will continue to promote democratization and improvements in human rights throughout the region and will work closely with EAP countries, including Indonesia as it continues its democratic transformation. With our help and that of other major donors, Indonesia a secular state with a diverse and predominantly Moslem population — could become an example of tolerance and democracy and a model for other countries.

Through our USAID programs, we are assisting non-governmental organizations in Cambodia in a wide range of areas, including human rights, labor rights, good governance, rule of law, and an independent press. In Indonesia, we will support programs that advocate public tolerance and strengthen local governments, in addition to our basic education initiative. The situation in Burma remains grim, as we have just made clear in our human rights report. Human rights abuses continue; Aung San Suu Kyi, other National League for Democracy (NLD) leaders, as well as other political prisoners remain under detention. The government has given no indication how it will involve the democratic opposition and ethnic groups in its plan for national reconciliation nor has it outlined a timeframe for these discussions.

Our fiscal year 2005 assistance to Burmese citizens inside Burma and Burmese refugees in neighboring countries, particularly Thailand, is intended to strengthen grassroots democratic institutions and to press the Burmese government to improve its human rights record and to cease persecution of religious and ethnic minorities.

Open Markets/Economic Development

Promoting open markets, economic development, and sound economic policies is not only a critical regional goal, it is also a vital element of the war on terrorism. Economic prosperity reinforces democratic institutions, fosters stability, encourages the peaceful resolution of differences, and supports U.S. commerce and trade. The Asia-Pacific region is key to global economic growth. While the region has moved a long way down the path of recovery since the economic crisis of 1997-98, resumption of dynamic growth rates will require significant financial and corporate restructuring and improved economic and political governance, including an end to endemic corruption, and expanded trade and investment. The U.S. role — through bilateral

assistance, free trade arrangements, support for reforms and regional programs in APEC and ASEAN — will be critical to the success of this transformation.

Free trade arrangements with the U.S. will be an important vehicle for driving competitive trade liberalization in the region. We are moving ahead with the Enterprise for ASEAN Initiative (EAI), which offers the prospect of FTAs between the United States and ASEAN countries that are committed to reform and openness. The goal is to create a network of bilateral FTAs which will increase trade and investment, tying our economies more closely together. The EAI has already resulted in an FTA with Singapore, which came into force in early 2004. We have completed negotiations with Australia for an FTA, and we have announced intentions to enter into FTA negotiations with Thailand. We continue to support granting normal trade relations (NTR) to Laos.

China's compliance with its World Trade Organization (WTO) obligations, its transition to a market economy and its emerging economic influence are economic developments that EAP will monitor closely. The bureau will also use multilateral regional bodies such as APEC as a way of promoting market-oriented reforms and open trade and investment regimes.

In addition, to fulfill our obligations under the *South Pacific Multilateral Fisheries Treaty*, we are requesting \$18 million in ESF in fiscal year 2005. This treaty ensures continued access for U.S. commercial fishing vessels to the Pacific Ocean tuna fishing areas. In the Philippines our funding through USAID will support micro-financing, anti-corruption, civil society, governance, and other programs to promote economic development in impoverished areas. Our ESF request for East Timor of \$13.5 million will support the development of its civil society and new democratic and economic institutions.

International Crime and Transnational Issues

Transnational issues, including terrorism, narcotics, human trafficking, and infectious diseases, are a serious threat to regional stability. EAP works with the Bureau for International Narcotics and Law Enforcement Affairs (INL), the Bureau of Oceans and International Environmental and Scientific Affairs (OES), USAID and other agencies on these transnational challenges to develop multilateral approaches to supplement existing bilateral efforts.

One of the most important contributions we intend to make in fiscal year 2005 is in the area of human trafficking. We have requested \$1 million in fiscal year 2005 assistance for EAP's Regional Women's Account to support a regional approach to combat the scourge of TIP. As TIP is a problem that crosses and takes advantage of national borders, we must mobilize a regional effort to counter it. Funding will focus on empowering women through political participation, economic independence, and the elimination of violence against women. Our efforts will concentrate on TIP projects in Tier two countries where trafficking problems are most severe.

Weapons of Mass Destruction

Fiscal year 2005 placement of WMD proliferation as a strategic goal is based on the assumption that current positive trends in nonproliferation cooperation with China will continue. We are working to persuade China to adhere fully with its existing bilateral and multilateral nonproliferation commitments and to cooperate fully in pre-licensing and post-shipment verification checks related to U.S. dual-use exports. EAP will also work to obtain Chinese cooperation in encouraging other countries to adhere to the guidelines of the international non-proliferation regimes. EAP is working within the Six Party Talks process to secure the complete, verifiable, and irreversible elimination of North Korea's nuclear programs. In fiscal year 2005, the bureau will continue the effort to prevent, contain, and reverse the possibility that any WMD or their means of delivery might become available to rogue nations or non-state terrorist organizations.

For fiscal year 2005, the Department has requested \$2.6 million in export control assistance for the EAP region. The recent accounts of a black market in sensitive nuclear-related goods involving companies in the EAP region make this funding critical to our efforts to end WMD proliferation.

Modifications of Current Restrictions

EAP would like to expand programs for a small group of EAP countries, including Cambodia, in the future. In Cambodia, Public Law 108-199 for fiscal year 2004 restricts assistance to the central government, with limited exceptions. There are several areas where closer cooperation with the central government would be in the U.S. national interest:

- Enhancing counter-terrorism capabilities,
- Promoting rule of law and justice,
- Developing a smaller more professional military, and;
- Supporting a credible Khmer Rouge Tribunal.

Cambodia needs training in immigration, border security, and other areas critical to our global fight against terrorism. We need to be able to train and work directly with the government agencies concerned with CT. All individuals and units we work with will be carefully vetted.

Many of Cambodia's problems stem from or are exacerbated by the shortcomings in its legal and judicial system. U.S. assistance for judicial reform and anti-corruption efforts would promote our interests in a number of areas, including: combating trafficking in persons, resolving human rights abuses, improving international adoption procedures and bringing Cambodia into compliance with WTO legal standards.

Public Law 108-199 also prohibits funding for any tribunal established by the government of Cambodia. It has been the longstanding policy of this and prior Administrations to seek accountability and bring to justice those responsible for the genocide carried out by the Khmer Rouge regime from 1975-1979. In June 2003, the U.N. and Cambodia signed an agreement to establish a credible Khmer Rouge Tribunal. We have urged all parties to work to ensure the Tribunal will execute its jurisdiction in accordance with international standards of justice, fairness, and due process and would seek to make an appropriate contribution to such a tribunal.

Conclusion

The foregoing represents a brief overview of EAP bureau goals and objectives, and the resources necessary to meet them. It incorporates our best assessment of the region-wide demands and requirements we should work to meet, but as we mentioned in last year's testimony, it cannot incorporate resource requests for major, unanticipated events that could emerge without warning in the region, including on the Korean Peninsula.

United States Policy Toward the Pacific Islands

By

Matthew P. Daley

Deputy Assistant Secretary of State for East Asian and Pacific Affairs

[The following are excerpts of the remarks presented to the Georgetown University's Asian Studies Program and Center for Australian and New Zealand Studies, Washington, D.C., February 24, 2004.]

I am pleased and honored to be here tonight to deliver the Peter Tali Coleman Lecture. Beyond being a four-time governor of his native American Samoa, Peter Coleman also served as administrator of the Marshall and Mariana Islands, and Deputy High Commissioner of the Trust Territory of the Pacific Islands. His decades of service to both the United States and the peoples of the Pacific Islands should be a model for us all.

I am substituting for my boss, Jim Kelly, who had to travel to Beijing for the Six Party Talks. I definitely got the better end of the deal! Not only do I expect you to be an easier audience to work with than the North Koreans, but I get to talk about a much more upbeat subject: U.S. policy toward the Pacific. The relatively small size of the Pacific island countries and territories means that they are often overlooked when the pundits and policy wonks develop their grand strategic visions. But I am here to affirm that the Administration deeply appreciates the support it has received from the Pacific island region, not just in Iraq, but on all of the fundamental foreign policy issues of the day.

Year after year, when we face the most difficult votes in the U.N., we know we can count on the island countries to stand with us. When our sailors and ships need a chance to rest and refit, we know the Pacific island countries and territories offer a warm welcome and a safe harbor. And in times of war, sons and daughters of the Pacific are there in uniform, serving with our armed forces. No other region of the world provides this kind of support and I reiterate: it is deeply appreciated and I suggest that you ignore the ill-informed editorial commentary inside the Beltway that discounts the contribution of the Pacific countries. More than a few of you were present when President Bush met with fourteen island leaders at the Pacific Island Conference of leaders in Hawaii last October. President Bush and the Pacific leaders covered a variety of topics, but I want to focus on two in my presentation tonight: enhancing mutual security; and promoting economic and social development.

Enhancing Mutual Security

In discussing security, we recognize that the island states and the United States at times have different priorities. But the overriding reality is each country in the region, and that includes the U.S., is mutually dependent upon the others for achieving its essential security needs. This follows from the interconnectedness of the U.S. and the Pacific island region. Ships and planes are constantly moving goods and peoples into and out of our harbors and airports. Less visibly, money, information, and communications are being exchanged as well. While all these movements are essential to our well-being, they also feature an element of risk: that they might be exploited by people who wish to do us harm. Managing that risk responsibly, while still facilitating the free movement of people, goods, and information, is a mutual obligation for everyone involved.

His Royal Highness Prince Lavaka Ata of Tonga, served as Chair of the Conference of Pacific Island Leaders and represented the islanders point of view. He observed that any country may be a target of terrorism and terrorists are likely to focus on soft targets. This point is well taken and the analysis is confirmed in the interrogation of captured terrorists from al Qaeda and, closer to

home, Jamma Islamyiah. These organizations are not far in time or space from the Pacific. Jemmah Islamyiah can be found in Mindanao today in the areas associated with the Moro Islamic Liberation Front. It is an organization that has a strategic focus that transcends national boundaries and a timeframe that extends over not weeks and months, but decades.

In a world where we each have much to do, as a first step, the U.S. believes all countries should sign and implement the twelve U.N. conventions and protocols to combat counterterrorism. Passage of these conventions and protocols is essential to establish the international legal and political framework required to fight this transnational challenge.

In addition, governments must also refrain from measures that could provide unintended support to terrorist networks. In the past year, the U.S. has been concerned by passport sales schemes, or financial legislation that would weaken the safety and soundness standards governing banks and otherwise facilitate money laundering. We always had a concern about such activity, but the level of our concerns changed significantly on September 11, 2001. These activities must stop. We understand the interests behind the establishment of such programs, but they create serious, if unintended gaps in international security regimes that can and eventually will be exploited by terrorists. We welcome the fact that some countries have taken steps to close down questionable programs.

Let me turn to the war in Iraq. I noted earlier those inside the Beltway who sought to discount the significance of the Pacific islands contribution to the war. Well over 100 military personnel from Palau, the Marshalls, and Micronesia have served in Iraq. There probably are hundreds from American Samoa, Guam and the Marianas. Tonga, Fiji, and Papua New Guinea have offered troops for the stabilization forces. These countries and territories not only spoke up in support of U.S. policy toward Iraq, they put lives on the line. Islanders such as Specialist Bermanis of Micronesia have showed great courage, both in war and in recovery from injuries suffered in combat. We will not forget their sacrifices.

As we all know, the global security environment has evolved from the Cold War years. In order to adapt to this changing environment, the U.S. is undertaking a global force posture review. This exercise has attracted a lot of attention and speculation in the press, and some of those commenting on the process have jumped to unwarranted conclusions. We do have some guiding principles for the review that give an idea of the direction in which we are headed:

- We are not aiming at retrenchment or curtailing U.S. commitments.
- We are aiming to increase our ability to fulfill our international commitments more effectively.
- We are aiming to ensure that our alliances are capable, affordable, sustainable, and relevant into the future.
- We are not narrowly focused on force levels, but are addressing force capabilities.
- We are not talking about fighting in place, but moving to the fight.
- We are not talking only about creating new bases abroad, but enhancing our ability to move forces when and where needed.
- In some cases, we are acting now to re-deploy assets. B-52 bombers are returning to Guam after a long absence.

More broadly, the U.S. government is just beginning a series of in-depth consultations with our allies and friends around the world, including with the Pacific island region. It is going to be a long-range process that focuses not on the diplomatic issues of the moment, but on the strategic

requirements and opportunities of the coming decades. Don't expect big changes to happen overnight and don't expect major new bases to be created in the neighborhood.

Beyond the classic security issues, we face relatively new challenges, such as HIV/AIDS, and debate on older questions, such as how best to protect the environment. We also recognize that security is intimately entwined with development. The challenge is that small, isolated island states face inherent difficulties from their sensitivity to internal and external pressures. Simply surviving could be the biggest security challenge of the future for some island nations that lack viable economic models or are unable to surmount internal challenges.

Responding to challenges such as HIV/AIDS, deforestation, stress on coral reefs, or over-fishing will be tough because success will demand a number of difficult tradeoffs: short-term gains versus sustainable long-term development; profits for special or local interests versus national welfare. In some cases it may involve the interest of one nation versus those of another, or of an entire region. However, the inhabitants of the Pacific island region need to tackle these issues for their own good and the good of future generations. The decisions need to be taken locally, but the U.S. is ready to assist with advice and, in some cases, funding. At future meetings such as this one, we may judge that the last Pacific Island Forum in New Zealand was a turning point at which the centrality of good governance was recognized while corrective steps could still be taken.

Promoting Economic and Social Development

I would like to turn now to development. Some have suggested that since USAID closed its offices in the Pacific, there has been no U.S. support for regional development. Actually, the U.S. has continued to make a significant contribution, albeit in non-traditional ways.

First, the U.S. Peace Corps, a program that I think everyone in this room knows well. Currently, there are 325 Peace Corps volunteers working in seven countries in the Pacific island region and Americorps is present in the three U.S. Territories. The budget to support these activities currently exceeds \$8 million per year. Last year, Peace Corps re-established its program in Fiji. Peace Corps is considering resuming its program in the Republic of the Marshall Islands (RMI). We hope in coming years that Peace Corps will be able to expand to other countries.

But while volunteers are fine, what people usually want to know about is money, so let us talk dollars. Outside of the Compacts of Free Association, which I will get to a little later, the single largest U.S. financial contribution to the region is \$18 million we provide each year in the Economic Assistance Agreement associated with the *South Pacific Multilateral Fisheries Treaty*. Clearly, this is a mutually beneficial program. It gives U.S. fishermen access to resources that they otherwise would not be able to tap, but regional governments get a stable revenue stream during the life of the agreement, not subject to species migration or depletion. It also provides a solid foundation from which the U.S. and the Pacific island region can work together to address the challenges of sustainable fisheries conservation.

The U.S. also is making a major financial contribution to the international effort to protect coral reefs. The U.S. spends over \$20 million each year on programs that benefit coral reef ecosystems around the world, including in the Pacific. Another significant U.S. contribution is in the area of security cooperation. The amounts go up and down each year, influenced by various factors, but just as an example we have requested \$1.25 million in foreign military funding (FMF) for Fiji and Tonga in fiscal year 2005. These funds will allow the military of these countries to purchase military equipment, defense services and training to upgrade their forces. Given the international peacekeeping role that Fiji traditionally has played, and that Tonga is looking to play, we think this will be a valuable investment to expand their capabilities in this field. We also

provide about \$800 thousand each year in international military education and training (IMET) to countries in the South Pacific.

Other notable U.S. financial contributions flow to the region through multilateral organizations. The U.S. provides about \$1 million a year to the Secretariat of the Pacific Community and about \$350 thousand a year to the South Pacific Regional Environmental Program (SPREP). We put several million dollars each year into regional educational and exchange programs, mostly through the East-West Center in Honolulu. I should also mention the Asian Development Bank (ADB) to which the U.S. is a major contributor. In 2001, the last year for which we have numbers, the ADB provided \$160 million in lending in the Pacific Island region.

The most significant bilateral funding goes, of course, to the territories and countries which share special relationships with the U.S.; that is, our Pacific island territories and the Freely Associated States. According to U.S. census data, in 2002 American Samoa received \$154 million in direct federal support. The Mariana Islands received \$102 million and Guam received \$1.1 billion. According to the same data, the Marshall Islands received \$203 million, Micronesia received \$140 million and Palau received \$42 million. The Freely Associated States receive the highest level of U.S. assistance per capita of any foreign countries.

Looking ahead, we expect U.S. assistance to the region will grow in the coming years. We are very close to launching a new bilateral assistance program called the Pacific Island Fund. This program will provide our Ambassadors in the region with funds under their direct control that they can assist worthy development projects in their host countries. The first grants should be in the hands of the recipients soon. If this program, which we view as a pilot effort, yields good results in this first round, we hope to be able to extend and expand it in future years.

On a larger scale, you have probably heard of the Millennium Challenge Account (MCA). Congress has approved initial funding of \$1 billion for the MCA and we have requested \$2.5 billion for fiscal year 2005. We will seek further increases to a level of \$5 billion by fiscal year 2006. The independent corporation that will manage the MCA recently released a list of sixty-three candidate countries that will be eligible to compete for this funding this year. Five of the sixty-three are from the Pacific island region and we expect another five will be eligible to compete in fiscal year 2006, when the per capita income cutoff level rises from \$1,415 to \$2,975. But I want to be careful not to raise unwarranted hopes.

The legislation enacting the MCA establishes a very strict set of qualification criteria, based on the principle that development must come primarily from within countries, not from outside. In order to qualify for MCA funding, countries must exhibit strong performance in three areas. They must:

- Govern justly,
- Invest in their people, and;
- Encourage economic freedom.

The MCA Corporation currently is developing a methodology for assessing performance in these areas that will be based on rigorous, publicly available indicators for just governance, human development and economic freedom.

The Compacts of Free Association

I would like, at this point, to turn to The Compacts of Free Association. As I am sure everyone in this room is aware, we completed negotiations on amendments to the Compacts with the Marshall Islands and Micronesia late last year. Palau is on a different cycle. The U.S. Congress has passed the amendments and the President signed them into law on December 17, 2003. We

are waiting for the RMI and National Government of the Federated States of Micronesia (FSM) to complete their parts of the approval process and we are confident that this will happen soon.

The Compact negotiations covered a wide range of issues, including some that were not envisioned in the original Compact language. It is useful to review some of them here, because they are relevant to U.S. policy toward the wider Pacific region.

One of the most difficult issues was travel and immigration. At no time in the negotiations did the U.S. seek to limit the existing privileges of RMI and FSM citizens to travel to the U.S. without a visa as non-immigrants. However, following the September 11, 2001 attack, and in response to the growing threat from international terrorism, we have made necessary improvements to border security that affect all travelers to the U.S. Also, there were concerns over the growing number of adoptions of island children by U.S. citizens, which in many cases were happening without sufficient attention to the rights of the adopted child and its natural parents. And finally, there were concerns about the situation of some island workers in the U.S., who may have been lured to the States with false promises about their wages and working conditions.

Another priority issue in our negotiations was accountability. Congress, through its investigative arm the General Accounting Office (GAO), had expressed grave concerns about the use of some of the U.S. funding provided under the compact. In looking at the problem, we concluded that we needed to work with the RMI and FSM government to improve our monitoring mechanisms and strengthen the planning and management of development activities. Long term, we saw that better accountability was essential to our goal of helping the RMI and the FSM get fully on the path to self-sustainable development. As with the migration issues, we were able to develop mutually agreeable mechanisms to address these problems.

Conclusion

Allow me to preface my conclusion by stating an obvious point: It is not always possible, or appropriate, to generalize about the Pacific. More than most parts of the world, the Pacific island region is characterized by a diversity of peoples, governments, and societies. But there is one constant in U.S. policy toward the Pacific and it forms the foundation for our approach to the region: we are a part of the neighborhood and we will try to be good neighbors.

Sudan: Peace Agreement Around the Corner?

By
Charles R. Snyder
Acting Assistant Secretary of State for African Affairs

[The following are excerpts of the testimony before the Subcommittee on Africa of the House International Relations Committee, Washington, D.C., March 11, 2004.]

We have been supportive of the Sudan peace talks because we wanted to advance U.S. interests to promote human rights, counter-terrorism, and regional stability. From the outset of these negotiations we have made clear that our policy is based on three pillars, all of which must be achieved in order to begin the process of normalization of relations with the government of Sudan. These are: achievement of a just and comprehensive peace settlement; unrestricted humanitarian access and respect for human rights in all areas; and full cooperation against terrorism. I would also like to address our shared concerns about the conflict and humanitarian crisis in Darfur in western Sudan.

The road to peace in Sudan has been long and hard. With the support of the Congress, we have made substantial progress. The framework on security issues and accord on wealth sharing are major accomplishments that have given the process momentum. The parties are close to a final peace agreement, but the issue of Abyei poses a large challenge and significant power-sharing issues remain to be resolved. Over the last year, international monitors, funded and supported by the United States, confirm that there has been a measure of peace in much of the south unprecedented in recent decades. People have begun to live rather than simply trying to survive. Tens of thousands of displaced persons have returned to their homes in the Nuba Mountains as a result of the cease fire there brokered by the United States and Switzerland.

Implementation of any peace agreement reached between the parties will pose major challenges. U.S. leadership will be essential to mobilize international support for next steps including international monitoring in close cooperation with the United Nations, assistance for reconstruction and development, and continuation of critical humanitarian assistance programs.

Achieving peace in Sudan is one of the Administration's highest priorities in Africa. Accomplishing this requires a set of comprehensive accords that address the legitimate grievances of southerners while establishing a national democratic framework leading to fundamental change. As we near the April 21, 2004 determination on the *Sudan Peace Act*, I would like to update the Committee on the current state of play in the negotiations between the Sudan Peoples Liberation Movement and the Sudanese government. First I would like to take this opportunity to commend the efforts of the Inter-governmental Authority on Development (IGAD) for its leadership of the peace process. I want particularly to express our appreciation for the tireless, dedicated mediation by General Lazaro Sumbeiywo.

Our objective is to achieve a Framework on the Outstanding Issues by the end of the current round of negotiations March 16, 2004. Since the current round began February 17, 2004 the parties have been engaged in difficult discussions regarding the three marginalized areas:

- The Nuba Mountains,
- Southern Blue Nile, and;
- Abyei.

They have resolved most of the issues related to the Nuba Mountains and Southern Blue Nile, and both sides believe that the remaining questions on those two areas will be satisfactorily addressed. Abyei poses a larger challenge. The central issue is whether the traditional Ngoc

Dinka inhabitants of Abyei will be allowed to determine their political future. The Sudanese government continues to resist a commitment to popular consultation for the Ngoc Dinka and has expressed concerns about the impact a solution in Abyei could have on northern stability. The United States has made clear its position that such popular consultation is necessary, and we have been working with the parties to urge resolution of this issue. Our Troika partners, the United Kingdom and Norway, and we have all explored creative ideas with the two sides, but, so far, they frankly remain unable to resolve the Abyei issue. The two sides have also discussed the nature of a possible political partnership to ensure full implementation of the peace accords and to promote unity. Both sides realize the people of the south must see real benefits from the peace accord if there is to be any hope of achieving unity a goal both sides support.

We have underscored to both sides the need to conclude the negotiations on an urgent basis. If the parties fail to resolve the Abyei issue during this round, much of the momentum achieved thus far will be lost. That might well lead to a rise in tensions on the ground. Aware of the critical stage of these talks at this time, we have strengthened our team of facilitators in Navaisha. I was recently in Navaisha to talk with Vice President Taha and Chairman Garang, and plan to return to push for agreement. Special Envoy Danforth remains closely involved, and Secretary Powell and National Security Adviser Rice are directly engaged in the talks. We have sent the parties a clear message on the need to move forward quickly. Should they prove unable to do so, it may become necessary as a last resort for the United States, in concert with the Troika and IGAD, to table ideas to break the impasse. In short, the parties know that the time for agreement is now, or the peace process could well unravel. The next days and weeks will prove decisive.

- If the parties reach agreement on the three areas, they will move on to the power-sharing issues. While the power-sharing issues are complex, both sides have told us that they do not expect major problems to resolve them. We intend to hold them to that.
- If the parties resolve the outstanding issues by March 16, 2004, they will take a short break and reconvene to work out details of security arrangements, international guarantees, and modalities to implement the peace accord. Once these are worked out, a comprehensive peace accord will be signed. The United States has offered to send a senior team to assist General Sumbeiywo with the security arrangements talks.

In Secretary Powell's statement to the House Appropriations Committee on March 3, 2004, he called the situation in Darfur a catastrophe. Clearly the conflict and the humanitarian crisis there are a matter of urgent and grave concern for the Administration, as they are to many in Congress. The violence and suffering in Darfur have made it one of the worst humanitarian crises in Africa. Fighting between Sudanese government forces and the rebels is continuing. Of particular concern are the activities of the largely Arab Jingaweit militias. They are systematically burning African villages, killing and abusing civilians. We have rejected the government's claim that, while it may have originally supported the Jingaweit, they are now out of its control. These militias are proxies for the government and Khartoum bears responsibility for their conduct, whether they say they have control or not.

We have spoken out forcefully on Darfur. We are pressing the Sudanese government, at the highest levels, to negotiate a humanitarian cease fire with the rebel groups so that humanitarian relief can reach all needy populations. The government of Sudan is considering a U.S. offer to facilitate such talks. At the same time, we insist that the government of Sudan take immediate steps to stop the Jingaweit militias. Meanwhile, the situation continues to deteriorate. The government of Sudan is not providing sufficient protection to all displaced persons, and the Sudanese army has not mounted systematic efforts to stop the Jingaweit. Our own sources and the press daily report new atrocities by the Jingaweit and document the fear in which the population lives, particularly those who have been displaced.

We have told the government of Sudan that this is not acceptable, and that we are taking the necessary steps to intensify actions by the international community. We are considering a range of actions at the U.N. in New York, and we will raise Darfur at the upcoming U.N. Commission on Human Rights (UNCHR) session. We have also made clear that the situation in Darfur would slow the process of normalization of relations, which we have said that we would pursue were there a peace settlement between the government of Sudan and the SPLM. United States Agency for International Development Assistant Administrator Roger Winter will address the humanitarian tragedy in Darfur in more detail.

The situation in Darfur raises another important issue. Although we have made some progress with the Sudanese government, their overall human rights record remains very poor. Improvements in some practices were offset as noted in detail in our annual *Human Rights Report* by continuing abuses in others. The government continued to restrict most basic freedoms and to abuse its citizens, sometimes violently, with its security forces and allied groups of irregulars. As we described in the *International Religious Freedom* report, we remain deeply concerned about the government's restrictions on religious practice. On a positive note, there have been few, if any, slave raids over the past year. We will work to promote family reunification once a peace accord is signed.

In the United Nations and other fora we have worked hard to maintain the international spotlight on human rights violations and other serious abuses in Sudan. The United States continues to support important monitoring efforts to reduce abuses. In 2003, we provided four and a half million dollars for the Civilian Protection Monitoring Team (CPMT), established by the United States as one of Special Envoy Danforth's four tests for peace. The CPMT's objective documentation of abuses by security forces has drastically reduced such incidents in the south since monitoring began in 2002. In addition, we have provided a grant of one million dollars for the now operational Verification Monitoring Team, set up pursuant to the cessation of hostilities agreed to by the government of Sudan and SPLM in 2002. The 12-nation Joint Military Commission to monitor a cease-fire in the Nuba Mountains was established through the efforts of the Special Envoy John Danforth and supported by a seven million dollar U.S. grant last year.

We have used every opportunity to make known that any future relationship with the Sudanese government will depend on achieving a just and comprehensive peace with the south. I believe Khartoum understands clearly that observing basic rights and freedoms and an end to the conflict in Darfur will significantly improve prospects for our relations. The pace of our normalization and review of sanctions on trade and assistance following a peace agreement will be determined by Khartoum's level of effort to reform and correct human rights policies and practices.

Another of our principal goals in engaging with the Sudanese government has been cooperation in the war against terrorism. I am pleased to report to you that while we remain concerned about certain Palestinian rejectionist groups, which maintain offices in Sudan, we have continued to make progress in our counter-terrorism dialogue with Khartoum. The government of Sudan has proactively responded to some specific requests we have made to combat terrorism. In addition, Sudan has played an increasing role in working with regional governments to combat terrorism and has both signed and ratified all twelve international counter-terrorism agreements.

Mr. Chairman and members of the Committee, there are enormous challenges ahead as we push for successful conclusion of the peace talks and continue the process of bringing Sudan into the community of democratic nations that respect human rights. We continue to enjoy the advantage of an unprecedented international engagement with the parties. The United States has provided strong support to this African-led peace process. For the Sudanese government, we have continued to make clear that normalization of our relationship will be contingent not only

on the signing of a peace agreement, but also on full implementation in good faith as well as allowing unrestricted humanitarian access to suffering populations, continuing cooperation to combat terrorism, and respect for human rights.

As I have noted here, we have made progress on all these fronts, but we will not be satisfied until these goals are fully realized. This will require much hard work and a willingness to assist in building the peace but the goal is historic change in Sudan. That process will address the legitimate grievances of the southerners who have suffered so enormously, will enhance regional stability, and will send a very positive message to the Middle East and other conflict areas. The vision of a unified, democratic Sudan that fully respects human rights would have been unthinkable until very recently. The principal responsibility to achieve and implement the peace rests with the parties themselves. But the leadership of both sides and the long-suffering people of Sudan will need our engagement and our help in rebuilding the war-ravaged south while holding out a hand of friendship to the north.

Remarks Presented to the United States Chamber of Commerce and Association of American Chambers of Commerce in Latin America

By

Roger F. Noriega

Assistant Secretary of State for Western Hemisphere Affairs

[The following are excerpts of the remarks presented to the United States Chamber of Commerce and Association of American Chambers of Commerce in Latin America Luncheon, Miami, Florida, January 30, 2004.]

Introduction

I would like to share my thoughts on where we are in the Americas, where we want to be, and how we are going to get there. Specifically, I would like to talk to you about the opportunities for the region in light of President Bush's meeting with his democratically elected counterparts at the Special Summit of the Americas.

It is important to remember that twenty years ago, most Latin Americans lived under the oppressive rule of caudillos, military juntas, or communist dictatorships. Central America was a battlefield; states were torn by civil war. In several countries, dictators in Havana and Moscow stoked the fires of armed conflict. Elites and their interests dominated economic life.

Then as now, the United States and its allies and partners in the Americas stood for freedom. At the 20th anniversary celebration of the National Endowment for Democracy last November, President Bush recalled the struggles of that time and the leadership of his predecessor, Ronald Reagan. President Reagan's foreign policy was predicated on the simple proposition that democracy, not communism, was on the right side of human history. That was not settled question when President Reagan made that assertion, but I think it is fair to say that it has stood up pretty well over time. President Reagan urged us to have the courage of our convictions, to champion the cause of democracy and freedom around the world. Many believed that to be a simple take on a complicated world — that Central American campesinos and Eastern European workers cared little for and knew less about democracy.

Then as now, the cynics were wrong. The people of the Americas, with our support, broke the grip of the caudillos and the dictators, and they are undeniably better off for it. Today, all the countries of the Americas are governed by elected leaders except for Castro's Cuba. In the vast majority of countries today, chaos, unrest and war have given way to democracy and the rule of law. As President Bush has said, "Freedom honors and unleashes human creativity and creativity determines the strength and wealth of nations. Liberty is both the plan of Heaven for humanity, and the best hope for progress here on Earth."

What is remarkable about the progress we have made in this Hemisphere is that these values are hardly imposed by any one country on another. Instead, our entire inter-American community has committed to defend these values for all the peoples of the region. The same strategy for freedom that we are pursuing globally is at work close to home. We have important political, economic, and national security relationships with our neighbors, and they are and have been a priority for this Administration from day one. The geography we share creates natural economic relationships. Three of our top four foreign energy suppliers are in this Hemisphere. U.S. exports to Latin America have increased by almost 100 percent over the past decade, while our exports to the rest of the world have seen gains of less than 50 percent. Canada and Mexico are our first-

and second-largest trading partners. The United States is a leading trading partner of every nation in the Western Hemisphere save Castro's Cuba.

Our economic relationships in the Western Hemisphere are important, and if they were all that we had at stake here, the region would demand our careful attention. But our political and security interests in the Americas are vital. As we fight the Global War on Terror, it is imperative that we have strong, democratic neighbors working with us to secure our borders and defend our common interests and shared values.

The idea of convening a Special Summit arose in response to emerging challenges confronting governments throughout the region. As you know, elected leaders in many countries are grappling with persistent political, economic, social, and, in some cases, ethnic problems. Several countries are threatened by terrorism and narcotics trafficking. Current economic growth rates in the region are inadequate to generate sufficient jobs for growing populations, let alone address chronic poverty. Corruption and inefficiency have stunted economic development and spawned disenchantment with the label "free market reforms" in many countries.

All these factors have combined to stir popular dissatisfaction and, in some cases, violent outbursts, which relatively new and fragile institutions of democracy have been hard-pressed to control. Although most elected leaders remain convinced that democracy and the free market must be part of any sustainable plan for development, many of their people are weary of waiting for their lives to get better and for their futures to get brighter. Soaring rhetoric does not meet down-to-earth demands for concrete action and tangible results.

So when the Special Summit was conceived, we were determined to ensure that it would not be a summit-for-summit s-sake, but instead, a focused business meeting between the leaders of the hemisphere with a practical agenda for people of the Americas that could be achieved in the near term. By that measure, the Special Summit was a success.

Hemispheric Leadership

President Bush went to this Special Summit with specific proposals in three areas that will bring us closer to achieving those goals: fighting official corruption; stimulating economic growth; and improving health and education.

Even in relatively tough times, the macroeconomic indicators are starting to improve for our countries. That is good, but it is not enough, because none of us lives in the macro economy. We all live in the micro economy. So that is why we chose these practical themes for Monterrey: precisely because they are essential to priming the pump of economic growth and creating jobs. Let me explain what I mean.

Fighting Corruption

We have made the fight against corruption a priority. Why? To set ourselves up as moral arbiters. Of course not. It is because the World Bank has identified corruption as "the single greatest obstacle to economic and social development" facing nations around the world. Their studies show that corruption cuts annual growth rates by as much as 1 percent. That is an enormous loss of national wealth that the Americas cannot afford.

At President Bush's urging, the Leaders gathered at Monterrey committed to:

- Strengthen a "culture of transparency" in the Americas,
- "Deny safe haven to corrupt officials, those who corrupt them, and their assets", and;
- Promote accountability in "public financial management, in government transactions and procurement processes and contracts."

Furthermore, the Summit leaders agreed to hold consultations if adherence to the anti corruption objectives, as described in the Inter-American Convention Against Corruption, is “compromised to a serious degree” in any of the Summit countries. This language is particularly significant because it is the same formula that has been previously agreed to for bringing neighbors together and forging a consensus for intervention in the event that a nation’s democracy is threatened in the Americas. It represents the growing awareness in the region that corruption is a serious threat.

These agreements will complement steps the President has already taken. President Bush signed a Presidential Proclamation that bars corrupt officials from entering the United States. He has blessed a pilot project in Nicaragua that will strengthen its law enforcement capacity and promote civil society involvement in anti-corruption efforts. And as you know, the President has conditioned eligibility for our new aid initiative, the Millennium Challenge Account, on a demonstrated commitment to fight corruption.

Encouraging Economic Growth and Reducing Poverty

Cracking down on public malfeasance is a part creating the right environment for growth. We have to remove the official and unofficial obstacles in the marketplace and give people in the Americas an opportunity to do better for themselves and their communities. That is why the Summit leaders adopted four proposals to encourage growth and reduce poverty. We agreed to reduce the time and cost of starting a business by the next Summit in 2005; support the Inter-American Development Bank’s goal of tripling the credit it provides for small and medium-sized businesses by 2007; cut by at least half the cost of sending remittances by 2008; and strengthen property rights by the next Summit in 2005. Finally, the Leaders reaffirmed that we will complete the Free Trade Area of the Americas on schedule, by January 2005.

Starting a business in the Western Hemisphere takes longer than anywhere else in the world. We know that small and medium-sized businesses are the primary engines of economic growth and job creation in successful economies all over the world. At Monterrey, Summit leaders agreed to cut the red tape that bars entrepreneurs from creating jobs.

Lack of credit is another serious obstacle to growing a business in the Americas. To many of our communities have inadequate financial services. With the Summit Leaders support, The Inter-American Development Bank will undertake a 300 percent expansion of the credit it provides through local banks to small and medium-sized businesses.

Remittances, the money sent by migrants working abroad to their families and friends at home, have tripled in the last six years and totaled more than \$32 billion in the Western Hemisphere in 2002. To give you an idea of the importance of remittances, that figure is more than four times the official development assistance to the region. For some countries in the region, remitted monies account for as much as 20 percent of gross domestic product (GDP). Yet, the region is losing approximately \$4 billion a year due to high transfer fees that average 12.5 percent. Leaders committed to cut that cost by at least half by 2008.

I should also add that the President’s initiative for fair and secure immigration is in part motivated by his understanding of how important foreign workers in the United States are to the region’s economy and our own. President Bush proposed a new temporary worker program to match willing foreign workers with willing U.S. employers when no Americans can be found to fill those jobs. The program would be open to new foreign workers and to the undocumented men and women currently employed in the U.S. This new program would allow workers who currently hold jobs to come out of hiding and participate legally in America’s economy. It is not an amnesty, and it will not encourage illegal acts. We believe this initiative and our work on remittances will be a great benefit to all the people of the Americas.

We know from experience that a fair and orderly property rights system is the foundation of a market economy. In the United States, most peoples net worth is stored in their homes and real property. Without clear title to his own land, a person cannot use it to secure a loan, cannot even be sure that he could sell it, if the need arose. In some Latin American countries, half of all property is not officially recorded.

To empower the people of the Americas with ownership, leaders agreed to: ensure “enforceable, efficient, transparent, comprehensive and equitable rules governing property contracts;” and improve or promote policies and regulations governing “the transfer of property, property registries, the use of property as collateral, and the rights and responsibilities of debtors and creditors.” And we will take concrete actions toward this goal by the next Summit of the Americas in 2005. These measures are important steps that all the countries in the region must take to create the right conditions for long-term sustainable growth that will lift the standard of living for people from every walk of life. But even more needs to be done. To attract the capital that is required to improve infrastructure, create jobs, and reduce poverty, the region needs to open its economies to trade.

At Monterrey, the leaders welcomed recent progress made on the Free Trade Area of the Americas (FTAA) at the November, 2003 Ministerial in Miami and endorsed the Miami framework. The leaders also reaffirmed their shared interest in advancing the World Trade Organization’s Doha negotiations. The United States will also continue to pursue bilateral and multilateral free trade agreements within the region. Our free trade agreement with Chile entered into force on January 1, 2004. The Administration recently concluded FTA negotiations with Central America and has launched talks with the Dominican Republic.

This past fall, the Administration announced its intent to begin FTA negotiations with Panama and four Andean countries Colombia, Peru, Ecuador, and Bolivia. These FTAs, and those already in effect, will cover 68 percent of the GDP of the Americas. Each of these accords are building blocks in helping to construct a Free Trade Area of the Americas, which will be the world’s largest free trade area with thirty-four countries, almost 800 million consumers, and a \$13 trillion GDP.

Improving Health and Education

These economic reforms are very important, but we also know that a comprehensive policy for creating prosperity for people of every walk of life must address the inadequacies in the healthcare and education systems. At the Special Summit Leaders agreed to two important measures in these vital areas:

- We will provide HIV/AIDS antiretroviral therapy to all who need it, with a focus on treating at least 600,000 individuals by 2005, and;
- Publishing school system performance reports by the 2005 Summit.

HIV/AIDS is a serious, if underreported, problem in the region. More than two million people are now living with HIV in Latin America and the Caribbean. More than 200,000 contracted HIV in the past year. HIV/AIDS threatens to overwhelm some already overtaxed healthcare systems. The President’s \$15 billion Emergency Plan for AIDS Relief focuses on the most afflicted countries in the world: Guyana and Haiti in the Western Hemisphere, and 12 countries in Africa. We have many partners in the fight against this deadly disease. The commitment of Summit Leaders at Monterrey to make greater efforts in treatment and prevention complements President Bush’s global AIDS initiative.

As you may know, President Bush and Brazil’s President Lula da Silva have launched a joint venture to improve HIV/AIDS treatment, care, and prevention in Portuguese-speaking Africa. Working together in the Americas and around the world, we will beat HIV/AIDS. In the same

spirit, we must strive together to ensure that every child in the region gets a good education. President Bush believes that a good education is the foundation for creating economic growth, social advancement, and democratic progress.

At home, the President made education a priority through his “No Child Left Behind” initiative. He shares this commitment to providing a quality education with many leaders in Latin America and the Caribbean who understand that education is critical to achieving hemispheric prosperity and security, in addition to addressing the needs of people, especially the poor. Sadly, schools in Latin America are simply not educating the young. Almost half of the students in the region who enter primary school in the region fail to reach fifth grade, and only about 30 percent finish secondary school.

These failures exact a high price from our people and our national economies. A story in the Washington Post recently pointed out that, a generation ago, Mexico and South Korea ranked near the bottom in academic achievement among the thirty nations of the Organization for Economic Cooperation and Development.

Today, among people age twenty-five to thirty-four, Mexico ranks last in the same OECD studies, while South Korea has risen to No. 1. South Korea’s highly skilled workers produce some of the world’s most popular cars and electronics. However, despite its access to the world’s largest market, Mexico’s economy has not been retooled to make it more competitive for a new century. Education is where the race for competitiveness is one or lost. At Monterrey, leaders committed to publish performance assessments of their educational systems by the next Summit of the Americas.

To support this effort, the United States will provide help develop ten model Educational Performance Reports in the Western Hemisphere, including profiles of Venezuela, Peru, Nicaragua, the Dominican Republic, Honduras, Guatemala, El Salvador, Colombia, and regional reports on Central America and the Hemisphere as a whole.

Conclusion

With the Millennium Challenge Account and the Free Trade Area of the Americas, the reforms and investments called for at the Special Summit offer a tried and true method for making real economic, political, and social progress in the Americas. It is in the best interests of the United States and of all the people of the Americas that we grow and prosper together in peace and freedom. Now, all that is required is that we make the hard choices that will transform commitment into achievement.

Argentina's Current Economic and Political Situation

By

Roger F. Noriega

Assistant Secretary of State for Western Hemisphere Affairs

[The following are excerpts of the remarks presented to the Subcommittee on International Trade and Finance, Senate Banking, Housing and Urban Affairs Committee, Washington, D.C., March 10, 2004.]

Argentina is a close and valued ally of the United States, has been through much over the last several years. We are pleased that it has now begun its economic and social recovery. Mr. Quarles and others will certainly highlight the economic and financial background and the latest status of the International Monetary Fund (IMF) negotiations. I simply want to add that the Bush Administration is united in wanting to see Argentina succeed over both the short and long-term, and believes it can do so by fully meeting its commitments under its IMF program.

Since assuming the presidency in May 2003, President Kirchner has sought in his own words to make Argentina a more predictable nation, one whose word can be relied upon. He also has sought to root out corruption, restart the Argentine economy and refurbish Argentina's stature in the world. We believe he has made an important start on these daunting challenges, aided by the talented Argentine people, who strongly support him. Congressional and provincial elections last year also showed strong support for the new government. As a result of this voting, President Kirchner's party has a majority in both houses of Congress, holds sixteen of the country's twenty-four governorships, and is now well-positioned to seek the reforms critical to Argentina's future progress. On the economic side, for example, these reforms include revising the system of revenue sharing between the Federal and provincial governments.

Bilaterally, President Kirchner and his government have maintained a policy of close contact with the United States. President Kirchner has met twice with President Bush since taking office in the Oval Office in July 2003, and in Monterrey at the Special Summit of the Americas in January 2004. At both meetings, President Bush underscored that we want Argentina to succeed, but that it also needed to help itself.

This Administration regularly discusses economic issues with the Argentine government at the highest levels. In these discussions, we also raise commercial and business process issues that U.S. firms have experienced and relayed to us. Neither we nor the government of Argentina, however, have lost sight of the other ties that link us including those in the political, trade, cultural, scientific, educational and social areas.

Our deep and broad relationship permits us to address cooperatively a range of issues. One specific area of continued engagement is counter-terrorism. Argentina suffered devastating terrorist attacks in 1992 and 1994, and our shared experience with terrorist attacks on our home soil creates a special bond between our countries. The U.S. works closely with Argentina, Brazil, and Paraguay through the 3 + 1 regional cooperation mechanism to fight terrorism, money laundering, and drug and arms trafficking in the tri-border area. We also cooperate closely in the non-proliferation and scientific spheres, to cite other areas.

I also want to highlight Argentina's important role in seeking to advance the cause of democracy, peace and stability in this hemisphere and elsewhere. Argentina has peacekeeping forces serving in five United Nations Missions from Cyprus to Kosovo to the Congo. Argentina has been supportive of efforts to address the crisis in Haiti, and it is considering participation in the multinational effort there. Argentina has continued its deployments, and is considering a role in Haiti, despite its very real economic and financial constraints.

Argentine diplomacy has also been active on challenging regional issues including Bolivia and Venezuela. In Caracas recently, President Kirchner met with democratic opposition leaders. On Bolivia, Argentina has supported the Mesa government and just signed a billion dollar natural pipeline agreement that eventually could lead to Bolivia earning up to \$500 million per year through exports.

Prior to closing, permit me to discuss our political-level contacts with the Argentine government on economic issues. Our open, frank and continuous discussions with Argentina on economic and business matters have occurred at all levels and involved several Executive Branch agencies. The Administration also appreciates the role of a number of members of Congress who have spoken to Argentine officials, in Washington and on trips to Buenos Aires, on the need for Argentina to address the issues that are essential to its economic future.

The United States has supported Argentina's efforts to restore economic stability and restart economic growth. We supported the launch of the transitional IMF program in January 2003 to assist Argentina in stabilizing its economy through the period of the presidential elections and opening months the Kirchner administration. We supported the three-year economic program that Argentina launched with the IMF in September 2003, aimed at reinforcing the current economic recovery and laying the basis for long-term economic growth.

The three-year program provides a solid framework for achieving sustainable economic growth to benefit the Argentine people and contribute to stability and growth in the region. We can and will be helpful, but ultimately the shape of the IMF program, and Argentina's performance under it, are in the hands of the Argentine government and the Fund.

In cooperation with the IMF and our G-7 partners, we also have worked to limit the regional fallout of the Argentine economic situation, most notably in Argentina's close neighbor, Uruguay. To help shield the Uruguayan economy, and to also put it on a sustainable growth path, the IMF reached a pact with that nation in 2002. We assisted in this effort and the U.S. granted Uruguay a \$1.5 billion bridge loan until the Fund package was approved. This loan, that allowed banks in Uruguay to reopen, was paid back, with interest, in seven days.

As friends, the United States and Argentina can and do speak openly and frankly to one another, while sharing common goals for the hemisphere. The United States also shares Argentina's conviction that it can reverse its severe collapse of the last few years and return to the prosperity it once enjoyed. We stand ready to support Argentina's efforts and through them strengthen all our shared goals for our countries and our hemisphere.

Direct Commercial Sales Authorizations for Fiscal Year 2003

The following is an excerpt of the Report by the Department of State, pursuant to Section 655 of the *Foreign Assistance Act*. The complete report can be found at the following web site www.prndtc.org.

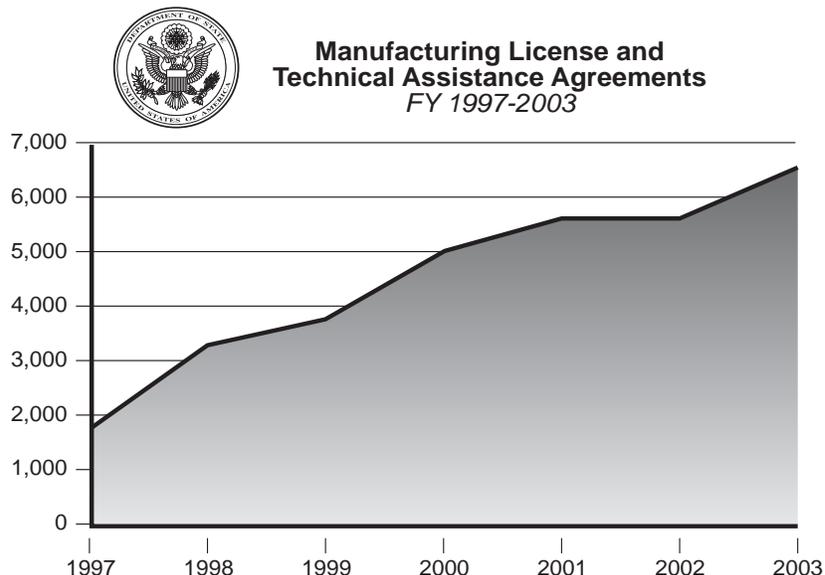
Overview

This report covers defense articles and defense services licensed for export during fiscal year 2003 under Section 38 of the *Arms Export Control Act*. It is provided pursuant to Section 655 of the *Foreign Assistance Act* and, as required by that Section, the report shows the aggregate dollar value and quantity of defense articles and defense services authorized to each foreign country. Sometimes the column for the quantity is blank or 0. The quantity on a license may not be a specified number because of instances where the applicant used the word “lot” or “various”; left the quantity blank; listed multiple commodities with different quantities; or did not quantify the commodity of technical data.

A separate portion reports just on authorizations for semi-automatic assault weapons.

In accordance with subsection (d) of Section 655, this report is also being made available to the public on the internet through the Department of State, Directorate of Defense Trade Controls at www.pmdtc.org.

In view of the growing role of manufacturing license agreements and technical assistance agreements, this year’s report has a separate section that distinguishes more clearly between authorizations pertaining to defense articles and those associated with defense services. The overall number of permanent export license applications submitted under Section 38 in Fiscal Year 2003 was approximately 35,000. The number of manufacturing license agreements and technical assistance agreements submitted was 6,608. See Figure 1.



This trend appears to reflect the growing complexity of commercial defense trade as international joint ventures, co-production, licensed manufacturing and offset arrangements involving offshore assembly or procurement increasingly characterize major sales.

Part 1 of the report details approximately \$18 billion in licenses authorizing the export of defense articles, while Part 2 provides aggregate information by country on authorizations for defense services (i.e., agreements) totaling \$44 billion. Importantly, the value of authorizations provided under Section 38 for defense articles and defense services does not correlate to the value of articles actually transferred during this same time frame. Most munitions licenses issued for articles shown in Part 1 are valid for four years and may be used throughout their period of validity to carry out the authorized export transactions.

Similarly, manufacturing license and technical assistance agreements set forth in Part 2 of the report cover a wide range of programmatic activities for multi-year periods (generally exceeding the four-year validity period of defense article export licenses). Because the scope of the Department's regulatory authority over such agreements continues for as long as these multi-year agreements remain in effect, authorizations furnished in fiscal year 2003 also include certain activities occurring in prior years. Such post hoc reporting generally is due to instances where the State Department directed an audit of an agreement (including the value of articles produced) in order to ensure compliance with the *Arms Export Control Act* and, in particular, the oversight by Congress mandated in Section 36 of the Act¹ with respect to major sales and manufacturing abroad of significant military equipment.

The results of such audits frequently disclose higher values than previously reported or initially projected by U.S. defense firms owing to a variety of factors, including extensions in the validity of agreements well beyond the original time frame envisaged.

Authorizations under Section 38 in fiscal year 2003 continued to center principally on a relatively small number of friends and allies of the United States. During this period defense trade with two major allies, the United Kingdom and Japan, reflect a large portion of the dollar value of all authorizations furnished under Section 38 (i.e., the overall direct commercial sales

Defense Articles Authorized	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003
Japan	\$2.6	\$3.0	\$3.6
United Kingdom	\$3.3	\$2.6	\$1.8

program). In past years, the United Kingdom and Japan have been the largest cooperative partners of the United States in relation to defense trade carried out under Section 38.

Part 3 is a separate statement, pursuant to P.L. 107-228, that covers defense articles that are firearms controlled under category I of the *United States Munitions List* that shows the country, aggregate dollar value and quantity of semi-automatic assault weapons, or spare parts for such weapons, the manufacture, transfer, or domestic possession of which is unlawful under 18 USC 922, that were licensed for export during fiscal year 2003.

¹ Sales of major defense equipment valued at \$14 million or more or other defense articles and defense services valued at \$50 million or more, and technical assistance and manufacturing license agreements involving the manufacture abroad of significant military equipment, require notification to Congress before an export license may be issued. In the case of a member country of the North Atlantic Treaty Organization or Australia, Japan, or New Zealand, sales of major defense equipment valued at \$25 million or more or other defense articles and defense services valued at \$100 million or more require notification to Congress before an export license may be issued.

EDUCATION AND TRAINING

Air Force Security Assistance Center Foreign Military Sales Center Institutionalizes How It “Develops and Executes International Agreements” by Linking Strategic Initiatives to the Balanced Scorecard Process

**By
Len Walton
Tiyette McDaniel
Schneata Shyne-Turner**

Air Force Security Assistance Center

The Air Force Security Assistance Center’s (AFSAC) foreign military sales development, growth and support to allies throughout the world spans more than twenty-five years. AFSAC was established in 1978 as the International Logistics Center (ILC) in an effort to centralize Air Force services to other countries. When the Air Force Logistics Command and the Air Force Systems Command were merged, the center became known as the Air Force Security Assistance Center. Over the life of the organization, twelve different commanders have directed the course-of-action that determined how resources were managed to satisfy our customers’ needs. The center engaged in many diverse systems of tracking and measuring the success of the organization.

AFSAC’s 12th Commander, Brigadier General Jeffrey Riemer, determined a need to re-focus the way his organization does business faced with a huge retirement wave. The center has 330 civilians, and 30 percent of those will be eligible to retire in five-six years, causing AFSAC to lose a lot of its expertise faster than it can recruit and train new employees. He set out to achieve a most desired future to ensure that AFSAC successfully achieves its vision of “World Class Professionals Fostering Global Partnership” by embarking on a dynamic process that will link long term strategic objectives with short term actions.

The Balanced Scorecard (BSC) methodology is being institutionalized to ensure continuous process change driven by organizational needs that endure as part of a strategy-focused organization regardless of changes of personnel at all levels of the center. “We will wake up some morning and find what we were able to do in the past, we are unable to do in the future because



**BRIGADIER GENERAL, USAF
Commander AFSAC.**

we did not take the steps necessary to posture ourselves for that new environment” stated Brigadier General Riemer. A strategy-focused organization is one that looks to the future, determines their vision and how to fulfill it. Then they structure a way of ensuring that end state, according to Brigadier General Riemer.¹

The Balanced Scorecard is a management tool designed by Harvard Business School professors, Dr. Robert Kaplan and Dr. David Norton. Their research showed that CEOs need a broad view of things that were important in affecting company success. BSC requires strategizing the future of an organization from various perspective customer, financial, internal processes, and learning and growth.

In the book, *A Strategy-Focused Organization*, Dr. Kaplan and Dr. Norton said organizations that are strategy-focused and use BSC as a tool to get there are 70 percent successful. Organizations that do not use BSC and do not have a strategic focus fail 70 percent of the time.²

Brigadier General Riemer and his senior leaders identified that AFSAC’s two roles are to serve as a center for expertise that develops and executes agreements and to provide command-level policy guidance regarding international business. AFSAC builds connections between the U.S. and friendly Air Forces around the world connections that the Air Force needs to fulfill its mission of defending U.S. interests abroad.

For over twenty-five years, AFSAC has sold over 9,000 aircraft worldwide, with 6,600 still operational. AFSAC makes sure that the equipment they provide to their customers is supplied with parts and sources of repair. It may cost more to do business with the U.S., but AFSAC customers are confident in the service they will be provided, according to Brigadier General Riemer.

“When we sell those specific weapon systems to our FMS customers, what we are really doing is establishing a long-term strategic relationship with the greatest Air Force on the planet, that sometimes is more important to a country than how fast the jet goes, how quick it turns, or what kind of weapons it carries,” Brig. Gen Riemer stated.

The Commander’s first critical step was appoint, in January 2003, a select core group of AFSAC employees to begin planning, developing, tailoring, and implementing the Balanced Scorecard initiative (BSI). The actions of AFSAC’s executive corporate board and the core team enabled the center to successfully implement BSC in October 2003. The executive board of AFSAC and the core team worked to formulate a clear statement of who we are, what we do, how we do it, and for whom do we do it. Efforts to understand and define these questions led to the development of a strategic architecture.

Our vision is to become “world-class professionals fostering global partnerships.” Brigadier General Riemer used the elements of AFMC/CC’s Commander’s Intent to communicate how AFSAC will use the balanced scorecard methodology. Using the four tenets of the Commander’s Intent:

- Expeditionary mindset and culture,
- Innovative, adaptive and responsive,
- Easy to do business with, and;

1. Combs, Kyle, Air Force Materiel Command Leading Edge, Public Affairs “AFSAC Works to Make the Grade,” January 2004, p. 16.

2. Kaplan and Norton (1996). *The Balanced Scorecard*. Harvard Business School Press, Boston, Massachusetts.

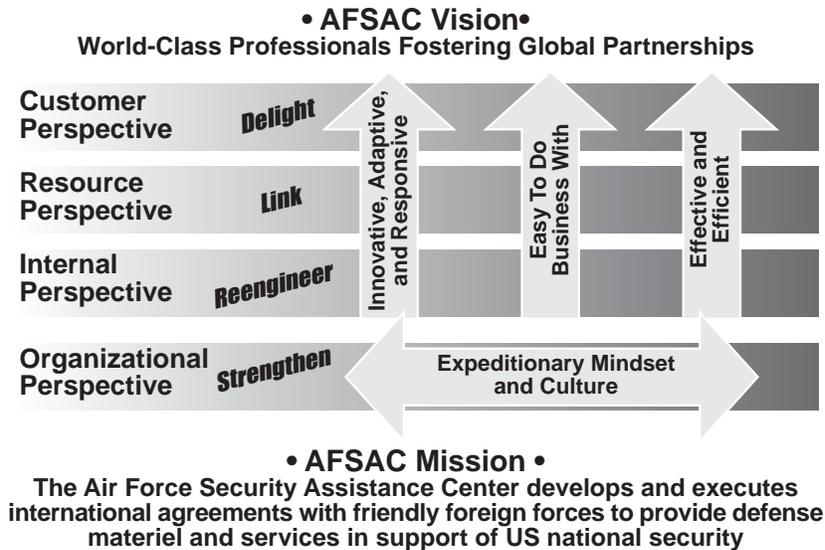


Figure 1

- Effective and efficient.

Combining these with the BSC perspectives of customer, financial, internal processes, and learning and growth Brigadier General Riemer formed the basis of his strategic themes that link AFSAC to the mission of AFMC through this architecture. From this strategic architecture grew the description of AFSAC's intent for its strategic initiative as "World-class professionals fostering global partnerships through developing and executing international agreements by delighting customers, linking resources, reengineering processes and strengthening the organization."

Brigadier General Riemer and his executive leadership spent numerous hours to determine "What We Do" and what functions in AFSAC are the key process indicators that define the organization and its mission. These initiatives within our internal perspective were targeted to improve the three key processes, two enabling processes, and multiple key functions that compose AFSAC's mission. This was a crucial step to complete before the organization's strategy map could be fully developed and deployed. These processes and functions are shown in Figure 2.

Dr. Kaplan and Dr. Norton propose a performance measurement capability that supports a long-term, forward thinking strategic view across the entire organization. They suggest that strategic leaders need a measurement framework that provides a view across a range of operations that encompasses most key issues required for continued success. Each quadrant of the Scorecard reports performance measures directly related to the corporate vision in the form of key performance measures or indicators. In addition, this framework should assist organizations to improve performance by changing how people behave. Dr. Kaplan and Dr. Norton (1996:10) argue that the Balanced Scorecard achieves these goals:

- Communicates priorities and direction
- Focuses on improving processes, not functions
- Aligns operational activity with strategic goals
- Provides the necessary leverage for change

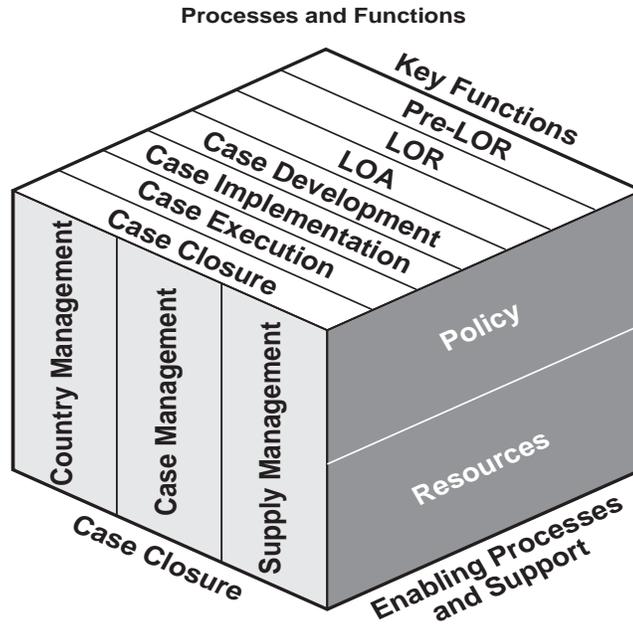


Figure 2

AFSAC’s strategy map is an extension of the architecture. It represents a collection of cause-effect relationships to demonstrate the linkages between the strategic themes, perspectives, vision, mission, goals, and objectives. The strategy map transforms intangible assets into tangible customer and budget resource outcomes to produce value. Developing the strategy map “helps organizations see their strategies in a cohesive, integrated and a systematic way and provides the foundation for the management system for implementing strategy effectively and rapidly.”³

By providing linkages to the vision, mission, objectives, perspectives, strategy, and strategic enabling themes, the strategy map is a blueprint to illustrate how strategy is aligned with operational functions and processes, and how the strategy can be accomplished systematically to reach the final destination, the vision, in the BSC journey.

The strategic themes are an internal representation of what the organization needs to do in order to achieve strategic outcomes. They address what employees should do to satisfy customer needs and yield a Return On Investment (ROI) on products and services. According to Brigadier General Riemer, the enabling principle and the strategic themes also serve as a sanity check for all employees to ask the following questions:

- Am I effective and efficient?
- Am I easy to do business with?
- Am I innovative, adaptive and responsive?
- Do I have an expeditionary mindset and culture?

Perspectives are designed to address all aspects of the organization. The customer perspective looks at who are the targeted customers and what is the organization’s value proposition to them? The resources perspective examines what resources are needed to satisfy our customer, and should link strategy to resources. The internal process addresses at what processes the

3. Kaplan, R.S. and Norton, D.P. (1996). “Using the Balanced Scorecard as a Strategic Management System,” *Harvard Business Review*, January-February: 1975-1985.

organization must excel to satisfy customers and shareholders. Along with the enabling theme, expeditionary mindset, and culture, the organizational perspective is considered as the foundation or enabler of all perspectives. Enablers support the other BSC perspectives. The organizational perspective looks at what capabilities and tools the employees require to help them do their jobs.⁴

Through a series of interwoven linkages, strategy becomes action to involve all employees in the balanced scorecard process. Linkages provide a cause and effect chain starting with the strategic and enabling themes and end with the vision in the strategy map. This synergistic function provides the ingredients for success to equip the organization with the necessary tools to become a world-class professional workforce. The AFSAC strategy map (Figure 3) reflects the linkages that bring these elements together into a dynamic network.

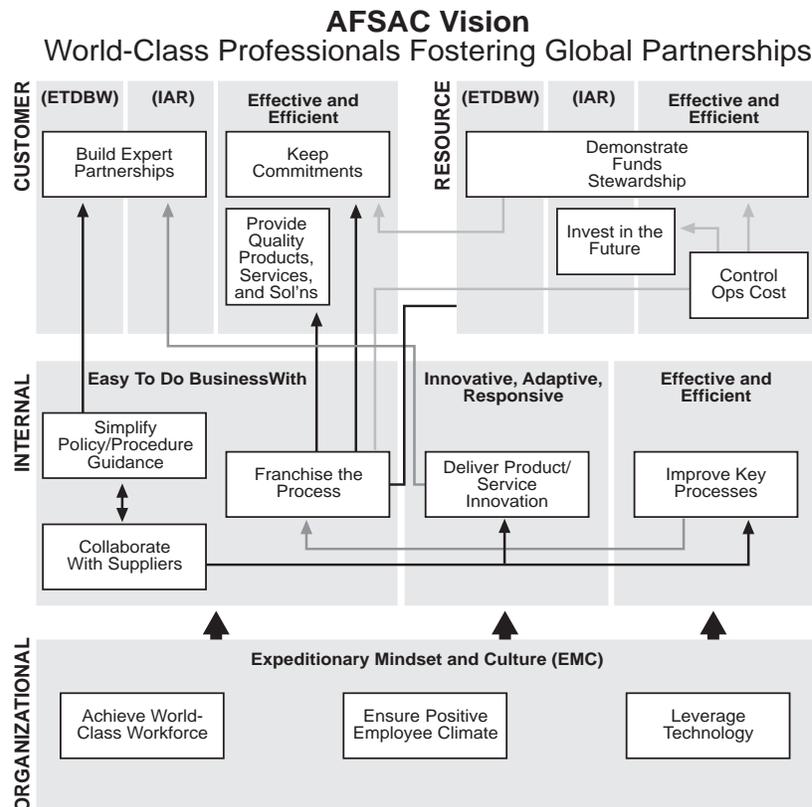


Figure 3

The Air Force Security Assistance Center incorporates objectives, measures, targets and initiatives under the four strategic themes, see Figures 4 through 7, as a means of fully deploying the different aspects of balanced scorecard and strategic planning. “We think the result will be that any employee in the organization can stand back six months or a year from now and say, Wow! I see exactly how this works. I see how what I do every day is making a difference,” Brigadier General Reimer said.

4. Kaplan, R.S. and Norton, D.P. (1996). “Using the Balanced Scorecard as a Strategic Management System,” *Harvard Business Review*, January-February: 1975-1985.

Figure 4. Be Innovative, Adaptive, and Responsive					
	Objectives	Measures	2004 Targets	2005 Targets	Initiatives
Customer	Build Expert Partnerships	Percent of Customers Favorably Assessing Our Responsiveness	100%	100%	Customer Survey
	Invest in the Future	Percent of Non-Civilian Pay Resources Applied to Investment	5%	10%	
Resource	Demonstrate Funds Stewardship	Percent of Reduction in Process Time for Over Committed Lines	10%	25%	
Internet	Deliver Product/Service Innovation	Number of Revolutionary Business Capabilities*	1	1	Six Sigma Projects

* Lag Measure

** Lead Measure

Figure 5. Easy To Do Business With					
	Objectives	Measures	2004 Targets	2005 Targets	Initiatives
Customer	Build Expert Partnerships	Percent of Increase in Deployed IT Capability	100% by Tier 1 & 2 Countries	100% by Tier 1 & 2 Countries	Promote AFSAC Online & DSCA Portal Use
		Percent Compliance with Action Plan	100%	100%	
		Percent of FMS Customers Applying Business Processes Improvements*	10%	25%	Streamlined LOAs
Resource	Demonstrate Funds Stewardship	Percent of Cases Closed in Allotted Time*	100%	100%	
Internet	Collaborate with Suppliers	Number of Collaboration Events Per Supplier/Year*	4	12	Implement Collaborative Environment
	Franchise the Process	Percent of Processes Franchised*	25%	50%	Published Continuity Files/Expert Systems
	Simplify Policy/Procedure Guidance	Percent of Policy/Procedural guidance Simplified/Divested**	25%	50%	Policy Executability Reviews

* Lag Measure

** Lead Measure

Figure 6 Effective and Efficient					
Objectives	Measures	2004 Targets	2005 Targets	Initiatives	
Customer	Keep Commitments	Percent of Compliance with Standard*	100%	100%	Action Item Tracker
	Provide Quality Products, Services and Sol'ns	Percent of Reduction in Deficiency Reports*	Incoming 5% Open 35% Aged 100%	Incoming 5% Open Maintain Aged Maintain	
		Percent of On-Time/Early Deliveries*	90%	95%	
		Percent of Customers with <i>Bill of Rights</i> **	25%	50%	<i>Customer Bill of Rights</i>
Resource	Control Ops Cost	Average Percent of Improvement in Per Unit Operating Cost*	5%	10%	PBC Output Analysis
	Invest in the Future	Percent of Non-Civilian Pay Resources Applied to Investment**	5%	10%	
Internet		Percent of Operating Budget Obligated	100%	100%	
		Percent of Annual Case Reviews Completed	100%	100%	
	Improve Key Processes	Percent of Key and Enabling Processes Achieving Goals*	60%	60%	Six Sigma Projects

* Lag Measure

** Lead Measure

Figure 7 Expeditionary Mindset and Culture					
Objectives	Measures	2004 Targets	2005 Targets	Initiatives	
Organizational	Achieve World-Class Workforce	Percent of qualified Workforce to Support Organizational Strategic/Mission Requirements	25%	50%	WFS and Training
		Percentage of Workforce Certified in International Affairs	50%	75%	
	Ensure Positive Employee Climate	Percentage of Favorable Rating on All UCA Questions*	80%	90%	Quality Workplace Projects
Organizational	Leverage Technology	Number of enterprise Capabilities Deployed*	4	4	
		Percent of Infrastructure Achieving Replacement Standard*	100%		

* Lag Measure

** Lead Measure

Brigadier General Riemer states, "It is my intent as the commander to raise AFSAC's level of performance to a level never seen or even believed possible. We, as the Air Force Materiel Command's center of expertise for developing and implementing the elements of international business, will define the expected environment and posture ourselves for today and beyond. The better we do our job, the better our customers are able to do their job in coalition warfare." Complete institutionalization of the balanced scorecard process will be the key management system to enable AFSAC to successfully meet the goal.

About the Authors

Len Walton is the Team Leader of Strategic Planning for Air Force Security Assistance Center. He has directed and communicated strategic initiatives as a member of the Strategic Planning Office since November 2000. A logistics manager since 1989, he previously served more than twelve years in various capacities including Command Country Manager for Australia and New Zealand and Program Support Manager for Saudi Arabia and Israel.

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