

CONGRESSIONAL BUDGET JUSTIFICATION
FOREIGN OPERATIONS

FISCAL YEAR 2002



OFFICE OF THE SECRETARY OF STATE
RESOURCES, PLANS, AND POLICY

INTRODUCTION

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FOREIGN OPERATIONS FISCAL YEAR 2002 BUDGET REQUEST

PREFACE

The enemies of liberty and our country should make no mistake: America remains engaged in the world by history and by choice, shaping a balance of power that favors freedom. We will defend our allies and our interests. We will show purpose without arrogance. We will meet aggression and bad faith with resolve and strength. And to all nations, we will speak for the values that gave our nation birth.

– President George W. Bush, Inaugural Address, January 20, 2001

Today, the rise of democracy and the power of the information revolution are leveraging each other to produce the exciting and kaleidoscopic developments that are transforming our world with breathtaking speed and dramatic depth.

This is a time of great opportunity for America – a time, as President Bush has said, to shape “a balance of power that favors freedom.” To do this will require good leadership. The United States has the requisite power and the tools at hand, from our exceptional corps of diplomats to our sturdy battalions of men and women in uniform, from our superb business people to our brilliant artists in every field. We also have the allies and friends to help us, each of whom in their own way treasures the common values we share, emanating from a fundamental belief in free trade and free people.

As we go about accomplishing this task of leadership, we must “show purpose without arrogance.” We have achieved our position in the world because of the dedication, hard work, and skill of our citizens – citizens who come from almost every country on earth. It is their representatives that we must be in the wider world. It is their industry, drive, and ability to live together in and derive strength from an incredible diversity – a diversity like no other in the world – that stands as a shining example to all who would achieve peace and prosperity in their own lands.

The Department of State is at the forefront of this leadership effort because the skillful management and shaping of international affairs is a vital part of America’s leadership role in the world. So providing financial support for that process is of paramount concern to the nation.

In past years, International Affairs funding has not been what it should be. With a new Secretary on board, that is changing. The President's \$23.9 billion FY 2002 request for International Affairs – over a five percent increase from last year – is the first step in that change. For Foreign Operations the President is requesting \$15.2 billion, a two percent increase over last year's enacted level.

Secretary Powell has said that he wants to be both CEO and principal foreign policy advisor to the President. The FY 2002 International Affairs budget request supports that dual role. As CEO, the Secretary has several key priorities in the request, including embassy construction, security, and maintenance; broad-based Internet access for everyone who needs it; modernization of classified information networks; and hiring of new personnel for both the Foreign Service and Diplomatic Security.

As the President's principal foreign policy advisor, the Secretary has several key priorities to implement the President's policies. These priorities include the Andean Regional Initiative; Global Health (in particular the fight against HIV/AIDS); nonproliferation, anti-terrorism, and combating weapons of mass destruction; support of ongoing peacekeeping operations; payment of UN arrears; and advancement and support of democracy and human rights the world over.

Both sets of priorities – the CEO's and the advisor's – ultimately serve the same purpose: shaping a balance of power that favors freedom.

As with any good management method, these two sets of priorities will merge as time goes by, for we cannot have a good foreign policy without the right numbers of people, security for those people, and the information-age tools that we need. Likewise, the right people with the right tools and security cannot do what they ought to do without the financial resources to help them do it.

The FY 2002 Foreign Operations budget request, the details of which are in this document, represents only the beginning. There are tough roads ahead and steep hills to climb. But what a time of excitement and opportunity – what a time to “speak for the values that gave our nation birth.”

INTERNATIONAL AFFAIRS MISSION STATEMENT

The purpose of United States international leadership is to create a more secure, prosperous, and democratic world for the benefit of the American people. In an increasingly interdependent and rapidly changing world, international events affect every American. Successful U.S. leadership is essential for security at home, better jobs and a higher standard of living, a healthier environment, and safe travel and conduct of business abroad.

Under the direction of the President and the Secretary of State, the United States conducts relations with foreign governments, international organizations, and others to pursue U.S. national interests and promote American values. The International Affairs goals of the United States are:

National Security – Protect vital interests, secure peace, deter aggression, prevent and defuse crises, halt the proliferation of weapons of mass destruction, and advance arms control and disarmament.

Economic Prosperity – Expand exports, open markets, maintain global growth and stability, and promote economic development.

American Citizens and U.S. Borders – Protect American citizens abroad, manage the entry of visitors and immigrants, and safeguard the borders of the United States.

Law Enforcement – Combat international terrorism, crime, and narcotics trafficking.

Democracy and Human Rights – Support the establishment and consolidation of democracies and uphold human rights.

Humanitarian Response – Provide humanitarian assistance to victims of crisis and disaster.

Environment, Population, and Health – Improve the global environment, achieve a sustainable world population, and protect human health.

To advance the interests of the nation and the American people, the U.S. Government requires a strong international presence; highly qualified, motivated, and diverse people serving at home and abroad; extensive communication with publics, both foreign and domestic; and the political, military, and economic means to carry out the nation's foreign policies.

FY 2002 FOREIGN OPERATIONS SUMMARY

(\$ in millions)

Budget Authority	FY 2000 Actual /1	FY 2001 Estimate /2	FY 2002 Request
FOREIGN OPERATIONS	16,543	14,884	15,168
Export-Import Bank (net)	796	910	687
Overseas Private Investment Corporation (net)	-50	-200	-251
Trade and Development Agency	44	50	50
Child Survival & Diseases Fund	724	961	1,011
Development Assistance	1,210	1,302	1,325
International Disaster Assistance	227	299	200
Transition Initiatives	-	50	50
USAID Credit Programs	8	7	8
USAID Operating Expenses (OE)	519	532	549
USAID Inspector General (IG)	25	27	32
Economic Support Fund (ESF)	2,792	2,315	2,289
Support for Eastern European Democracy (SEED)	583	674	610
Assistance for the Independent States (ESA/NIS)	836	808	808
Peace Corps	244	264	275
International Narcotics Control and Law Enforcement	304	324	217
Andean Counterdrug Initiative	-	-	731
Plan Colombia	1,019	-	-
Migration and Refugee Assistance	623	698	715
Emergency Refugee & Migration Assistance (ERMA)	12	15	15
Nonproliferation, Anti-Terrorism, Demining (NADR)	216	311	332
Debt Restructuring	123	447	224
Treasury Technical Assistance	2	6	6
International Military Education & Training (IMET)	50	58	65
Foreign Military Financing (FMF)	4,788	3,568	3,674
Peacekeeping Operations (PKO)	150	127	150
Multilateral Development Banks	1,110	1,144	1,210
Multilateral Development Banks Arrears	[104]	[11]	[-]
International Organizations & Programs (IO&P)	188	186	186

/1 - FY 2000 Actual reflects \$59.3 million in across-the-board rescissions; \$1.825 billion in Wye/Egypt funding; and \$1.093 billion for: Plan Colombia (\$1.018 billion), Southeast Europe (\$50 million SEED), and Southeastern Africa (\$25 million Disaster Assistance).

/2 - FY 2001 Estimate reflects \$33.4 million in rescissions, as well as \$468 million in supplemental funding for: the Balkans (SEED - \$75.8 million, IMET - \$2.9 million, FMF - \$31 million, and USAID OE - \$13 million); Disaster Assistance for Southeastern Africa (\$135 million); and debt relief for Heavily Indebted Poor Countries (HIPC) (\$210 million).

FY 2002 Foreign Operations Summary -- Detail

(\$ in thousands)

Appropriations	FY 2000 Actual /1	FY 2001 Estimate /2	FY 2002 Request
FOREIGN OPERATIONS	16,543,322	14,884,388	15,167,643
Title I - Export and Investment Assistance	789,797	759,851	486,347
<u>Export-Import Bank (Ex-Im)</u>			
Export-Import Bank - Loan Subsidy	756,064	863,097	633,323
Export-Import Bank - Administrative Expenses	54,900	61,864	65,000
Export-Import Bank - Direct Loans, Negative Subsidies	(15,000)	(15,000)	(11,000)
Subtotal, Export-Import Bank	795,964	909,961	687,323
<u>Overseas Private Investment Corporation (OPIC)</u>			
Administrative Expenses for Credit & Insurance Program	34,934	37,916	38,608
Net Offsetting Collections	(108,776)	(261,863)	(289,608)
Credit Funding - Direct & Guaranteed Loan Subsidies	23,842	23,947	-
Subtotal, Overseas Private Investment Corporation	(50,000)	(200,000)	(251,000)
Trade and Development Agency (TDA)	43,833	49,890	50,024
Title II - Bilateral Economic Assistance	9,466,858	9,041,988	9,396,500
U.S. Agency for International Development			
Child Survival & Disease Programs Fund (CSD)	724,448	960,881	1,011,000
Development Assistance (DA)	1,210,260	1,302,129	1,325,000
Development Credit Authority	[3,000]	-	-
International Disaster Assistance	227,014	299,340	200,000
Transition Initiatives	-	49,890	50,000
Micro and Small Enterprise Development - Subsidy	1,500	1,497	-
Micro and Small Enterprise Development - Admin. Exp.	500	499	-
Urban and Environmental Credit Program - Subsidy	1,500	-	-
Urban and Environmental Credit Program - Admin. Exp.	4,990	-	-
Development Credit Program Subsidy -- By Transfer	-	[4,989]	[25,000]
Development Credit Program Subsidy -- Appropriation	-	1,497	-
Development Credit Program Administrative Expenses	-	3,991	7,500
USAID Operating Expenses	518,960	531,827	549,000
USAID Inspector General Operating Expenses	24,950	26,941	32,000
<u>Other Bilateral Economic Assistance</u>	4,210,969	3,797,452	3,707,000
Economic Support Fund (ESF) - w/ Fund for Ireland	2,792,187	2,314,896	2,289,000
Ass't for Eastern Europe and the Baltic States (SEED)	582,970	674,338	610,000
Assistance for the Independent States (FSA /NIS)	835,812	808,218	808,000
Independent Agency			
Peace Corps	244,069	264,417	275,000
Inter-American Foundation	[4,981]	[11,974]	[12,108]
African Development Foundation	[14,345]	[15,965]	[16,042]

FY 2002 Foreign Operations Summary -- Detail

(\$ in thousands)

Appropriations	FY 2000 Actual /1	FY 2001 Estimate /2	FY 2002 Request
FOREIGN OPERATIONS	16,543,322	14,884,388	15,167,643
<u>State Department</u>			
Int'l Narcotics Control and Law Enforcement (INCLE)	303,841	324,285	217,000
Andean Counterdrug Initiative	-	-	731,000
Assistance to Plan Colombia	1,018,500	-	-
Migration and Refugee Assistance (MRA)	622,625	698,460	715,000
U.S. Emerg. Refugee and Migration Ass't Fund (ERMA)	12,452	14,967	15,000
Nonpro., Anti-Terrorism, Demining & Rel. Prog. (NADR)	215,780	310,914	332,000
<u>Department of the Treasury</u>			
Treasury Technical Assistance	1,500	5,987	6,000
Debt Restructuring	123,000	447,014	224,000
Title III - Military Assistance	4,988,059	3,752,602	3,889,000
International Military Education and Training (IMET)	49,810	57,748	65,000
Foreign Military Financing (FMF)	4,788,297	3,568,133	3,674,000
Peacekeeping Operations (PKO)	149,952	126,721	150,000
Title IV - Multilateral Economic Assistance	1,298,608	1,329,947	1,395,796
<u>International Financial Institutions</u>	1,110,308	1,144,356	1,209,796
Global Environment Facility	35,800	107,762	107,500
International Development Association	771,290	773,295	803,400
Multilateral Investment Guarantee Agency	4,000	9,978	10,000
Inter-American Dev't Bank (IADB) - Ordinary Cap.	25,611	-	-
Asian Development Bank	13,728	-	-
Asian Development Fund	77,000	71,842	103,017
African Development Fund	127,000	99,780	100,000
African Development Bank	4,100	6,087	5,100
European Bank for Reconstruction & Dev't	35,779	35,700	35,779
Enterprise for the Americas Multilateral Investment Fund	-	9,978	-
Inter-American Investment Corporation	16,000	24,945	25,000
International Fund for Agricultural Development	[5,000]	4,989	20,000
MDB Arrears	[104,000]	[11,227]	[-]
International Organizations & Programs (IO&P)	188,300	185,591	186,000

Notes:

/1 - FY 2000 Actual reflects \$59.3 million in across-the-board rescissions; \$1.825 billion in Wye/Egypt funding; and \$1.093 billion for: Plan Colombia (\$1.018 billion), Southeast Europe (\$50 million SEED), and Southeastern Africa (\$25 million Disaster Assistance).

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