

3. INTERNATIONAL AFFAIRS

Table 3-1. Federal Resources in Support of International Affairs

(In millions of dollars)

Function 150	2000 Actual	Estimate					
		2001	2002	2003	2004	2005	2006
Spending:							
Discretionary Budget Authority ...	23,459	22,651	23,867	24,388	24,918	25,468	26,031
Mandatory Outlays:							
Existing law	-4,069	-6,651	-3,543	-3,422	-3,438	-3,408	-3,361
Credit Activity:							
Direct loan disbursements	1,571	2,252	2,047	476	226	224	119
Guaranteed loans	11,443	11,110	11,544	10,829	10,743	11,585	11,215
Tax Expenditures:							
Existing law	16,630	18,060	18,340	18,910	20,040	21,260	22,590

The Administration proposes \$23.9 billion for International Affairs programs in 2002. By fully funding these programs, the United States can provide the global leadership needed to enhance national security, including the security of Americans overseas; promote free trade and open markets; counter the threat posed by the global trade in illegal drugs; provide humanitarian and development assistance to address the global spread of poverty and diseases; and provide the modern technology and working conditions that our diplomats need in their efforts to secure our national interests overseas.

The performance goals that follow represent key U.S. foreign policy priorities based on the Administration's initial review of our international affairs programs and objectives. As the Administration continues to refine U.S. national security and foreign policy strategies, additional objectives and performance goals are likely to be identified. These goals should, therefore, be viewed as preliminary and not as an exhaustive list. International affairs agencies have additional performance goals that meet their legislative mandates in ways that contribute to U.S. national interests.

National Security

Vigorous engagement and leadership in international affairs are essential to U.S. national security. Experienced and skilled professionals are required to protect America's security interests, along with an active diplomacy and sufficient resources to address challenges anywhere in the world. The Administration's efforts to reduce the threat of weapons of mass destruction will combine active diplomacy with critical, targeted assistance programs. The United States will continue its bilateral efforts to resolve destabilizing regional conflicts, including the use of economic and reconstruction assistance, which will be complemented by multilateral work through international financial institutions and the United Nations. These tools for leadership in international affairs require a sustained commitment of resources to achieve results.

American resolve to advance national security and foreign policy interests throughout the world is unmatched. The advancement of those interests requires a day-to-day American presence in dangerous locations despite continued threats of terrorist violence. Effective performance of embassy security measures

must be an integral component of efforts to meet our national security goals. The Administration has accepted the management challenge to achieve efficiently and effectively global embassy security upgrades and maintain a high level of readiness at U.S. overseas posts. The budget proposes \$1.3 billion for enhanced security measures, including \$665 million for new, secure facility construction, which includes funding for U.S. Agency for International Development (USAID) facilities, \$211 million for additional security upgrades to existing facilities, and \$428 million for security readiness.

In addition to enhanced security, the Administration intends to review America's official presence overseas. According to one study, the distribution of U.S. Government staff overseas is based more on historical legacy and bureaucratic inertia than by a clear commitment to advance American policy goals. In some embassies, up to 30 U.S. agencies may be represented. Frequently, agencies do not know the true costs of having their staff in foreign countries. This situation clearly does not reflect the desired goal of a well managed, rational, and cost effective American presence overseas.

United Nations peacekeeping efforts can benefit U.S. national security. Working with the UN allows the United States to address policy objectives and share the cost among all nations, while reducing the possible requirement to deploy U.S. troops abroad. The United States must continue to address the need for UN management reforms. The United States must ensure that UN peacekeeping mission goals are defined and achievable, that vital national interests are identified, and that there is not only a planned exit strategy, but also a "success" strategy to UN peacekeeping operations.

The Department of State will meet the following goals in 2002:

- Continue to make full use of active and defensive measures to prevent and deter terrorist attacks and the loss of human life. The resources requested will support maintenance of counter-surveillance programs, integration of threat intelligence into an active security posture, inspection of all vehicles entering U.S. diplomatic

compounds, and 24-hour guard coverage and electronic monitoring of embassy facilities.

- Improve the security posture of all agencies overseas, make more reliable the Department's ability to project resource needs in the future, and examine the current financing structure for overseas facilities to determine if it provides a sound basis for long-term capital needs.
- Set standards to measure the effectiveness of UN peacekeeping activities and bilateral U.S. assistance programs designed to build regional and national peacekeeping and peace enforcement capacities worldwide. Make decisions concerning continued support for and funding of these activities based on whether these standards are being met.
- Achieve demonstrable reductions in the flow of the material, equipment, and technology needed to acquire, produce, or deploy weapons of mass destruction, by helping officials in exporting countries and key transshipment points to improve their systems of export controls.

State Department Management and Operations

The budget provides funding to modernize and improve State Department management, which is expected to enable the Department to achieve its strategic and performance goals. The Department will identify appropriate quantitative indicators to measure the success of management reforms and ensure that budgetary resources are directly linked to management performance.

As with any institution, excessive layers of bureaucracy and duplicative bureaus impede effective management. In the case of the State Department, they can hinder the prompt and effective execution of foreign policy. To reduce the number of middle management positions that complicate lines of authority and hinder the development and presentation of coherent foreign policy, the Department of State will empower line officers. The budget also provides the necessary resources to improve needed work force planning and to strengthen the Department's human

resource management to enable the Department to effectively recruit, assess, and retain the highest possible caliber work force.

The budget includes \$210 million for information technology investments that will improve interaction and information sharing among agencies in the foreign affairs community and modernize secure communications capabilities. The budget also provides the necessary funding to ensure that diplomatic and consular facilities are planned and constructed effectively, efficiently, and on budget.

In the context of the biennial authorization process, the Department will propose legislative changes needed to implement management reforms. In addition, the Department will improve its financial management practices to identify savings and performance enhancements accruing from the United States Information Agency (USIA)/Arms Control Disarmament Agency (ACDA) merger. This merger brought 4,000 staff under the direct control of the Secretary of State.

The Department will meet the following performance goals in 2002:

- Identify and eliminate bureaucratic layers that hinder effective foreign policy.
- Undertake and implement a comprehensive review of the Department's organization to realize efficiency gains by eliminating duplication in bureau functions.
- Review current administrative practices in overseas facilities and undertake reforms, including increased use of Foreign Service Nationals, to reduce substantially the cost of administrative support.
- Design and implement a long-term investment strategy in new technology that enables employees to communicate more effectively and that realizes increased cost savings and efficiencies.
- Complete and implement a comprehensive examination of current and future work force needs. The Department will demonstrate with measurable criteria how additional personnel contribute to fulfillment of specific program goals.
- Create and implement policies to ensure that the Department recruits, hires, and

retains Foreign and Civil Service officers with the proper skills needed to fulfill the Department's strategic and performance goals. The Department will develop and apply performance criteria to measure the effectiveness of its recruitment, examination, and retention strategies.

- Identify, review, and implement, as necessary, overseas facility planning, construction, and management processes to ensure effective and on-budget service delivery.
- Describe savings and performance enhancements deriving from the USIA/ACDA merger and take steps to ensure that this merger achieves scale and other benefits as originally anticipated.
- Make substantial progress toward financial systems compliance with the Federal Financial Management Improvement Act.
- Present an authorization proposal that includes a blueprint for substantial management reforms.

Free Markets

As the President said in his Address to the Joint Session of Congress: "The cause of freedom rests on more than our ability to defend ourselves and our allies. Freedom is exported every day, as we ship goods and products that improve the lives of millions of people. Free trade brings greater political and personal freedom."

International affairs programs work to increase our economic freedom and prosperity in several ways. First, the United States Trade Representative (USTR), supported by the Departments of State and Commerce, and other agencies, works to reduce barriers to trade by negotiating new trade liberalizing agreements and by enforcing existing agreements. To reach this objective, the President has called on Congress to quickly give him, as each of the previous five Presidents has had, the ability to negotiate far reaching trade agreements with presidential trade promotion authority. This authority will enable the Administration to proceed aggressively with its negotiating agenda, which includes the World Trade Organization's (WTO) built-in agenda on agriculture and services, the

Free Trade Area of the Americas (FTAA), and bilateral free trade agreements.

Second, the Export-Import Bank provides export financing to correct market distortions that can put U.S. exports at a competitive disadvantage. The Overseas Private Investment Corporation (OPIC) provides investment insurance and financing for projects involving U.S. business. The President has pledged to reduce unnecessary corporate assistance and to support an active, but limited, Government. To this end, the Export-Import Bank must sharpen programs by focusing on support that would not otherwise be available in the private market or which redresses officially supported foreign competition. Similarly, OPIC's activities should focus more closely on companies and countries that cannot access private financing or insurance. These efforts should enhance the value added of Export-Import Bank's programs and make OPIC's programs complementary, not competitive, with the private market.

At the moment, these agencies have similar client bases and sometimes overlapping product lines. For example, both the Export-Import Bank and OPIC offer political risk insurance. The Administration intends to review how these agencies, along with the U.S. Trade and Development Agency, can serve American clients more effectively.

The trade agencies will meet the following performance goals in 2002:

- USTR will work with Congress to obtain trade promotion authority and use this to provide impetus for a new negotiating round in the WTO, progress in the FTAA, and negotiation of other free trade agreements, including with Chile and Singapore.
- USTR, working with the Treasury Department and Congress, will seek extension of the Generalized System of Preferences and extension and enhancement of the Andean Trade Preference Act, as included in the President's revenue proposals.
- The Export-Import Bank will expand its direct support to small business above 2001 levels, as well as improve its internal processes and outreach through use of proven technologies.

- OPIC will strive to support a stable level of private U.S. investment in 2002 that promotes American development goals, while continuing to expand its lending to U.S. small business above 2001 levels.

Andean Initiative

Andean countries are the source of virtually all of the cocaine in the United States and an increasing share of the heroin—Colombia is the primary regional source of both. This drug trade contributes to political, economic, and social instability.

The budget includes \$731 million for U.S. funding for the Andean regional initiative, which will support drug eradication, interdiction, alternative development in Colombia, Peru, Bolivia, Ecuador, and other countries in the region. (Additional funding from economic assistance accounts will augment these reforms directed toward democratic strengthening and economic growth.) This initiative will build upon the resources provided in the 2000 Emergency Supplemental Appropriations Act for Plan Colombia and ongoing regional counterdrug funding for the State Department's Bureau of International Narcotics and Law Enforcement Affairs. About 50 percent of this combined new funding will go to Peru, Bolivia, Ecuador and neighboring countries to maintain and continue their success in eradicating illegal drug crops and to prevent spillover of violence and the drug trade from Colombia. Additionally, about 50 percent of these 2002 funds will support alternative development, human rights, displaced persons, judicial reform and democratic institution building programs.

The State Department, working with other U.S. agencies, will meet the following performance goals:

- Reduce Colombian coca production by 30 percent from calendar year 2000 levels by the end of calendar year 2002.
- Eliminate all illicit coca production in Bolivia by the end of calendar year 2002.
- Negotiate revised coca and poppy control goals with the new Government of Peru after it assumes power in July 2001.

- Establish meaningful, aggressive, achievable, and quantifiable goals for counter-drug efforts in other countries in the region by August 15, 2001, to be used in carrying out programs in 2002.

International Development/Humanitarian Response

The United States has a long and proud history of providing assistance to poor countries, both to alleviate the human suffering brought on by poverty and man-made and natural disasters. U.S. assistance must also help to improve opportunities for freedom and prosperity. The United States will work with other countries to help meet the needs of the poor and vulnerable around the globe. The budget for USAID provides an increase in funding to fight the spread of HIV/AIDS and other infectious diseases. This will continue recent efforts by the United States to combat the global spread of this disease and maintain the pressure on other donors, multilateral organizations, and non-governmental organizations to make greater efforts to address a plague that threatens to undermine the economies and national security of affected countries, especially those in sub-Saharan Africa where prevalence rates often exceed 20 percent of the adult population. The budget also increases investment in such key social sectors as basic education.

In addition, the United States will continue to leverage international donor resources to promote global economic growth and reduce poverty by seeking funding for our commitments to the Multilateral Development Banks and to the Heavily Indebted Poor Country (HIPC) multilateral debt reduction initiative. These multilateral programs assist countries to reach their potential for sustainable growth through adoption of policy reforms that promote market-oriented economies, fight corruption, and improve transparency and accountability. The United States will continue to make resources available to carry out agreements under the Tropical Forest Conservation Act, which allows for restructuring debt to generate funds for conservation projects.

One aspect of debt forgiveness, however, is the coordination of that forgiveness with new lending. Four U.S. Government agencies

currently have direct loan and guarantee programs that are subject to debt forgiveness initiatives. In some cases, agencies have offered new credits to a country, only to have the country qualify for debt reduction a short time later. The Administration intends to reconcile the goals of debt forgiveness and credit management in a rational manner.

Relevant agencies will meet the following performance goals for 2002:

- USAID will increase funding to support prevention and care programs that combat the HIV/AIDS pandemic.
- USAID will increase support for economic growth, leveraging private sector resources to foster agricultural development, improve the business and trade climate, expand access to basic education and increase the efficient use of energy in developing countries.
- USAID will expand conflict prevention and development relief efforts, facilitating increased support from non-governmental organizations, other private sector entities and other donors to respond to crises, and recovery and support prevention including support for democracy.
- The United States will support the HIPC initiative to reduce the debt burden of the poorest countries to more sustainable levels in return for adopting appropriate policies to reduce poverty and enhance economic growth. As part of this initiative, the Department of Treasury will fund the forgiveness of debt owed to the United States by an expected 33 qualifying countries and will provide contributions to the HIPC Trust Fund in order to finance debt reduction by multilateral institutions. The budget requests \$224 million, which along with \$16 million from existing balances of previously appropriated funds, will fully meet the U.S. commitment for contributions to the HIPC Trust Fund.
- Under the Tropical Forest Conservation Act (TFCA), the Department of the Treasury has restructured some of Bangladesh's debt in order to generate funds for conservation programs. Treasury expects to continue making progress on this initiative by completing agreements with two or

three additional countries in 2001 with a budget cost of approximately \$13 million. In 2002, Treasury will make more funds available for further programming under TFCA, as well as up to \$13 million that may be transferred from USAID.

- The State Department, through the help and advice it provides countries to clear land mines and other unexploded ordnance, will expand by 3,500 square kilometers over 2001 the amount of land available for local agricultural and other economic activity. These efforts, funded primarily by \$40 million from the Non-proliferation, Anti-terrorism, Demining, and Related Programs account, will speed economic and social recovery and will reduce the casualties suffered by innocent civilians, including children.
- State, in cooperation with USAID and other relevant agencies, should make and implement recommendations based on the 2000 review of humanitarian assistance programs to improve the administration and delivery of relief.
- The Peace Corps expects to have more than 7,000 volunteers to address a variety of problems in the areas of agriculture, environment, small business, and health, including a multi-faceted initiative to fight the HIV/AIDS pandemic.

International Broadcasting

International broadcasting directly impacts the global free flow of information by providing accurate coverage of world and local events to foreign audiences with limited access to unbiased news reports. To meet the President's Government-wide performance goals for 2002, the Broadcasting Board of Governors will:

- Reduce the number of upper- and middle-level managers in each of the four broadcasting entities.
- Link budget and management decisions more closely to performance by revamping the strategic planning and performance management system that incorporates Government Performance and Results Act (GPRA) planning, the annual language service review process, and the program reviews of individual language services. By early 2002, the Broadcasting Board of Governors will produce an over arching strategic plan containing specific criteria for measuring the need for and effectiveness of individual language services and programs and explaining how they relate to one another and to overall GPRA planning. This strategy will reduce duplication among the various broadcast entities, eliminate ineffective or low-priority language services and programming, and direct resources to highest-priority, most effective languages and programming.
- By the middle of 2002, finalize and implement a uniform, agency-wide strategy for capital planning, using private contractors whenever possible, that will improve the operating efficiency and reach of its broadcast network by taking advantage of emerging technologies. Such a strategy will address the latest broadcast technologies to combat jamming and other transmission difficulties while ensuring that worldwide audiences receive broadcasts via the media they are most likely to use.
- Actively solicit the participation of private-sector firms in competitive bidding for contracts.