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Page

I. INTRODUCTION ix

II. FUNCTIONAL BUDGET REQUESTS

Export and Investment Assistance
Export-Import Bank of the United States 1
Overseas Private Investment Corporation 3
Trade and Development Agency 5

Bilateral Economic Assistance 7

Economic Support Fund 11
Table: FY 1998 Economic Support Fund 15
Human Rights and Democracy Fund 17

Support for Eastern European Democracy (SEED) 19
Table: FY 1998 SEED Allocations 25

Assistance for the New Independent States (NIS) 26
Table: FY 1998 Assistance for the NIS 31

Debt Restructuring 32

Peace Corps 36

Inter-American Foundation 39

African Development Foundation 41

International Narcotics and Law Enforcement 43
Table: FY 1998 Budget Request 48

Table: FY 1998 Budget Summary by Functional Activity 49
Asia/Africa/Middle East Regional Cooperation 50
Interregional Aviation 53
International Organizations 55
Narcotics Law Enforcement Training and Drug Awareness and Demand Reduction 59
Program Development and Support 64
International Criminal Justice 66
Systems Support and Upgrade 71

Refugee Assistance 74
MRA Summary Statement 75
Table: MRA Summary by Program 79
Overseas Assistance 80
Graph: Refugees and Persons of Concern to UNHCR 83
Assistance Programs in Africa 84
Assistance Programs in East Asia 87
Assistance Programs in the Western Hemisphere 89
Assistance Programs in the Near East and North Africa 91
Assistance Programs in South Asia 93
Assistance Programs in Europe 95
Multiregional Activities 97
Refugee Admissions 99
Refugees to Israel 104
Administrative Expenses 105
Table: Requirements by Object Class 106
FY 1998 ERMA Summary Statement 107
Table: Requirements by Object Class 108

Nonproliferation and Disarmament Fund 109

Anti-Terrorism Assistance 111

International Military Education and Training (IMET) 119
Table: FY 1998 IMET Budget Request 123
Table: Summary of Students Trained Under IMET 127

Foreign Military Financing (FMF) 130
Table: FY 1998 FMF Budget Request 134
Defense Administrative Costs 135
Table: FMF Administrative Costs 137
Demining 138
Enhanced International Peacekeeping Capabilities (EIPC) 141

Peacekeeping Operations 143
Table: FY 1998 Peacekeeping Operations Budget Request 146

Multilateral Economic Assistance
Table: Treasury International Programs 147
Asian Development Bank Group 148
African Development Fund Group 158
European Bank for Reconstruction and Development 162
Global Environment Facility 166
Inter-American Development Bank Group 170
International Development Association 175
International Monetary Fund Enhanced Structural Adjustment Facility 182
International Monetary Fund New Arrangements to Borrow 185
North American Development Bank 188

International Organizations and Programs 191
Table: FY 1998 International Organizations and Programs Summary 195
UN Voluntary Fund for Technical Cooperation in the Field of Human Rights 196
UN Voluntary Fund for Victims of Torture (UNVFVT) 198
OAS Fund for Strengthening Democracy 200
UN Development Program (UNDP) 203
UN Development Fund for Women (UNIFEM) 205
UN Children's Fund (UNICEF) 207
World Food Program (WFP) 210
UN Afghanistan Emergency Trust Fund (AETF) 213
International Fund for Agricultural Development (IFAD) 215
International Civil Aviation Organization (ICAO) Aviation Security Trust Fund 218
UN Population Fund (UNFPA) 220
UN Environment Program (UNEP) 222
Multilateral Fund for the Protection of the Ozone Layer 226
International Conservation 228
Climate Stabilization Fund 233
Intergovernmental Panel on Climate Change (IPCC) 235
International Contributions for Scientific, Educational and Cultural Activities including the World Heritage Convention 237
World Meteorological Organization 241
OAS Development Assistance Program 243
IAEA Voluntary Safeguards Program 246
Korean Peninsula Energy Development Organization (KEDO) 250

III. REGIONAL AND COUNTRY PROGRAMS 253

Sub-Saharan Africa 255
African Crisis Response Force (ACRF) 261
Africa Regional Democracy Fund 263
Africa Regional Peacekeeping 266
East Africa Regional Assistance 267
Organization of African Unity 268
Angola 269
Benin 272
Botswana 274
Cameroon 276
Cape Verde 278
Central African Republic 279
Chad 280
Comoros 282
Congo 283
Cote d'Ivoire 285
Djibouti 287
Eritrea 289
Ethiopia 291
Ghana 293
Guinea 295
Guinea-Bissau 297
Kenya 299
Lesotho 301
Liberia 302
Madagascar 304
Malawi 306
Mali 308
Mauritius 310
Mozambique 312
Namibia 314
Niger 316
Nigeria 317
Rwanda 319
Sao Tome and Principe 321
Senegal 322
Seychelles 324
Sierra Leone 326
Somalia 328
South Africa 330
Swaziland 333
Tanzania 335

Togo 337
Uganda 339
Zambia 341
Zimbabwe 343

Latin America and the Caribbean 345
Administration of Justice/ICITAP 355
Caribbean Regional Fund 358
Latin American Peacekeeping 360
Latin America and the Caribbean Regional Cooperation 361
Latin America and the Caribbean Regional Democracy Fund 364
Panama Canal Area Military School 369
Peru-Ecuador Peace Fund 370
Argentina 372
Bahamas 374
Belize 376
Bolivia 378
Brazil 381
Chile 384
Colombia 386
Costa Rica 388
Dominican Republic 390
Eastern Caribbean 392
Ecuador 394
El Salvador 397
Guatemala 399
Guyana 402
Haiti 404
Honduras 408
Jamaica 410
Mexico 412
Nicaragua 415
Paraguay 417
Peru 419
Suriname 423
Trinidad and Tobago 425
Uruguay 427
Venezuela 429

East Asia and the Pacific 432
East Asia-Pacific Regional Democracy Fund 440
East Asia-Pacific Regional Security Fund 442
South Pacific Multilateral Fisheries Treaty 444
Cambodia 445

Indonesia 450
Laos 453
Malaysia 456
Mongolia 458
Papua New Guinea 461
Philippines 463
Solomon Islands 465
Thailand 467
Tonga 470
Vanuatu 471
Western Samoa 473

Europe 474
Central European Defense Loans 486
European Peacekeeping 488
International Fund for Ireland 491
Partnership For Peace 493
Albania 496
Bosnia-Herzegovina 498
Bulgaria 501
Croatia 504
Cyprus 506
Czech Republic 508
Estonia 510
Former Yugoslav Republic of Macedonia 513
Greece 516
Hungary 518
Latvia 521
Lithuania 524
Malta 527
Poland 528
Portugal 531
Romania 533
Slovakia 536
Slovenia 539
Turkey 541

The Near East 544
Bank for Economic Cooperation and Development in the Middle East (MEDB) 551
Israel-Lebanon Monitoring Group 553
Middle East Multilateral Working Groups 554
Middle East Regional Cooperation 557
Middle East Regional Democracy Fund 559

Multinational Force and Observers 561
Algeria 563
Bahrain 565
Egypt 568
Israel 571
Jordan 574
Lebanon 577
Morocco 580
Oman 582
Tunisia 584
West Bank and Gaza 586
Yemen 588

New Independent States 590
Armenia 594
Azerbaijan 597
Belarus 599
Georgia 601
Kazakstan 605
Kyrgyzstan 608
Moldova 611
Russia 613
Tajikistan 617
Turkmenistan 620
Ukraine 623
Uzbekistan 627

South Asia 630
South Asia Regional Democracy Fund 632
Afghanistan 634
Bangladesh 636
India 638
Maldives 641
Nepal 642
Pakistan 644
Sri Lanka 647

IV. SUPPORTING INFORMATION

Arms Control Considerations 649

Estimating Foreign Military Sales 651
Table: FMS and Construction Sales 652

Foreign Military Sales Administrative Costs 655
Table: Foreign Military Sales Administrative Costs/Workyears 657

Overseas Military Program Management 658
Table: Overseas Military Program Management - Costs 660
Table: Overseas Military Program Management - Personnel Strengths 663

Grant Excess Defense Articles (EDA) 665
Table: Sales of Excess Defense Articles Under
Foreign Military Sales in FY 1996 667

Leased Defense Articles 669
Table: Leases Under the Arms Export Control Act 670

Stockpiling of Defense Articles for Foreign Countries 671
Table: Value of Annual Ceilings for Stockpiling 672

Countries and International Organizations Eligible for Purchasing
Defense Articles and Services 673
Table: Funding 678
Table: Legislative History of Authorizations and Appropriations 683

Commercial Exports Licensed or Approved Under
the Arms Export Control Act 694
Table: Commercial Exports Licensed or Approved Under
the Arms Export Control Act 695

Table: All Spigots 699

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I. INTRODUCTION

CONGRESSIONAL PRESENTATION FOR FOREIGN OPERATIONS FISCAL YEAR 1998 BUDGET

INTRODUCTION

America's national security depends on a strong national defense, effective intelligence capabilities, and proactive engagement in International Affairs. New global relationships, advances in technology and communications, new forms of regional instability, and an obligation to safeguard our nation from the dangers posed by weapons of mass destruction and preventable environmental degradation -- all form the basis of a new, more complex International Affairs policy agenda. Our success in pursuing this agenda will materially impact the lives of this and future generations of Americans.

To succeed, America must lead. Although International Affairs programs and activities comprise barely one percent of all federal budget expenditures, they are the substance of US relationships with the rest of the world. Funds distributed over four cabinet departments, nine agencies, and several foundations and international organizations are the conduits of American influence.

The Congressional Presentation for Foreign Operations provides the fiscal year 1998 budget request and justification for the Function 150 accounts of the federal budget within the jurisdiction of the U.S. Senate and U.S. House of Representatives Committees on Appropriations, Subcommittees on Foreign Operations. This Presentation includes an explanation of U.S. foreign policy objectives, strategies, resources, and performance indicators by function and region.

The Congressional Presentation was prepared and completed through the cooperative efforts of International Affairs agencies who were represented on interagency teams led by the Department of State. The result is a comprehensive budget package that includes an integrated explanation of the resources necessary to maintain American global leadership through functional programs and regional strategies worldwide. The Congressional Presentation for Foreign Operations is not designed to supersede more detailed budget justifications prepared by individual Function 150 agencies, rather it seeks to serve as a comprehensive summary of International Affairs program accounts within the jurisdiction of the Foreign Operations Subcommittee.

In FY 1998, the Administration is requesting $19.451 billion for Function 150, the International Affairs category of the federal budget. Of this amount, $13.324 billion is proposed for programs and activities within the jurisdiction of the Subcommittees on Foreign Operations. The FY 1998 budget is designed to prevent further erosion in America's diplomatic leadership by providing an 8.8 percent increase over the FY 1997 appropriated level of $ 12.250 billion for Function 150 Foreign Operations programs.

Resources recommended in the Function 150 Foreign Operations budget are targeted toward programs that support six underpinning objectives of American foreign policy. These key objectives are:

- Promoting U.S. prosperity through trade, investment, and employment -- creating jobs by developing export markets;

- Building democracy -- achieving economic stability and democratic transition in Central Europe, the New Independent States and in other geostrategic regions;

- Fostering sustainable development -- making long-term investments, through bilateral and multilateral programs, in economic growth, child survival, disease prevention; population; and environmental protection;

- Securing peace -- advancing the progress of peace in the Middle East, Asia, Central America, and Africa;

- Providing humanitarian assistance -- providing food, shelter, and relief to refugees and other victims of hardship, as has long been the tradition of America.

- Strengthening Diplomacy -- providing a reliable worldwide network of communications, representation, and oversight through effective U.S. and overseas management.

By advancing these objectives, the FY 1998 budget proposes a new framework for American leadership adapted to the needs of the 21st Century.

Notes: Materials Contained in the Congressional Presentation for Foreign Operations

The U.S. Agency for International Development totals for Development Assistance do not include attributions to centrally funded programs for FY 1996. Program descriptions for Development Assistance programs for Gambia, Burundi, and Panama are not included in this Congresional Presentation.

II. FUNCTIONAL BUDGET REQUESTS

EXPORT AND INVESTMENT ASSISTANCE

EXPORT-IMPORT BANK OF THE UNITED STATES

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
Ex-Im	937.200	772.600	681.000

OVERALL U.S. OBJECTIVES:

The Export-Import Bank is an independent agency of the federal government, is the official export credit agency of the United States. Ex-Im Bank supports U.S. jobs by financing exports to emerging markets. The Bank's export financing provides direct loans, loan guarantees and insurance. These programs enable U.S. exporters to make creditworthy sales when other sources of financing are unavailable or inadequate, and to match government-supported competition from other countries. This competitive factor is vital in big emerging markets, such as Asia and Latin America, as well as in the transition economies of the Newly Independent States of the former Soviet Union and Central and Eastern Europe. In 1995, Ex-Im Bank financed one third of all U.S. capital goods exported to developing countries.

The Administration is requesting $632 million for Ex-Im Bank's loan subsidy program and $49 million for the Bank's operations in FY 1998 to assist American exporters in maximizing their export sales, thus stimulating economic growth and jobs creation in the United States. These amounts, which total $681 million, are based on a careful analysis of the potential demand for Ex-Im Bank's direct loan, guarantee, and insurance authority and the minimum administrative resources necessary to carry out its mission.

STRATEGY:

These objectives are accomplished by use of the Bank's authority and resources are used to:

- Assume commercial and political risks that exporters or private financial institutions are unwilling or unable to take, overcome maturity and other limitations in private sector export financing.

- Assist U.S. exporters to meet foreign officially sponsored export credit competition; and provide leadership and guidance in export financing to the U.S. exporting and banking communities.

- Provide export credit support through direct loan, loan guarantee and insurance programs. The Bank is actively assisting small- and medium sized businesses.

Ex-Im Bank also offers a variety of special programs. Its leasing program, for example, supports both operating leases and full-payout financial leases. Through a variety of activities, it emphasizes the export of environmentally beneficial goods and services. And it has undertaken special efforts to expand its capabilities for finance of large infrastructure projects awarded to U.S. businesses. Since it opened its doors in 1934, Ex-Im Bank has helped finance almost $300 billion worth of U.S. exports.

PERFORMANCE:

Ex-Im Bank is moving aggressively to broaden the range of customers and the types of sales it supports by:

- Supporting more transactions in emerging markets.
- Expanding programs that support small businesses.
- Aggressively promoting the export of environmentally beneficial goods and services.
- Expanding its project finance capabilities, providing the prompt commitments that often are essential to clinch a project finance deal for U.S. exporters.
- Matching foreign tied aid credits in critical, emerging markets, to ensure that U.S. exporters do not lose sales on the basis of costly, trade-distorting foreign practices.
- Making decisions to support sales on their merits with no maximum or minimum dollar size of transactions.

OVERSEAS PRIVATE INVESTMENT CORPORATION

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
OPIC	-107.000[1]	-131.000	-158.000

OVERALL U.S. OBJECTIVES:

- The Overseas Private Investment Corporation (OPIC) supports American business investment in developing countries and in countries with emerging market economies, which strengthens the U.S. economy by generating U.S. jobs and exports and opening new markets.

- OPIC programs mobilize private sector activity in support of U.S. foreign policy goals, including the support of economic reforms and democratization in developing and formerly communist societies.

- OPIC achieves its objectives while operating by statute as a self-sustaining program. It has recorded a positive net income for every year of operation and operates at no net cost to the taxpayer.

STRATEGY:

OPIC provides risk mitigation services not otherwise available in the private sector. As a self-sustaining U.S. Government Corporation, OPIC is fully funded from its own resources.. The collections it receives from its users and the investment of previously earned customer fees make OPIC financially strong. OPIC has $2.7 billion of reserves to back up its current portfolio. OPIC also has a strong record of averting and managing claims and achieving recoveries. Over its 25-year history, OPIC has paid or settled approximately 250 insurance claims while recovering all but $11 million--a recovery rate of 98 percent. OPIC's credit programs have an equally strong record--a historical loss rate of less than three percent.

Because OPIC collections exceed the requested budget amounts, OPIC makes a net contribution to the 150 account in the amount of $158 million. Cash inflows from OPIC's activities total $304 million in FY 1998. From this amount, OPIC will spend $32 million for administrative activities and $60 million for its credit programs.

[1] OPIC is a self-financed program. Negative numbers reflect that OPIC makes a net budget contribution to the Function 150 account rather than being a net budget cost. OPIC produces a positive net income and operates without tax dollars.

In FY 1998 OPIC aims to issue $10 billion of political risk insurance. OPIC plans to commit $2.5 billion of investment financing through loans and guaranties. OPIC's staff of 200 persons will administer the programs.

PERFORMANCE INDICATORS:

OPIC programs produce direct measurable results. As a result of OPIC insurance and financing in FY 1998, the following program outcomes are anticipated:

	(Dollars in Millions)
Total Investment Supported	$21,203
U.S. Exports Generated	$10,067
U.S. Employment Effects	158,777[2]
Host Country Jobs Created	59,732[3]

[2] U.S. person-years of employment generated over the first five years of operation.
[3] In the fifth year of operations.

TRADE AND DEVELOPMENT AGENCY

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
TDA	56.000[1]	55.000[2]	43.000[3]

OVERALL U.S. OBJECTIVES:

The U.S. Trade and Development Agency sponsors feasibility studies, orientation visits, training grants, technical advisors and business briefings to counter foreign competition and positions U.S. companies to win contracts on overseas infrastructure projects, thus supporting jobs here at home and reducing the trade deficit. TDA is a small, specialized agency which focuses on individual projects in a leveraged manner to create export opportunities, further U.S. foreign policy goals, assist developing countries, and increase U.S. exports and business.

STRATEGY:

TDA's program is vital to offset the fierce foreign competition U.S. companies face in emerging markets. According to the World Bank, more than $200 billion will be invested over the next several years in new highway projects, energy plants, telecommunications systems and other capital infrastructure projects. Investing "early money" in these projects is often the key to securing follow-on procurement and engineering contracts. In order to achieve its program goals, TDA will undertake the following:

- Position large and small U.S. companies in 80-100 significant projects per year in developing and middle-income countries.
- Responsibly program transfer funds for specific activities to have work underway within six months.
- Bring foreign managers responsible for 50 large projects to the U.S. to introduce them to U.S. firms that can assist them.

[1] Includes $16 million in transfer funds.
[2] Includes $15 million in transfer funds.
[3] Does not include transfer funds.

- Hold five project-specific conferences and 30 business briefings for targeted U.S. firms interested in defined project opportunities.

PERFORMANCE INDICATORS:

TDA will measure the success of its by tracking its performance against the following indicators:

- Exceed current 30:1 dollar value of exports in relation to expenditures. In FY 1998, TDA will be able to point to an additional $1 billion in exports associated with its projects that otherwise may not have happened.

- Ten percent increase over the next five years in the number of companies involved in a region via TDA-supported feasibility studies.

- Five percent increase over next five years in number a small companies involved in TDA feasibility studies and other activities. In FY 1995, small businesses were the prime contractors on 40 percent of all TDA-funded feasibility studies.

- Ten percent increase over the next five years in the number of companies with export contracts to TDA projects.

- Ten percent increase over the next five years in percentage of TDA projects to which U.S. firms export.

- Ten percent increase over the next five years in new-to-market U.S. companies still in the market three years after assistance.

BILATERAL ECONOMIC ASSISTANCE

BILATERAL ECONOMIC ASSISTANCE

USAID SUSTAINABLE DEVELOPMENT PROGRAMS

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
Development Assistance Fund	1,642.315	1,630.000[1]	998.000
Development Fund for Africa	included above	included above	700.000
International Disaster Assistance	180.951	190.000	190.000
Credit Programs	13.000	11.500	11.500[2]
USAID Operating Expenses[3]	468.750	488.250	473.000
IG Operating Expenses	30.163	30.000	29.047

OVERALL U.S. OBJECTIVES:

The United States Agency for International Development (USAID) Strategic Framework has established goals in five areas:

- Broad-based economic growth achieved;
- Sustainable democracies built;
- World population stabilized and human health protected in a sustainable fashion;
- Environment managed for long-term sustainability; and
- Lives saved, suffering reduced, and development potential re-enforced.

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[1] Excludes $100 million grant to UNICEF.
[2] Excludes authority requested to use up to $10 million from Development Assistance for a new Enhanced Credit Authority.
[3] Includes authorities to use certain amounts from program accounts for administrative expenses.

The requested accounts address these social and economic goals in an interrelated fashion, and individual country programs are tailored to focus on the strategies best suited to meeting one or more of these goals. Activities are designed to promote sustainable development in some of the poorest countries in the world, in nations representing the world's last underdeveloped markets. The modest and well targeted investments made today will help prevent crises that turn into wars and create markets that would be open to U.S. exports.

STRATEGIES:

USAID is making tangible progress toward achieving these goals by concentrating resources on a few pivotal and mutually-reinforcing issues. The primary approaches to meeting these goals are:

Broad-based economic growth programs focus on strengthening markets, expanding access and opportunity for the poor, and expanding and improving basic education. Activities include programs to increase agricultural production, especially for small farmers, many of whom are women. Others involve expanded market access for rural dwellers, legal protection for women, financial services for microenterprises, land reform and housing. The FY 1998 request includes $30 million for a Food Security Initiative to speed economic growth in Africa and other areas by enhancing the food security of selected countries through the use of development assistance and support for agricultural research. Basic education programs address problems of poorly trained teachers, inappropriate curricula, a shortage of supplies, and inadequate building structures.

Building democracies is addressed through a four-pronged strategy: strengthening the rule of law and respect for human rights; establishing more genuine and competitive political processes; increasing development of politically active civil societies; and promoting more transparent and accountable government institutions. Activities support independent, fair, and effective judicial systems; free and fair elections around the world; strengthened participation of private organizations in the reform process; and more informed and impartial government decision-making, especially through decentralization.

Stabilizing population growth and protecting human health activities are aimed toward sustainable reductions in unintended pregnancies, maternal and child mortality rates, and in sexually transmitted diseases, including HIV/AIDS. Programs for family planning expand service availability and use in a number of countries. Child survival programs target the principal cause of death, including preventable diseases, diarrhea, malnutrition, acute respiratory infections, and malaria, as well as polio immunization.

Sustained management of the environment is promoted through conserving biological diversity, reducing global climate change, increasing provision of environmentally sound energy services, and sustaining natural resource management. Programs for

sustainable natural resource management focus on four resources that provide the greatest benefits to the largest number of people -- forests, water, agricultural lands, and coastal zones. USAID activities use limited resources to protect natural areas whose disappearance has serious implications for all. Improve land tenure rights for indigenous people is a crucial step in making them stakeholders in conservation. The energy sector is the principal source of greenhouse emissions in many countries; USAID supports programs to control air pollution from industries. Urban area activities include not only access to clean water and sanitation, but also promotion of pollution prevention and control.

Lives are saved, suffering reduced and development potential reinforced through humanitarian assistance. The United States has a long tradition in aiding the victims of man-made and natural disasters. An integrated approach to humanitarian assistance--emergency relief, prevention and transition reduces suffering and the need for future aid. The Greater Horn of Africa Initiative emphasizes "crisis prevention", as do early warning systems and disaster preparedness planning. The United States' ability to respond rapidly to emergencies is already known worldwide. For countries emerging from crises, transition assistance includes programs to reinforce local security and demining, strengthen local governance and the institutions that promote peaceful conflict resolution, reconciliation, and the restoration of social and physical infrastructure.

USAID carries out these objectives through programs of grant assistance under the Development Assistance program and Development Fund for Africa, and through selected use of credit programs to leverage private sector funds in support of sustainable development. The humanitarian assistance objective is carried out using International Disaster Assistance funds. The cost of managing USAID programs is funded through Operating Expenses for the Agency and its Inspector General.

PERFORMANCE INDICATORS:

USAID has reengineered its program operations to specify programmatic results. Individual country strategic plans, or objectives, contain specific results indicators and targets, which, together with actual performance data, permit program impact measurements. Future budget allocations are based on recipient country performance. Recipient countries that implement programs to help themselves receive greater allocations than those countries which are not. Country level detail on objectives, indicators and targets can be found in the USAID Congressional Presentation. The greater focus on results and all the systems that have been put into place to track them are of great assistance in determining where resources can best be utilized. Reengineering efforts have helped to focus and make programs more efficient and effective.

The success of these programs, and their continued implementation, is supported by USAID's unique advantage of having highly qualified technical and management staff,

many of whom are in the field and have the ability to work in a closely coordinated effort with both host country officials and citizens as well as other donors.

* * * * * * * * * * * * * * *

In addition to the above accounts, USAID also manages programs under other accounts jointly administered with the State Department -- the Economic Support Fund, Support for Eastern European Democracy (SEED), and Assistance for the New Independent States (NIS) -- as well as PL 480 Title II and Title III programs formally requested as part of the U.S. Department of Agriculture budget. These accounts address many of the same objectives and strategies noted above. All of these programs are more thoroughly discussed in the USAID Congressional Presentation.

ECONOMIC SUPPORT FUND

ECONOMIC SUPPORT FUND

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
ESF	2,359.600	2,362.600	2,497.600

OVERALL U.S. OBJECTIVES:

The Economic Support Fund (ESF) addresses economic and political foreign policy interests of the United States by providing economic assistance to allies and countries in transition to democracy, supporting the Middle East peace process, and financing economic stabilization programs, frequently in a multi-donor context. The U.S. Agency for International Development (USAID) implements most ESF-funded programs, with overall guidance from the Department of State. Key objectives of ESF are to:

- Increase the role of the private sector in the economy, reduce government controls over markets, enhance job creation, and improve economic growth.

- Assist in the development of effective and accessible, independent legal systems operating under the rule of law, as measured by an increase in the use of the courts to decide allegations of human rights abuses or abuses of government authority.

- Develop and strengthen institutions necessary for sustainable democracy through support for the transformation of the public sector to encourage democratic development, including assistance and training to improve public administration, promote decentralization, strengthen local governments, parliaments, independent media and non-governmental organizations.

- Transition to transparent and accountable governance and the empowerment of citizens, working through their civic and economic organizations and democratic political processes that ensure broad-based participation in political and economic life, and respect for human rights and fundamental freedoms.

- Strengthen capacity to manage the human dimension of the transition to democracy and a market economy, and to help sustain the neediest sectors of the population during the transition period.

STRATEGY:

Economic dislocation and political strife continue to place great strains on many countries. Depending on the recipient country's economic situation, balance of payments or budgetary support may create leverage to bring about the adoption of more rational economic and fiscal policies required to sustain economic growth. In the short term, however, measures to create more rational and efficient economic structures and practices often exacerbate social and political tensions unless buffered by external assistance. In these circumstances, ESF can help to prevent or diminish economic and political dislocation that may threaten the security and independence of key allies and friends. The largest share of the ESF request remains focused on supporting Middle East peace by providing assistance to foster economic stability and development in Israel, Egypt and other Arab countries pledged to support the peace process.

The United States has a strong stake in strengthening democratic development globally. The intensity of U.S. engagement will vary. In countries such as Haiti and Cambodia, where the United States has invested significant resources and international leadership, ESF will continue to support programs to sustain democratic transitions with a high level of engagement. In these and other countries in transition, ESF is used to address a full range of problems through an integrated strategy, including balance of payments and other economic support measures designed to create employment and conditions conducive to international investment and trade, and through support for programs that nurture the formal institutions of democracy and the organizations of a vital civil society. ESF also finances programs to enhance the administration of justice as well as police training through the ICITAP administered by the Department of Justice.

Integrated ESF-supported programs have effectively performed in countries in transition to democracy. Success is closely related to the degree that programs give people the hope that a radical break with a repressive or conflict-ridden past can be sustained. For example, ESF has:

- Continued U.S. support of programs for the "fledgling democracies" of Cambodia and Mongolia, strengthening democratic institutions such as legislative and electoral processes, improving access to health care and education, and maintaining or creating critical infrastructure required to provide the stability needed to lay the foundation for thriving private sectors in new democracies.

- Provided assistance in Sub-Saharan Africa for elections, political party-building, and legislative training for countries in transition, such as Congo and Sierra Leone. The Africa Regional Democracy fund uses U.S. NGOs to provide training for legislatures, which enhances institutional independence, legislative oversight, and constituent representation in Togo and the Central African Republic. ESF also

supports U.S. NGOs to provide assistance in training local human rights and civil society networks in Mali, Rwanda, and the Seychelles.

- Established a democracy fund in the Middle East to assist countries that receive little or no peace process-related assistance in transition to democracy.

Through regional accounts, ESF supports carefully-targeted programs to assist democratic forces in new or threatened democracies, and, in some cases, programs designed to strengthen pro-democratic forces. Typical areas of assistance include technical assistance to administer and monitor elections, capacity-building for non-governmental organizations, judicial training, and women's participation in politics. For FY 1998, ESF for democracy will be used for a range of programs to help strengthen and consolidate democratic processes and institutions in countries that have recently embarked on a democratic course, or where democracy is threatened.

In FY 1998, a contribution of $52 million of ESF will be made to the Bank for Economic Cooperation and Development in the Middle East and North Africa (MEDB). The MEDB is the result of a historic joint proposal by Egypt, Israel, Jordan, and the PLO and is a key element of the effort to strengthen the economic foundation essential to a lasting peace in the Middle East. Based on President Clinton's pledge of support, the U.S. has led the process to bring the MEDB to fruition. The Bank has been designed to address clearly identified economic needs in the region in ways that cannot currently be met by existing bilateral or multilateral programs. It will leverage resources for investment and development, emphasizing co-financing with the private sector as well as existing financial institutions. The Bank will be small; its total capital will be $5 billion, of which $1.25 billion will be paid-in. The U.S. share will be 21 percent ($262.5 million paid in five annual installments.)

PERFORMANCE INDICATORS:

- Improved economic development through projects that promote broad-based economic growth.

- Strengthened democratic institutions and processes that reinforce a pluralistic society and accountable government.

- Passage of civil laws that ensure basic rights, support privatization and economic development for all citizens, and allow non-governmental organizations to work freely.

- Reduction in governmental censorship of the media, as measured by the increase in members of independent media.

- Increased economic restructuring, as measured by transfer of state-owned assets to the private sector, encouragement of private small business activity, and improvement of government fiscal policies.

- Through Department of Justice (ICITAP) programs, enactment of legislation or establishment of policies and procedures for overall management of a civilian police force or any of its component parts, such as an office of professional responsibility, handling crime scene evidence, use of force, or ethical standards of conduct for police.

- Promotion of sound environmental resource management.

- Improved national population, health, and education policies.

- Development of effective and accessible independent legal systems operating under the rule of law, as measured by an increase in the use of courts to decide allegations of human rights abuses or abuses of government authority.

- Increased private sector investment; return of flight capital; expanded regional infrastructure; acceleration of privatization of state owned enterprises; enhanced regional economic policy harmonization; and expansion of regional projects in the Middle East.

The following table shows the ESF proposal for FY 1998. Detailed justification for the proposed programs are found in the section on Regional and Country Programs.

FY 1998 ECONOMIC SUPPORT FUNDS

PROGRAM SUMMARY

(Dollars in Millions)

	FY 1996 Actual	FY 1997 Estimate	FY 1998 Request
Sub-Saharan Africa			
Africa Regional Fund	12.000	9.000	15.000
Angola	-	5.000	10.000
Subtotal, AF:	**12.000**	**14.000**	**25.000**
East Asia & Pacific			
Asia Regional Fund	2.500	7.000	6.250
Cambodia	29.500	35.000	37.000
East Asia Reg Security	-	-	0.250
Mongolia	4.000	7.000	7.000
South Pacific Fisheries	14.000	14.000	14.000
Subtotal, EAP:	**50.000**	**63.000**	**64.500**
Europe and the NIS			
Bosnia: Missing Persons	-	1.300	-
Cyprus	15.000	15.000	15.000
Ireland Fund	19.600	19.600	19.600
Turkey	33.500	22.000	50.000
Subtotal, EUR	**68.100**	**57.900**	**84.600**
Latin Am. & Caribbean			
Haiti	60.000	72.000	70.000
ICITAP/AOJ	7.000	7.500	10.000
LAC Regional Fund	28.300	22.700	31.000
Peru/Ecuador Peace	-	-	5.000
Subtotal, ARA:	**95.300**	**102.200**	**116.000**
Near East			
Egypt	815.000	815.000	815.000
Israel	1200.000	1200.000	1200.000
Jordan	7.200	10.000	25.000
Lebanon	2.000	12.000	12.000
ME Multilaterals	3.000	3.250	5.000
ME Regional	7.000	7.000	7.000
ME Democracy	-	0.750	5.000
ME Development Bank	-	1.000	52.500
N. Iraq Monitor Force	-	1.500	-
West Bank-Gaza	75.000	75.000	75.000
Subtotal, NEA	**2109.200**	**2125.500**	**2196.500**

	FY 1996 Actual	FY 1997 Estimate	FY 1998 Request
South Asia			
South Asia Democracy	-	-	3.000
Subtotal SA	-	-	**3.000**
Other			
Human Rights & Democracy	-	-	8.000
Subtotal Other:			**8.000**
Total Budget Authority	**2,359.600**	**2,362.600**	**2,497.600**

HUMAN RIGHTS AND DEMOCRACY FUND

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
HRD	0	0	8.000

At present, no single dedicated federal funding source exists to protect and promote human rights, nor to respond to, curtail, or otherwise address human rights crises around the world. This has resulted often in the urgent, ad-hoc reprogramming of funds when the U.S. has had an unanticipated crisis or mandate from international negotiations. A permanent Human Rights and Democracy Fund, as proposed in the Administration's FY 1998 request at $8 million, would provide the Secretary of State with a flexible instrument to respond to conflicts, human rights emergencies, and implementation requirements of international agreements. The Fund would be administered by the Bureau of Democracy, Human Rights, and Labor (DRL) to promote a coherent human rights program consistent with other important U.S. foreign policy objectives.

OBJECTIVES:

- Allow the Administration to respond directly and expeditiously to crises to prevent further human rights abuses or forestall their advent.

- Provide funding for new multinational human rights and democracy initiatives, such as the war crimes tribunals, the OSCE human rights monitoring operations in Bosnia, key transitional elections, and the UN Human Rights Field Operation in Rwanda.

- Leverage contributions to U.S. foreign policy initiatives from other governments and organizations.

- Help implement agreements reached through international mediation, such as the Dayton Accord undertaking for the Human Rights Commission in Bosnia.

STRATEGY:

Advancing U.S. interests often requires efforts to forestall or halt human rights disasters and democratic reversals. In the past few years, the U.S. has either led or joined the rest of the international community in a number of efforts to avert or mitigate significant human rights abuses, affecting both the lives and futures of millions

of people. Some of these efforts, include the establishment of the UN War Crimes Tribunals, the International Civilian Mission to Haiti, the attempt to avert further genocide in Rwanda and Burundi through monitoring, the implementation of the Dayton agreements through OSCE mechanisms, and the establishment of the International Commission on the Missing in Bosnia. These efforts have set historical precedents for the responsibility of the international community to protect human rights and democratic transitions. An ongoing commitment to these operations is required.

In such cases, the U.S. must react rapidly to insert human rights monitors in evolving crises or alleviate the worst effects of conflict. Often, human rights groups or international organizations that rely on voluntary contributions, such as the UN High Commissioner for Human Rights, the Council of Europe-funded Bosnian Human Rights Commission, the UN Human Rights Field Operation in Rwanda (UNHRFOR), and the Commission of Inquiry in Burundi, are underfunded and overwhelmed by pleas to respond to crises. Truth commissions, as in Haiti and South Africa, and other institutions of accountability, such as the Commission on the Missing in Bosnia, are important mechanisms that countries choose to help themselves emerge from repression or a conflict-ridden past. Often lack of funding prevents human rights groups or international organizations from taking advantage of opportunities, such as mass grave exhumations or protecting vulnerable groups. It is appropriate to recognize the permanence of U.S. leadership in this area by providing a specified source of funds to carry out the Administration's policies and commitments.

PERFORMANCE INDICATORS:

- Timely responses to prevent or halt human rights disasters, especially in Rwanda and Burundi;
- Improved adherence to international obligations;
- Implementation of Dayton Accords; and
- More effective and streamlined internal USG allocation of resources.

SUPPORT FOR EASTERN EUROPEAN DEMOCRACY (SEED)

SUPPORT FOR EAST EUROPEAN DEMOCRACY (SEED)

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
SEED	**522.000**	**475.000**	**492.000**
Dayton & Dayton-related	278.200	242.000	277.000
Other SEED	243.800	233.000	215.000

OVERVIEW:

The Support for East European Democracy (SEED) Act was passed in November 1989 to assist the former communist countries of Central and Eastern Europe to develop democratic institutions and market economies. The SEED Program has provided technical assistance and training to facilitate that reform process, and today most these countries are well on their way. Each has established functioning democratic institutions, elected parliaments, allowed some variation of a multi-party system, and made irreversible changes in their economies. However, the transition is uneven and, certainly in the Southern tier of the regime, also incomplete. The extent and durability of reforms in Bosnia cannot yet be judged. The severe economic downturns which accompanied the collapse of communism and the loss of the Warsaw Pact and Soviet markets led to a lower living standard for many groups, and economic reforms remain unfinished. Although new democratic institutions are gaining strength, they are not yet deeply rooted.

Central and Eastern Europe remains as important to U.S. interests today as when the original 1989 SEED Act was passed. In six brief years, these nations have begun to provide a clear demonstration that democracy and economic prosperity can be built on the ruins of failed communist systems -- a valuable example for countries farther to the East. Central Europe is a growing market for U.S. goods and services, and a gateway to the vast potential markets in Russia and Ukraine. Finally, a peaceful, democratic Central European order gives the United States and the Atlantic Alliance substantially greater assurance of security at a lower cost.

SEED Act programs are coordinated by the Department of State and administered by other government agencies, principally the United States Agency for International Development (USAID), primarily through grants and technical assistance programs. To allow the flexibility to shift resources quickly to address fast-changing situations in the region, SEED was originally developed as a regional program without specific country allocations. Beginning with FY 1996, however, Congress has required individual country budgets and much smaller regional accounts.

SEED is a transitional program designed to aid Central and Eastern European countries through their difficult passage to democracy and market economy. As countries complete and consolidate their political and economic transitions, they will be "graduated" from the assistance category and funding for bilateral SEED programs phased out. Graduation varies according to each country's individual progress and must be flexible enough to accommodate uneven political and economic performance, including instances of backsliding. It is important, therefore, that SEED countries also remain eligible for certain regional programs. Programs have already begun to wind down in some Northern Tier countries where western political and economic standards have taken hold -- Estonia graduated at the end of FY 1996 and the graduation of the Czech Republic and Slovenia is foreseen for FY 1997. Progressive phasing-out and completion of assistance in the Northern Tier will allow a gradual shift in U.S. assistance resources to countries in the Southern Tier, such as Romania and Bulgaria, which have further to go in their transitions. Still other countries -- notably Albania and parts of the former Yugoslavia -- may need assistance for years to come.

SEED Program activities in FY 1997 are being carried out in Albania, Bosnia-Herzegovina, Bulgaria, Croatia, the Czech Republic, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Serbia, Slovenia, and the Former Yugoslav Republic of Macedonia.

Bosnia

Bosnia is in every way a special case within the SEED Program. Since receiving a small amount of reconstruction assistance in FY 1995, it has quickly become the single largest program of U.S. assistance in Central and Eastern Europe. The Dayton Agreement represents only the first, and arguably the most straightforward, step in the arduous process of bringing a lasting peace to Bosnia. The successful elections are another step forward but also serve to emphasize and focus our efforts now on the implementation and reconstruction phase. The success or failure of the subsequent implementation phase will do much to determine whether the Agreement can fulfill its promise as a living document that will lead to the creation of a peaceful, stable and economically viable Bosnia. The international effort to reconstruct Bosnia after years of conflict represents one critical step in the implementation process. By far the most important component, however, will be the strength and durability of Bosnian citizens' self-will and self-help.

The United States believes that programs to provide reconstruction assistance and economic and political reform will lay the basis for economic recovery and self-help, and will serve long-term U.S. interests in the region. Reconstruction efforts in Bosnia include humanitarian assistance, physical reconstruction, financial revitalization, and democratic and economic reform. This assistance is vital to ensure that war does not return to Bosnia, and that the region's ethnic communities begin to feel a vested interest in the fruits of peace.

OVERALL U.S. OBJECTIVES:

The broad objectives of SEED-funded programs in Central and Eastern Europe are to build market economies and strong private sectors, consolidate democracy, and improve the basic quality of life throughout the region. Since preparation of the FY 1997 Congressional Presentation for Foreign Operations, USAID has developed a set of developmental goal and objectives criteria applied on a worldwide basis. Of these, three goal/objectives are employed in SEED countries: economic restructuring, democratic transition, and social stabilization. Budget allocations in this document are keyed to these updated AID objectives.

I. Economic Restructuring

Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources is privately owned and managed. Achieving this goal requires such changes as:

- Accelerated development and growth of private enterprises;
- Increased transfer of state-owned assets to the private sector; Increased soundness of banking and fiscal policies and fiscal management practices;
- A more competitive and market-responsive private financial sector; and
- A more economically sustainable and environmentally sound energy sector.

II. Democratic Transition

Support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes. Specifically, SEED reforms promote:

- Better-informed citizens and increased participation in political and economic decision-making;
- Legal systems that better support democratic processes and market reform; and
- More effective, responsible, and accountable local government.

III. Social Stabilization

Respond to humanitarian crises and strengthen the capacity to manage the human dimension of the transition to democracy. SEED programs focus on:

- Reducing human suffering and reacting to crises;
- Improving sustainability of social benefits and services; and
- Reducing environmental risks to public health.

PERFORMANCE:

In partnership with other donors and leaders of the Central European states, U.S.-funded technical assistance and training are helping to restructure the economies of and improve the prosperity of Central Europe. The SEED Program is among the most effective and successful assistance programs of the post-Cold War period, helping the countries of Central Europe make remarkable progress in their development of democratic institutions and market economies. After suffering through a period of negative real growth and rising unemployment immediately following the fall of the Iron Curtain, the SEED Act countries have more recently enjoyed economic growth, declining inflation, and expanding private sectors. Real GDP in all countries has continued to rise; in all but four countries, annual GDP growth was projected to be over three percent in 1996, and will exceed five percent in five of them. This further year of expansion shows that the recovery is firmly established and suggests that growth will continue to accelerate and further spur the process of reform. In all SEED countries, efforts to privatize state enterprises have continued. The pace of privatization has varied by country and sector, but the overall trend is toward a larger role for the private sector in all countries.

SEED countries generally maintain open political systems, although problems persist in some countries regarding the treatment of minorities, the extent to which the media are free from government interference, and the application of democratic principles of governance. Noteworthy recent initiatives to assist democratization include the creation of an independent media support program in seven SEED countries to strengthen media managers' abilities to function in free market economies; the establishment of the International Law Enforcement Training Academy in Budapest; and NGO projects in 11 SEED countries to build a civil society.

JUSTIFICATION:

The Department of State is requesting $492 million for SEED for FY 1998, of which $225 million will be allocated for Bosnia reconstruction and reform programs, and a further $25 million for activities in the region related to implementation of the Dayton Peace Accords. The tables below provide a breakdown of SEED allocations by function and country; individual country allocations and their justifications are provided in the appropriate portion of the Regional and Country Program Section of this CPD.

The process of reform and integration in Central Europe must continue. U.S. assistance is vital to that process. The United States is active in building the foundation for democratic, free market societies throughout the region, primarily through the Support for East European Democracies (SEED) program, which supports a range of activities conducted by a variety of USG agencies to promote democratization, economic restructuring, and enhanced quality of life. The SEED program represents the fulfillment of the long-standing U.S. pledge to welcome the countries of Central and Eastern Europe into the West once the Soviet yoke was broken. Even in a time of

limited resources, it is essential to maintain the vitality and momentum of the program while responding to the special requirements of Bosnian reconstruction.

The Northern Tier Countries

The SEED program began in the Northern Tier. The countries there have come the farthest in the transition to fully democratic and free market societies. We anticipate that, by FY 1998, several will have graduated from our bilateral assistance relationship, although they will continue to participate in certain programs addressing regional issues. This will permit needed funding to shift in a relative sense to the Southern Tier, which got a later start on the road to reform. In Hungary, the assistance program is on a path of reduced resources as the program heads toward graduation. We will emphasize fiscal reform and democratization as the privatization, energy, and private sector enterprise development objectives approach completion. The program in Latvia, once scheduled for close-out in FY 1997, has been extended until 1999, to concentrate on capital market reform, citizen participation, and energy sector regulation. Lithuania is expected to receive modest and declining resources, focusing on reform of the fiscal and financial sectors as well as continuing efforts in NGO development and strengthening of local government. The SEED program in Poland will focus on three objectives: private enterprise development; financial sector efficiency; and local government effectiveness, responsiveness, and accountability. With over 60 percent of GDP privatized in Slovakia, the program will have a strong focus on democratization and the environment.

The Southern Tier Countries

The commitment of countries in the Southern Tier to economic and democratic reform has been, for the most part, less than that of the Northern Tier states. Accordingly, they have gotten off to a slower start and have received a much smaller share of SEED resources than the Northern Tier. Increased resources in the Southern Tier, as Northern Tier programs draw down, are now timely and needed. 45 percent of the non-Bosnia SEED budget is thus allocated to the Southern Tier in FY 1998, up from 35 percent in FY 1996. Albania's level increases due to relatively greater need and U.S. interest in promoting democratization, especially in light of concerns stemming from the 1996 parliamentary elections and constitutional reform. Economic collapse in Bulgaria may portend political change and a revised program, but grassroots efforts supporting private sector enterprises, citizen participation/NGO strengthening, and local government will constitute the core program. The increased level in Croatia reflects the need to support economic reform and reconciliation efforts in Eastern Slavonia, with the country-wide program concentrating upon democracy programs and financial sector reform. Assistance in FYROM will be focused on legal system development, private sector enterprise development, and citizen participation. The program in Romania has been adjusted in light of its new reform-minded government, and will see resource shifts to democracy and environmental health programs while maintaining the emphasis on energy sector reform, which is critical to its long-term

growth prospects. The South Balkan Development Initiative will continue to support regional transportation infrastructure development.

Bosnia

The Administration is requesting $200 million in FY 1998 as the third tranche fulfilling the President's commitment for Bosnia economic reconstruction. An additional $25 million is required to fund the International Police Task Force (IPTF) as well as longer-term and more traditional SEED activities to assist in the development of democratic political institutions and a free market economy in Bosnia. A further $25 million is requested for programs related to the Dayton Process but external to Bosnia itself, e.g. Eastern Slavonia. The longer-term reconstruction assistance package includes:

- Reconstruction finance, focusing on small- and medium-sized businesses;
- Municipal infrastructure and services, including social services;
- Economic transformation, including privatization, banking reform, budget and taxation systems, customs, capital markets, and legal/regulatory reform; and
- Democratic reforms, including dispute resolution, human rights monitoring, independent media, public administration, elections/political process, NGO development, civic education, and judicial reform.

Federal Republic of Yugoslavia (Serbia and Montenegro)

If and when there is satisfactory compliance by the FRY permitting the lifting of the outer wall of sanctions (which include restrictions on USG assistance and prohibition on membership in international financial institutions and international organizations), a modest assistance program -- focused on development of a free market economy and democratization -- would be merited. In the meantime, and following Congressional consultations, we have mounted a modest democracy program in Serbia and Kosovo of less than $1 million in FY 1996, and $2 million in FY 1997. Increasing formal assistance to the $10 million level would be consistent with U.S. interests in the FRY; the size, condition and promise of the Serbian economy; and the needs of democratic reform. A $2 million program in Kosovo would also be desirable, assuming a modest level of receptivity of the Belgrade authorities to permit the USG to operate a comprehensive assistance program.

FY 1998 SEED Allocations

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
Albania	21.000	27.000	30.000
Bosnia	249.000	215.000	225.000
Bulgaria	28.234	31.000	25.000
Croatia	14.895	11.000	24.000
Czech Rep.	3.700	0.000	0.000
Estonia	0.000	0.000	0.000
Hungary	17.000	15.000	7.000
Latvia	3.700	2.000	3.000
Lithuania	8.350	7.000	3.000
FYROM	14.210	16.000	16.000
Poland	46.000	40.000	35.000
Romania	28.800	33.000	33.000
Slovakia	16.000	15.000	8.000
Slovenia	1.213	0.000	0.000
Regional	69.898	63.000	83.000[1]
TOTAL	**522.000**	**475.000**	**492.000**

[1] Includes $12 million for Serbia/Kosovo.

ASSISTANCE FOR THE NEW INDEPENDENT STATES (NIS)

ASSISTANCE FOR THE NEW INDEPENDENT STATES (NIS) OF THE FORMER SOVIET UNION

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
FSA	**641.000**[1]	**625.000**	**900.000**[2]
PFF	-	-	528.000
TA/HA	-	-	372.000

OVERVIEW:

U.S. foreign policy and U.S. assistance to the New Independent States (NIS) of the former Soviet Union rest on a simple principle: the security of the United States and the rest of the world depends on the outcome of events in Russia and the other NIS. Last summer's presidential election in Russia represents both a success and a warning. The success is clear in the recommitment to reform represented by Boris Yeltsin's re-election and the fact of free and fair elections themselves. The warning -- of a serious longer term threat to our national security -- is embodied in the close-to-40 per cent vote for Yeltsin's opposition, an opposition that derived its strength from Russia's severe economic distress. We must deal directly with the fact that reform in the NIS is a complex, generational process, the outcome of which is by no means foreordained. We must stay engaged visibly and materially to help ensure that fundamental democratic and market institutions take root in the region.

Our assistance policy must conform to this imperative. It must also recognize that NIS countries must turn the corner from economic contraction to investment and growth, in order to sustain the political and economic impetus for reform. Bilateral U.S. assistance, wisely targeted and tightly managed, can leverage far larger human and financial resources for the long term. Lessons learned over the last five years, the pace of reform in each nation, U.S. strategic interests, budget pressures, Russian and other popular sensitivities to Western tutelage, the larger role now being played by the European Union (EU) and the international financial institutions (IFIs) -- these issues must all be factored into our assistance policy for the next several years. The issue is particularly challenging with regard to Russia, because of its overall importance in the world, its accomplishments in the areas of economic and political reform, and the necessity to insure that such reforms continue.

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[1] Appropriated level; does not reflect transfers and rescissions.

[2] Includes funds proposed for transfer.

The President proposes to meet this challenge with a new, $2.8 billion assistance initiative over five years ($516 million for FY 1998), while continuing to ramp down FREEDOM Support Act technical assistance programs on schedule. The new initiative, which has been named the "Partnership for Freedom" (PFF), would concentrate heavily on trade, regional investment, and anti-crime programs, as well as environment, energy and other activities developed through consultations between the Gore-Chernomyrdin Commission.

Phase I: The FREEDOM Support Act

In 1992, the twelve NIS countries undertook the unprecedented challenge of creating democratic, market-oriented societies out of the centralized, authoritarian command economy that was the Soviet Union. While much remains to be done, few could have imagined the radical reorientation that has occurred in these countries over the past five years.

We must bear in mind that there was previously no private ownership, no market institutions, no legal foundation for a market economy, no tradition of democracy, not even basic institutions for citizen participation. Moreover, as Soviet republics, these states had only limited experience in making their own decisions, and little or no direct experience in international affairs.

For most of the NIS, as well as for U.S. foreign policy and technical assistance to the NIS, the post-Soviet transition period has been an extraordinary success:

- Private ownership: The private sector's share of GDP is now over 60 percent in Russia, 50-60 percent in Moldova, about 50 percent in Ukraine, 40 percent in Kyrgyzstan and 35 percent in Kazakstan. Privatization and economic reform are particularly important, since this combination offers the best prospects for achieving economic prosperity--a cornerstone for building a stable democracy.

- Elections: Reasonably democratic elections have had a positive impact on the political process in Russia, Ukraine and Moldova--Russia itself will have held parliamentary, presidential and regional elections since December 1995. In those NIS countries whose long-term commitment to free and fair elections appears more tenuous, significant progress has been made in developing and implementing more democratic election laws, as well as in training electoral monitors to watch for irregularities. Where elections have been tainted, political leadership has had to accept the consequences of international scrutiny and condemnation.

- Civil society: Non-governmental organizations (NGOs) were virtually non-existent in the NIS in 1992; since then, there has been steady and impressive growth in the NGO sector, especially in a range of civic associations and independent organizations, including think tanks, citizen action groups and other public interest and advocacy groups.

In short, at least two thirds of the population of the former Soviet Union now live in countries where politicians are accountable to the people who elected them, courts mediate civil affairs, markets determine prices, and market-based institutions such as stock exchanges and small privately owned businesses are functioning as underpinnings of economic life.

We can consider the first phase of our engagement in the NIS to be successful and complete when the basic structural and institutional transitions from the Soviet system to market democracy have taken place. Russia is making good progress; Ukraine, Moldova and Kyrgyzstan are next in line. Meanwhile, the other NIS countries are reforming at a slower pace.

The next phase of our engagement in the NIS should be focused on sustaining these transitions. Economic stabilization and structural change do not automatically translate into investment and growth, nor do nascent political systems immediately develop into full participatory democracies. Sustaining these processes is the focus of the Partnership for Freedom.

Phase II: Partnership for Freedom

As the political and economic transitions proceed in the NIS, U.S. engagement with them must change. We must move from guiding and advising on the mechanisms of structural change to maintaining connections to these countries in ways that sustain these transitions. Our engagement must evolve towards more normal, mutually beneficial bilateral relations. Our goal is to help Russians and others consolidate their own market economies and democratic governments--the mechanisms for this second phase are partnerships, exchanges, joint ventures and cooperative projects. We must build on existing programs that fit into this category, even as we initiate new cooperative programs.

The underlying strategy for investing our resources is leveraging. Investments are not an end in themselves, in the sense that the creation of a privatization system or a nongovernmental organization was during the first phase; rather, investments in this second phase should remove bottlenecks, forge ties and facilitate relationships that enable new private, governmental and community resources (human and financial) to be put to use.

The Partnership for Freedom would focus on two, mutually reinforcing priority areas in the NIS:

1. **Cooperative activities to promote business, trade and investment, and to mobilize foreign and domestic capital in order to restructure and expand NIS economies:**

- regional investment, enterprise funds and small loan programs to increase regional and small business access to capital; loans to U.S. and NIS small businesses

- removing impediments to investment, for example, through advisory work on tax reform, WTO accession and accounting standards, as well as through business development committees.

- support to U.S. firms seeking to invest in or trade with NIS firms (e.g., OPIC, TDA, EXIM programs); including a new EXIM program that can operate in more countries and leverage international resources from the World Bank and other donors

- training for managers of projects receiving or seeking investment support from U.S. entities

- leveraging and accelerating those World Bank loans that help establish an environment conducive to increased trade and investment, both foreign and domestic (e.g., pilot programs, loan development activities)

- institutional, professional and community-based partnerships that strengthen NIS private organizations that support a market economy, such as business and professional associations, business training, and business schools.

2. Cooperative activities to promote democracy and civil society

- endowments and other forms of support for selected foundations or NGOs (domestic or indigenous) for activities in the areas of democracy-building, independent media, legal reform and economic development

- professional and academic community-based exchanges and training to familiarize NIS citizens with the day-to-day functioning of democratic and market-based institutions and processes (through USIA, USAID, USDA and DOC)

- institutional, professional and community-based partnerships that foster U.S.-NIS cooperation, strengthen democratic institutions and build lasting linkages, in areas such as health, environment, science and technology

- significantly increased cooperative anti-crime and law enforcement activities, including programs to combat economic crimes

- targeted support to community institutions important to building civil society and market economies

The implementation of these programs will require careful management of limited resources. We will continue to evaluate our programs on the basis of the clarity of their objectives, their efficacy, cost-efficiency, comparative advantage, timeliness and sustainability. We will also continue to analyze the "pipeline" of available funds and to reduce obligation lead times. We will continually seek cost-sharing, both with recipients

and other donors, especially the IFIs. We will also continue to use smaller, more targeted contract mechanisms that emphasize host-country participation.

In the FY 1998 budget, we are requesting funds both for technical assistance programs ($384 million) and for the Partnership for Freedom ($516 million). Russia is poised to benefit from the cooperative activities of the PFF. Increased technical assistance resources and attention would be directed to Central Asia, the Caucasus, and other high-priority FREEDOM Support Act activities such as the Chernobyl Initiative. As Ukraine, Armenia, Central Asia and the other NIS countries reach more advanced stages in their transitions, technical assistance will phase out there, too, and our engagement would transition completely to the PFF framework of cooperative activities, partnerships and bilateral programs.

ASSISTANCE FOR THE NEW INDEPENDENT STATES OF THE FORMER SOVIET UNION (NIS)

Budget Request by Country[3]

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
Armenia	85.000	95.000	80.000
Azerbaijan	12.000	16.430	31.500
Belarus	5.000	5.010	4.900
Georgia	22.000	25.770	41.900
Kazakstan	33.000	34.830	52.000
Kyrgyzstan	19.000	18.400	36.500
Moldova	23.000	23.140	32.800
Russia	137.000	95.440	241.500
Tajikistan	4.000	4.410	15.400
Turkmenistan	4.000	4.460	6.000
Ukraine	225.000	225.000	225.500
Uzbekistan	19.000	21.010	32.500
NIS Regional	53.000	56.100	99.500
TOTAL	**641.000**	**625.000**	**900.000**

[3] Appropriated/Requested levels, does not reflect transfers and rescissions.

DEBT RESTRUCTURING

DEBT REDUCTION PROGRAMS

Budget Authority Request:
$ 22 million Debt Reduction for the Poorest Countries

Budget Authority Request:
$ 12 million Debt Reduction for Jordan

The Administration is seeking $34 million in appropriations in FY 1998 to cover the costs of reducing debt owed to the United States Government. The debt restructuring would take place in the context of the programs described below.

Debt Reduction for the Poorest Countries

For many of the poorest countries there is no hope for a return to a sustainable development course without substantial debt reduction. Major unresolved debt problems can have a chilling effect on new financial flows, as lenders or investors shy away from a perceived high risk environment. The combination of economic reform and debt reduction are essential for growth and sustained development, which in turn result in the advancement of U.S. economic and foreign policy interests, including greater opportunities for U.S. commercial interests.

The poorest and heavily-indebted countries have required repeated rescheduling of their bilateral debt, which they cannot afford to pay on a timely basis. While many of these countries have adopted significant economic reforms, there is broad international agreement that they will not be able to repay all of their current debt obligations. Debt reduction maximizes the recipient country's future repayment capacity, while also easing a debt burden which serves as a major deterrent to investment and growth.

The Administration implements debt reduction for the poorest countries, through multilateral action in the Paris Club. "Naples Terms" treatment in the Paris Club currently provides for up to 67 percent reduction of the stock of debt for eligible poorest countries that demonstrate sustained economic performance. Nearly 20 countries have qualified for this relief so far.

At the Lyon G-7 Summit in June 1996, President Clinton and other heads of state and government welcomed the active implementation of Naples Terms, but also acknowledged the need for additional action for some of the poorest countries, in particular to reduce debts owed to the international financial institutions.

In September 1996, agreement was reached on a comprehensive, coordinated approach by all creditors (multilateral, official bilateral, and others) to assist the heavily-indebted poorest countries (HIPCs). The HIPC Debt Initiative, for the first time, will provide debt relief on obligations to the international financial institutions (the IMF, the World Bank, regional development banks, and European, Arab, and Caribbean official financial institutions). Relief will be provided on a case-by-case basis for those HIPCs which have demonstrated at least three years of sustained economic reforms, yet will not attain sustainable debt levels even with the full application of Naples Terms and other existing debt reduction instruments. The World Bank has set aside $500 million as a first contribution to its HIPC Trust Fund, and the IMF will participate through its Enhanced Structural Adjustment Facility (ESAF). Discussions about the mechanisms and financing of participation are also underway at the African Development Bank and the Inter-American Development Bank.

As part of this initiative, the Paris Club has announced that it is prepared to provide up to 80 percent debt reduction, on a case by case basis, for those HIPCs needing additional relief and that have demonstrated a sound track record of economic reforms. The details of this treatment will be discussed further by Paris Club creditors. Decisions on eligibility for the HIPC Debt Initiative are expected to be made for several countries in the spring of 1997.

Functional Aspects of Debt Reduction

The Paris Club provides debt reduction initially on payments coming due over a specific period which correspond to the length of an IMF-supported economic reform program. Reduction then is staged, with each successive stage contingent upon debtor country compliance with its IMF-supported program. Under Naples Terms, stock of debt reduction is provided after three years of good performance with respect to IMF reform programs and payments to Paris Club creditors. The United States incurs the budget cost of the eventual stock of debt reduction when it agrees to the initial "maturities" reduction of payments coming due, since our bilateral agreements commit us to stock reduction once the Paris Club agrees to provide it.

In FY 1994-95, the United States signed bilateral agreements committing to 50 percent debt reduction for Niger and the Central African Republic, and to 67 percent debt reduction for Senegal and Haiti. In addition, we have now agreed at the Paris Club, and are in the process of signing bilateral agreements, to provide 50 percent debt reduction for Honduras, and 67 percent debt reduction for Bolivia, Congo, Guinea, Guyana and Zambia. For Uganda, Bolivia, and

Guyana the Paris Club has agreed to reduce the final stock of debt by 67 percent.

The Administration anticipates that $22 million will permit us to join other Paris Club creditors in providing debt reduction for countries expected to qualify in FY 1998, including the deeper relief anticipated under the HIPC Debt Initiative.

Debt Buyback/Swap Program for Latin America and the Caribbean

For Latin America and the Caribbean, the Administration proposes to continue and extend to PL-480 debt its new program of local currency swaps and buybacks of USAID debt, linked to commitment of local currency payments to support environmental or child survival projects. **This program will be effected at zero budget cost**. Debtor countries interested in participating in the program must meet the economic and political criteria outlined in the original Enterprise for the Americas legislation. Under this program, the U.S. Government will recoup the full current asset value of its outstanding loans, as reflected in U.S. budget valuations of debt, through two alternative mechanisms:

- For buybacks, the debtor country would pay the U.S. Government the U.S. asset value of the debt and contribute an additional amount in local currency to support local environmental and child survival projects.

- For swaps, interested private parties and non-governmental organizations could purchase the debt of eligible countries from the U.S. Government, at the U.S. asset value of the debt, to support swaps for investment or for environmental or development programs.

The Administration believes that debt reduction is an important tool for encouraging countries in the region to sustain efforts to reform their economies. By easing the burden of debt in return for sound economic management, the United States can help Latin economies attract new investment capital and encourage stronger growth, which should improve U.S. export opportunities. The new debt program will encourage investment reforms, and support community based conservation, sustainable use of the environment, and child survival.

Debt Reduction for Jordan

For Jordan, $12 million would be needed for the fourth and final stage of debt forgiveness proposed as a result of the historic peace agreement signed between the Hashemite Kingdom of Jordan and the Government of Israel in 1994. This request would satisfy the commitment made by the United States to Jordan in support of these peace efforts and enable the United States to forgive the remaining concessional loans authorized prior to January 1, 1994, covered under the debt forgiveness proposal, under Title I of the Agricultural Trade Development and Assistance Act of 1954, as amended.

PEACE CORPS

PEACE CORPS

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
Peace Corps	218.000	221.000	222.000

OVERALL U.S. OBJECTIVES:

The men and women who serve overseas Peace Corps Volunteers reflect the rich diversity of our country, but they share a common spirit of service, dedication, and idealism. For two years, they pursue a life that requires determination, self-motivation, patience, and sacrifice. They are afforded no special privileges and often live in remote, isolated communities. Volunteers receive intensive language and cross-cultural training in order to become part of their community. They work with teachers and parents to improve the quality of , and access to, education for children. They work with communities to protect the local environment and to create economic opportunities. They work on basic projects to keep families healthy and to help them grow more food. Their larger purpose, however, is to leave behind skills that allow people in developing countries to take charge of their own futures.

At the same time, Volunteers learn as much, if not more, from the people they serve. When they complete their service in the Peace Corps, Volunteers bring the world back home and strengthen America's understanding of different countries and cultures.

STRATEGY:

In FY 1998, the Peace Corps will use its resources to meet the following goals: The Peace Corps will:

- ensure the health and safety of its Volunteers;
- provide as many Americans as possible the opportunity to become Peace Corps Volunteers;
- respond to requests for assistance from developing countries that need Volunteers within available resources;
- provide humanitarian assistance to those in crisis;
- provide thorough training and support for Volunteers and continue to strengthen programming;

- increase understanding of other countries on the part of Americans; and
- cut costs and improve agency productivity.

Consistent with the strategy outlined above, the Peace Corps will continue to expand the Crisis Corps and will move forward with plans to open new programs in South Africa and Jordan by the end of FY 1997. The second group of Volunteers will be sent to each country in FY 1998.

PERFORMANCE INDICATORS:

Volunteer Health and Safety:

During FY 1998, the Peace Corps will continue to provide prevention and treatment services for trainees and Volunteers through appropriately trained in-country medical officers; will improve the quality and reduce the costs of Medevac Services for trainees and Volunteers who cannot be appropriately treated in-country through continued implementation and refinement of the Medevac Service Improvement Plan; will strengthen and improve its health care delivery system through the development of a fully integrated Health Information System; and, will continue to monitor, analyze and address ongoing concerns and emerging trends related to Volunteer safety and security issues through the Agency's Volunteer Safety Council and in concert with overseas staff.

Volunteer Service Opportunities:

The Peace Corps will recruit, train, place and support 3,320 new trainees and an average of 5,520 volunteers in FY 1998. The Agency will continue its efforts to ensure that the Peace Corps reflects the diverse face of America through its minority recruitment efforts.

Responding to requests for assistance:

The Peace Corps will continue its progress in establishing programs in South Africa and Jordan in FY 1998; and will continue implementation of the Agency's FY 1996 Strategic Plan by moving forward on the planned FY 1998 closures in Botswana, Fiji, Tuvalu, Chile and Costa Rica. The Peace Corps will have programs in 80 countries in FY 1998.

Humanitarian Assistance to those in crisis situations:

The Peace Corps will continue implementation of the Crisis Corps in FY 1998 by sending 45 Volunteers to a variety of short-term projects.

Volunteer Support and Training:

The Peace Corps will continue to assess its projects through its annual cycle of Project Status Reviews. The Peace Corps will also evaluate improvements in training through ratings provided in the annual Training Status Report. The Agency will institutionalize successful training models.

Increasing the Understanding of Other Countries on the part of Americans:

The Peace Corps will continue to educate Americans about the rest of the world by increasing access to World Wise Schools materials through technology; through outside collaboration with other organizations; by institutionalizing Fellows opportunities at participating colleges and universities; and, by increasing Returned Peace Corps Volunteers involvement in third goals activities.

Reducing Costs and Improving Productivity:

The Peace Corps will work to improve its internal controls and contain costs by integrating overseas financial management support here at headquarters; and by implementing an automated data exchange between the central accounting system and individual office and financial management systems. Work will also begin to identify potential new lease opportunities for the Peace Corps headquarters building.

INTER-AMERICAN FOUNDATION

INTER-AMERICAN FOUNDATION

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IAF	20.000	20.000	22.000

OVERALL U.S. OBJECTIVES:

The Inter-American Foundation, an independent agency of the United States Government, was created in 1969 as an experimental United States foreign assistance program. The Inter-American Foundation works in Latin America and the Caribbean to promote equitable, responsive, and participatory self-help development by awarding grants directly to local organizations.

The Inter-American Foundation has undergone a major transition this past year. While maintaining its commitment to helping the poor help themselves, the Foundation has sought to develop new strategies, partnerships and mechanisms to increase its role as a development innovator and disseminate results and lessons learned for the benefit of other donors, such as USAID, the World Bank, the Inter-American Development Bank, private foundations and non-governmental organizations (NGOs).

Through the establishment of a vigorous outreach program, the Inter-American Foundation will join forces with multilateral and bilateral development organizations, the private sector, and other governmental agencies to help the poor of Latin America and the Caribbean develop their own capacity to meet their development needs, as they define them, thus decreasing their dependency on foreign development assistance. The Foundation will support NGOs in their longer-term efforts implement programs that address the development of their countries.

The Inter-American Foundation's vision is for Latin American and Caribbean countries to achieve high level grassroots development and independence from external resources. The Foundation's goals are to increase the effectiveness and the financial independence of community level development organizations and processes that focus on human development, foster self-reliance and improve the quality of life for the peoples of Latin America and the Caribbean. The quest for creative and effective ways to increase the impact of its limited resources must remain an ongoing priority for the Foundation's limited staff and financial resources.

The Foundation is planning a FY 1998 budget of $22 million, utilizing 68 full-time employees.

STRATEGY:

Beginning in FY 1997, the Inter-American Foundation launched a new strategy and organizational structure to address the challenges of the coming years and to maximize its effectiveness as an experimental development agency. The new strategy has three parts which are the focal points of the Foundation's activities:

Resource mobilization and *the promotion of corporate social responsibility.* Approximately 50 percent of Foundation grant-making resources will be devoted to mobilizing local resources in Latin America and the Caribbean to be applied to supporting grassroots and local development initiatives. The Foundation will be working through a number of regional programs and country specific programs to encourage the private sector and other local donors to assume a major role as the funders of development.

Local Development. Another 50 percent of the Foundation's grant-making resources will be devoted to local development, which can be defined as the building of partnerships between NGOs, community organizations, the private sector, and municipal governments to address a host of social and economic issues that will lead to increased living standards of the poor. Local development, which is rooted in the Foundation's 25 years of experience in grassroots development, is based on the full participation of beneficiary groups and citizens in defining project priorities in areas such as health, education, housing, the environment and economic opportunity.

PERFORMANCE INDICATORS:

The Inter-American Foundation has developed and operationalized a state-of-the-art system that measures the results of the grassroots development projects to which it provides support. The essential tools of the system are data collection instruments, a computerized database, guidelines for monitoring projects, and requirements for gathering and reporting results information. The Foundation has created the Grassroots Development Framework (GDF) as a diagnostic tool for measuring and documenting the results of Foundation grants. Grantees are required to report on the results of their projects using the criteria set forth in the GDF. Additionally, the Foundation uses the services of in-country service contractors to monitor projects to assure that grant funds are used responsibly, and to collect and verify results information reported by grantees.

AFRICAN DEVELOPMENT FOUNDATION

AFRICAN DEVELOPMENT FOUNDATION

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
ADF	11.500	11.500	14.000

OVERALL U.S. OBJECTIVES:

The African Development Foundation's (ADF) objectives are to foster self-help and self-reliance, at the community level, in order to alleviate poverty and promote sustainable development in Africa. It encourages broad-based participation in the development process and builds indigenous capacity through all its activities. The Foundation has a unique role in strengthening nascent democracies and preventing crisis. ADF's efforts complement larger, government-to-government assistance programs, both in terms of tackling problems "from the ground up" and in developing new models of participatory development that can be replicated by others.

STRATEGY:

ADF is just completing a comprehensive restructuring and reengineering to increase its efficiency and effectiveness. Foundation management reduced staff by almost half and closed operations in four countries. A corporate strategic plan has been formulated and individual country plans are being developed to manage for results.

ADF resources will be focused and concentrated on four strategic objectives:

- Promoting small and micro-enterprise development;
- Strengthening civil society;
- Ensuring sound natural resource management; and
- Cutting across all efforts, building capacity and expanding participation.

In the pursuit of these objectives, ADF will emphasize innovation and risk-taking, in order to explore better ways of promoting broad-based sustainable development in Africa.

In keeping with the Foundation's unique approach, *all* funding will be channeled through local organizations and African institutions. No funding goes through governments or to international experts. ADF assists people *directly*; there is no "trickle down."

PERFORMANCE INDICATORS:

ADF has a proven track record of delivering high impact, low cost assistance. With its new strategies, the Foundation is also designing new monitoring and evaluation systems. For each new strategic objective, precise indicators and measurable performance targets are being established, and ADF will undertake an annual assessment of program impact.

INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT

INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
INC	153.155[1]	213.000	230.000

OVERALL U.S. OBJECTIVES:

International narcotics trafficking and organized crime are two of the most serious threats to the security and vital interests of the United States. No other foreign policy issues simultaneously threaten both internal and external interests so severely and persistently. Domestically, the narcotics trade alone is estimated to cost U.S. society at least $60 billion annually; the costs are much higher when the lives lost and destroyed by drug abuse are considered. And the situation is growing worse: heroin addiction is on the rise, and new statistics show that the recent downward trend in cocaine abuse is reversing. Domestic prevention and enforcement programs, facing overwhelming foreign drug production and trafficking, cannot cope alone; they need the backing of effective international control efforts. The international trade in illegal aliens, stolen autos, and laundered money poses similarly insidious, if less obvious, domestic consequences. It costs consumers billions of dollars annually, draining capital from U.S. businesses, and compounding the problems of already over-taxed unemployment, education, and public health systems.

Internationally, both narcotics and organized crime pose grave threats to our fundamental foreign policy objectives of enhancing democracy, rule-of-law, and free market economies. Globally, narcotics and crime generate hundreds of billions of dollars a year in illicit income which the major syndicates use to buy influence and protection at the highest levels of government and society. Through corruption and intimidation, they target and weaken the very institutions designed to enhance public participation and citizen security: the legislature, the police, the judiciary, and the media. From Colombia, where trafficker penetration has reached the top levels of all branches of government, to Thailand, where a former influential member of parliament

[1] Includes $20 million ESF counternarcotics funds which were made available for INC programs ($15 million for Bolivia, $3 million for Peru, and $2 million for Laos). Also includes FSA and SEED Act Fund (total $13.2 million) and $5 million ESF for anti-crime programs.

was recently extradited to the United States on drug trafficking charges, no country is immune. Drug and crime money drain and weaken national economies. The uncontrolled flow of such vast sums creates serious economic distortions, fuels inflation, and makes long-term economic planning impossible. Meanwhile, innovations in communications and transportation technology, coupled with the overall growth in international trade, are enabling international crime syndicates to expand their reach faster, with greater impunity, than ever. Such groups now threaten the consolidation of democracy from Eastern Europe and Russia, to Africa, Central America, and Asia.

It is against this backdrop that the President has deemed international narcotics and crime to be fundamental threats to U.S. national security and issued explicit directions to respond aggressively. He has increasingly directed that U.S. efforts should focus on attacking the foreign sources of the narcotics and crime problems, including the major organizations, their money laundering and other financial operations, and, in the case of drugs, the crops. The United States Government has been directed to work more closely with other countries and international organizations and to expand its worldwide training efforts. The President has also ordered that sanctions be used against countries that do not cooperate.

Key objectives of the International Narcotics and Law Enforcement Affairs program are to:

- Reduce significantly the size of the international drug trade and stem the rapid expansion of international organized crime;

- Build a stronger international coalition against international narcotics trafficking and organized crime by increasing international awareness of these threats and strengthening the ability of national and multilateral institutions to combat them;

- Identify and target those elements of the threat that pose the greatest danger to U.S. national security interests;

- Develop with other countries comprehensive narcotics awareness, training, and assistance programs that:

    a) Strengthen the ability of law enforcement and judicial institutions to investigate and prosecute the major narcotics and criminal organizations and to seize--and block their ability to move--their assets; drug shipments and processing chemicals;

b) Improve the ability and cooperation of host nation police and military forces to attack narcotics production and trafficking centers;

c) Reduce drug crop cultivation through a combination of eradication and alternative development programs;

d) Reduce the demand for and consumption of narcotics.

- With respect to international organized crime:

a) Develop training and information-sharing programs to combat money laundering, fraud and other financial crimes, and the international smuggling of illegal aliens, stolen vehicles, and other illicit goals;

b) Strengthen the International Law Enforcement Academy (ILEA) in Budapest and seek the creation or strengthening of additional institutions worldwide; and

c) Thwart organized crime's ability to undermine democracy and free-market economies in Eastern Europe, Russia, the NIS, and other vulnerable states.

- Apply, as necessary, sanctions against countries that do not cooperate in responding to these threats.

PERFORMANCE:

Resources provided by the Department of State, Bureau of International Narcotics and Law Enforcement Affairs (INL) at the Department of State funds a wide range of bilateral and multilateral programs to meet these objectives worldwide. Most narcotics efforts are directed at combating the South American cocaine trade, the top international drug control priority. In accordance with the President's directive, these programs concentrate on the principal source countries of Colombia, Peru, and Bolivia. U.S. narcotics goals are to reduce the level of coca cultivation, disrupt smuggling operations out of the major production zones, and dismantle the Colombia-based organizations that currently manage and finance most international trafficking. The United States also concentrates on attacking trafficking through Mexico, currently the most important transit route. These are the core targets of the trade; progress will require a sustained effort. While much remains to be accomplished, results have been achieved:

- Tough use of narcotics certification is exacting stronger political will and unprecedented measures in the major drug-producing and transit countries.

- U.S. 1996 estimates show an 18 percent reduction of coca in Peru (94,400 hectares, lowest in 10 years). USG support of action against exports of cocaine made cultivation unprofitable while US alternative development assistance offered farmers legal income through licit crops. Elsewhere, eradication is up.

- Peru, Colombia, Bolivia, Venezuela, Ecuador and Mexico and others are jailing more notorious criminals than ever; creation of the High-Level Contact Group with Mexico marks serious potential for expanded cooperation.

- Administration experts are pressing countries to step up their efforts against money laundering; inter alia Mexico, Panama, South Africa, Taiwan and Turkey have adopted vital legal reforms.

U.S. programs in Asia respond to the objectives outlined in the President's November 1995 heroin control policy: (1) to work through diplomatic and public channels to boost international awareness of the growing heroin threat; (2) to promote the United Nations Drug Control Program and regional financial institution involvement; (3) to bring law enforcement efforts to bear against the principal organizations that are involved in heroin production, processing, distribution, and transit; and (4) to address the underground banking systems that finance trafficker operations. As the long-term downward trend in poppy cultivation -- especially in Thailand -- demonstrates, U.S. programs to reduce opium production can be effective, provided the host government cooperates and provides access to the growing area. FY 1998 assistance will continue to support these programs. The ability to implement crop control programs in the major producing countries--Burma and Afghanistan--however, is currently limited by various political and security constraints. The United States will encourage multilateral organizations to undertake heroin control programs in areas where U.S. access is limited.

Through training, institution-building, and information-sharing, U.S. funds will also work to strengthen law enforcement operations against major international organizations targeting the United States. The overall U.S. goal is for host nations to strengthen their own laws and institutions so that they can conduct the full range of enforcement efforts--from investigation to incarceration--on their own.

PDD-42 and President Clinton's October 1995 address to the 50th anniversary of the UN General Assembly underscore the U.S. commitment to fighting the international organized crime threat and highlighted important accomplishments. The Department

of State, through its International Criminal Justice office, has increasingly taken the lead to define the threat, outline the policies to respond, and design the training and other programs -- especially in Central America and the NIS -- to implement U.S. policies. U.S. assistance also funded the creation of the International Law Enforcement Academy (ILEA) in Budapest that, with instruction provided by U.S. and European experts, provides training to Central European and NIS police managers; additional such institutions are planned for FY 98 and beyond. The United States has implemented initiatives to recover stolen cars in Central America, including developing a treaty to facilitate bilateral efforts with these countries, and a comprehensive counter-crime initiative in the Caribbean. The U.S. government continues to work at all levels--in the P-8, the European Union, through the UN, and bilaterally to combat alien smuggling, money laundering, and other forms of organized crime.

JUSTIFICATION:

The FY 1998 INL supports the Administration's comprehensive strategy for combating the global narcotics and organized crime threats. It focuses on the core targets and emphasizes the need to strengthen host nation institutions so that key countries can shoulder more of the international drug and crime control responsibility on their own. It reflects a long-term commitment to attack these problems on a global basis, emphasizing the need to strengthen abilities of counternarcotics and crime forces where laws and institutions are weak, and spurring greater action and implementation where the ability is strong, but public awareness and political will are lacking.

The request will allow the U.S. to sustain its source country approach against the cocaine threat in South America by ensuring sufficient eradication and alternative development resources to buttress expanding crop control efforts; materiel and logistical support for the police and military to block new smuggling routes and methods out of the producing areas and through key transit zones; and the training and other institution-building assistance needed to strengthen the judiciary's ability to resist trafficker corruption and to successfully prosecute major cases. It will permit the United States to begin implementing the comprehensive heroin control strategy that supports efforts by multilateral organizations to reduce opium production in the major growing areas where U.S. access is limited, and strengthens law enforcement operations against the major organizations that conduct processing, distribution, and financial operations in areas of U.S. access. And, it enables the United States to implement a comprehensive international crime control strategy, including aggressive diplomatic initiatives to bolster international support for this effort, backed by an expanded international training program. The strategy will place special attention on money laundering and financial crimes.

INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS
FY 1998 BUDGET REQUEST
($000)

	FY 1996 Actual		FY 1997 Plan	FY 1998 Request
NARCOTICS PROGRAMS				
Latin America				
Bahamas	700		1,000	1,000
Bolivia	30,000	1/	45,000	45,000
Brazil	290		500	1,000
Colombia	16,000		30,000	30,000
Ecuador	500		350	350
Guatemala	2,000		2,000	2,000
Jamaica	700		750	750
Mexico	2,200		8,000	8,000
Peru	18,500	1/	23,000	40,000
Venezuela	500		600	600
Latin America Regional	3,708		5,000	4,000
Subtotal	75,098		116,200	132,700
Asia/Africa/Europe				
Laos	4,000	1/	2,500	2,500
Pakistan	2,500		2,500	2,500
Thailand	1,500		3,000	3,000
Turkey	400		500	500
Asia/Africa/ME Regional	4,492		2,000	2,000
Subtotal	12,892		10,500	10,500
Interregional Aviation Support	25,755		31,500	32,000
Total Country Programs	113,745		158,200	175,200
International Organizations	7,710		12,000	7,000
Law Enforcement Training and Demand Reduction	7,000		9,000	7,000
Systems Support and Upgrades	-		6,000	17,000
Program Development and Support	6,500		7,800	7,800
Total Narcotics Programs	134,955		193,000	214,000
ANTICRIME PROGRAMS	18,200	2/	20,000	3/ 16,000 3/
TOTAL INL PROGRAMS	153,155		213,000	230,000

1/ Includes $20 mil ESF Counternarcotics funds which were made available for INC programs ($15 mil for Bolivia, $3 mil for Peru and $2 mil for Laos).

2/ The amounts reflected are FSA and SEED Act funds ($13.2 mil) and $5 mil ESF allocated from USAID to INL for Anticrime programs.

3/ The FY 1997 and 1998 budgets do not reflect FSA and SEED Act funding. This funding is included in the USAID budget request and will be allocated to INL.

FY 1996 - FY 1998
INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS
BUDGET SUMMARY BY FUNCTIONAL ACTIVITY
($000)

	FY 1996 Enacted	% of Total	FY 1997 Plan	% of Total	FY 1998 Request	% of Total
Law Enforcement Assistance and Institution Development	59,185	43.9	85,735	44.4	99,425	46.5
Economic Incentive/Eradication 1/	42,521	31.5	66,208	34.3	80,800	37.8
International Organizations	7,710	5.7	12,000	6.2	7,000	3.3
Drug Awareness/Demand Reduction	3,610	2.7	3,550	1.8	3,095	1.4
Law Enforcement Training	5,300	3.9	6,700	3.5	5,200	2.4
Program Development and Support	16,629	12.3	18,807	9.7	18,480	8.6
TOTAL NARCOTICS PROGRAMS	134,955	100.0	193,000	100.0	214,000	100.0
ANTICRIME PROGRAMS	18,200 2/		20,000 3/		16,000 3/	
TOTAL PROGRAM PLAN	153,155		213,000		230,000	

1/ Includes ESF (Bolivia $15, Peru $3 & Laos $2 mil) provided by USAID.
2. Includes FSA and SEED Act funds (total of $13.2 mil) and $5 mil ESF allocated from USAID for Anticrime programs.
3/ Does not include FSA and SEED Act funding to be allocated from USAID.

ASIA/AFRICA/MIDDLE EAST REGIONAL COOPERATION

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
INC	4.492	2.000	2.000

OVERALL U.S. OBJECTIVES:

The INL Africa/Asia/Middle East Regional account encourages countries in the hemisphere to adopt and implement strong narcotics control legislation, improve the efficiency and effectiveness of judicial institutions to bring drug offenders to justice, and develop bilateral and multilateral mutual legal assistance cooperation. In multilateral fora, the U.S. Government seeks to influence other major donors to contribute funding to counternarcotics activities, promote enactment of money laundering and asset seizure legislation, and relay the same counternarcotics messages to producing and trafficking nations. The U.S. funding strengthens host nation's counternarcotics law enforcement capabilities to deal with drug trafficking and production, money laundering and drug related crime. INL funds develop governmental and NGO institutional capabilities to address the issue of drug abuse and prevention. Programs in producer countries seek to reduce the cultivation and production of illegal drugs through alternative development/eradication programs. In the licit producer countries, programs endeavor to enhance controls to prevent diversion from licit opium production.

PERFORMANCE:

The average grant is small, often less than $30,000, but larger grants are sometimes made to address special needs. The funds are provided as 'seed money' for foreign national narcotics control efforts in the areas of training, equipment and drug awareness and demand reduction. In Afghanistan, regional account funding enabled communities in a small part of the country to restore irrigation facilities so farmers could return to cultivation of food crops rather than opium poppy. Another Afghan project is teaching farmers that apricots and other crops can produce greater income for farmers than opium.

In other countries, INL regional funds have been used to support demand reduction activities where poverty encourages addiction, yet neither the government nor

community organizations can fund outreach. The improvements are measured by increased public awareness of the dangers posed by narcotics.

JUSTIFICATION:

Continued evidence of growing heroin shipments to, and addiction in, the United States demands augmented resources applied with maximum flexibility over half the globe. This regional account complements U.S. drug control funding through international organizations, such as United Nations International Drug Control Program (UNDCP). Illicit drug production in Southeast and Southwest Asia has soared as Burma and Afghanistan have increased opium poppy cultivation. Trafficking patterns continue to expand exponentially through South and East Asia and into the Middle East and Africa as local drug trafficking organizations prosper and develop into worldwide networks. Weak governments with poorly developed and financed law enforcement infrastructures provide fertile environments in which trafficking organizations have flourished. The transnational character of illicit narcotics trafficking requires a regional approach to multilateral and bilateral programs.

The Regional Cooperation fund is designed to help governments begin establishing counternarcotics law enforcement units, obtain training or equipment, and conduct demand reduction/public awareness campaigns. The intent is not to establish permanent programs, but to provide seed money for countries to help themselves and to complement UNDCP and other donor programs.

East Asia: The program in Asia is designed to strengthen countries' law enforcement and judicial institutions and to help them develop the capability to deal with drug abuse by providing training and equipment. This is particularly true for Vietnam, Laos and Cambodia, where drug trafficking and abuse are rapidly growing problems, but where the governments have limited experience and capabilities to address the problem. The program will also assist countries in developing legislative and judicial structures to deal more effectively with drug trafficking and money laundering. Small programs to enhance law enforcement and demand reduction capabilities are planned for a variety of countries in the region. The United States will also encourage and enhance existing regional cooperation in addressing narcotics control.

Southwest Asia: This program focuses on exploding opium poppy cultivation in Afghanistan. It has supported limited crop substitution and demand reduction activities in Afghanistan. In FY 1997 and 1998, increases to Afghan programs are proposed to enable an expansion of counternarcotics law enforcement training and alternative development/eradication programs in major producing areas. In addition, the program

supports law enforcement equipment and small demand reduction programs run by NGOs.

Africa: The U.S. regional counternarcotics program budget for Africa focuses on narcotics problems in Nigeria and South Africa. In addition, there are a number of small projects in a variety of nearby countries designed primarily to assist with law enforcement institution-building in drug transit countries.

Training will remain paramount in the Africa/Middle East program. Although Nigeria remains the most serious threat, southern Africa will be the primary focal point as the political flux allows narcotics trafficking and consumption to spread. Customs training, management training for counternarcotics units, demand reduction programs, technical assistance and public education campaigns will also be useful. The United States is also working closely with other donors to coordinate these efforts.

EFFECTIVENESS MEASURES:

- Increased institutional capacities of counternarcotics law enforcement agencies in the region, as measured by quantities of drugs interdicted, arrests of major traffickers and disruption of trafficker networks;

- Adoption of effective counternarcotics and money laundering legislation and counter-corruption measures;

- Effective use of counternarcotics legislation, including conspiracy and asset forfeiture statutes;

- Reduction in the cultivation and production of illegal narcotics in the region; and

- Increased public awareness of the dangers of drug abuse, decreased levels of abuse, and increase in the resources committed to the problem by host governments.

INTERREGIONAL AVIATION

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
INC	25.755	31.500	32.000

OVERALL U.S. OBJECTIVES:

The interregional aviation program supports governments in South and Central America and the Caribbean to eradicate drug crops, interdict drug trafficking activities, and to develop their own institutional counternarcotics aviation capabilities. The Administration's strategy continues to emphasize crop control efforts in source countries. Since nearly all drugs are produced in remote, underdeveloped, inaccessible regions where both infrastructure and law enforcement are minimal, aircraft are required to eradicate drug crops and to move personnel and equipment. In response to host government requests for assistance, the interregional aviation program provides eradication aircraft and aviation support services. Primary U.S. objectives for the interregional aviation program are to:

- Aerially eradicate drug crops with herbicides and/or transport workers for manual destruction of drug crops;
- Support institution building of cooperating host governments' counternarcotics aviation programs;
- Destroy cocaine and heroin processing laboratories and interdict drug trafficking activities by aerial transport of host government law enforcement agencies;
- Conduct aerial reconnaissance to locate drug drops and production facilities and verify eradication program results.

PERFORMANCE:

Aerial eradication programs are now underway in most South American drug-producing countries. U.S.-funded institution-building assistance is making important progress throughout Latin America, leading to enhanced local capabilities and reduced American contractor staffing. In Bolivia, all missions are flown by Bolivian Air Force (BAF)

pilots, including those requiring night vision goggles, and an increasing share of maintenance and logistics support is performed by the BAF. In Peru, all missions are flown by pilots in the Peruvian National Police (PNP), which is pursuing an aggressive maintenance training program. The Colombian National Police (CNP) is utilizing U.S. assistance to pursue aggressive eradication efforts against opium and coca cultivation.

Interregional aviation activities play a vital role in implementing the President's decision to shift the emphasis of U.S.-funded international counternarcotics interdiction activities from the drug transit zone to drug producing countries. Under a new mobile basing strategy in Peru, U.S.-owned helicopters transport PNP personnel and U.S. law enforcement advisors on counternarcotics operations throughout eastern Peru. In Bolivia, U.S.-owned helicopters enable the Bolivian government to project authority over vast areas where drug traffickers previously operated with impunity. While some support for interdiction projects in Central American drug transit countries is being reduced, the capability to intercept drug smuggling aircraft remains.

JUSTIFICATION:

In FY 1998, the interregional aviation program will continue to respond to aerial eradication requests from Latin American countries; assist eradication programs in Guatemala, Belize, Panama, Colombia, and Venezuela; and provide support for helicopter operations in Peru and Bolivia. Progress will continue in reaching self-sufficiency status of aircraft maintenance and training programs in Bolivia and Peru.

EFFECTIVENESS MEASURES:

- Eradication of drug crops with aerially-applied herbicides;
- Enhanced host governments' institutional capabilities to undertake counternarcotics air operations safely and effectively;
- Continued personnel transport, resupply activities, and provision of other logistics support for field activities; and
- Aerial reconnaissance missions to pinpoint drug production areas and facilities and verify eradication.

INTERNATIONAL ORGANIZATIONS

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
INC	7.710	12.000	7.000

OVERALL U.S. OBJECTIVES:

International organizations continue to be a key element in transnational drug control. The increased emphasis on multilateral issues, such as chemical control and maritime cooperation, as well as the need for new ways to attack the escalating heroin problem and implement the Presidential Decision Directive on heroin, entail additional INL support for effective international organization initiatives.

Building counternarcotics institutions will strengthen democracy and promote the rule of law in many countries. Multilateral organizations offer the advantage of leveraging contributions from other donors and decreasing the perception that drugs are exclusively a U.S. problem. Multilateral programs also allow access in regions where the United States is unable to operate for political or logistical reasons. Activities and initiatives sponsored by the UN, OAS, or other multilateral organization are often more palatable to countries sensitive to sovereignty concerns.

This International Organizations program provides funds to the United Nations International Drug Control Program (UNDCP), the OAS Inter-American Drug Abuse Control Commission (CICAD), and the Colombo Plan's Drug Advisory Program, among others. UN agencies, international financial institutions, and multilateral development banks engaged in development programs in drug source countries also have a role to play by factoring counternarcotics goals into their activities. INL will promote activities through UNDCP for implementation by these bodies. Key objectives for the international organizations are to:

- Maintain strategic leadership in guiding the international drug control effort and create a political atmosphere which encourages other countries to view drug control as a major foreign policy concern and motivates them to strengthen domestic measures;

- Assist countries in developing the institutional infrastructure to reduce the production and trafficking of drugs by strengthening law enforcement agencies, modernizing judicial systems, developing drug laws so that countries can investigate, prosecute, and punish major drug kingpins, and reducing the demand for drugs;

- Use UNDCP, OAS/CICAD, and other international organizations to execute programs which expand multilateral cooperation, advance U.S. drug control goals, or replace U.S.-funded programs in countries where the U.S. presence is limited; and

- Support further implementation of the System Wide Action Plan to ensure that a broad range of UN assistance efforts further counternarcotics goals.

PERFORMANCE:

U.S. contributions to UNDCP have a significant impact on the operations and expansion of UN counternarcotics programs and policy. The level of U.S. contributions has also led to increased commitment from other donors, whose primary vehicle for international drug control efforts continues to be the UN. Recent U.S. contributions to UNDCP have led to:

- Expansion of the Southeast Asia program targeting the largest opium producer, Burma, through a cooperative program that includes China, Thailand, and Laos. In addition to new programs in Vietnam and Cambodia, the program now includes a pilot project in the Wa-controlled area of Burma and a project for the Kachin-controlled area;

- Development of a program to support the eradication campaign in Nangarhar province, a key opium cultivation area in the second largest opium producer, Afghanistan;

- Provision of UNDCP chemical control investigative training and administrative advice;

- Continuation of a maritime cooperation program;

- Establishment of a regional training project in the Caribbean to train prosecutors and judges in order to improve conviction rates on narcotics-related cases;

- Establishment of a demand reduction training center for Central European nations;

- Provision of legislative advice which led to significant changes in anti-drug laws in Central Europe and the Newly Independent States (NIS) in order to implement 1988 UN Convention; and

- Coordination of bilateral and multilateral aid to Central Europe and the NIS, and provision of training and advice to bolster enforcement and customs institutions.

U.S. contributions to OAS/CICAD have leveraged increases from other donors, such as the EU and European nations, Japan, and UNDCP. The OAS program concentrates on building a regional programs in Latin America and the Caribbean. Some of the direct results of U.S. contributions to OAS/CICAD include:

- Development of model regulations and workshops to target money laundering and asset forfeiture, and a similar program for chemical control;

- Implementation of a legal program in Central America to assist governments to develop and harmonize anti-drug laws and sentencing guidelines; and

- Development of a regional demand reduction strategy for the hemisphere, public awareness and drug abuse prevention campaigns through governments and non-governmental organizations, and coordination of demand reduction programming for street children;

JUSTIFICATION:

The FY 1998 request will support UNDCP programs to: 1) begin and continue projects in the largest opium producing areas of Southeast Asia where the U.S. has limited access, specifically in Burma, China, Laos, Vietnam, and Cambodia; 2) support and leverage additional European support for programs in Southwest Asia where opium cultivation is escalating, specifically in Afghanistan and Pakistan; 3) establish drug control institutions and regional cooperation in the Newly Independent States; 4) coordinate and provide law enforcement training, judicial assistance, and demand reduction assistance to strengthen the counterdrug institutions in Central Europe; 5) provide law enforcement assistance to Lebanon to support efforts targeting drug organizations; 6) in the Western Hemisphere, provide additional technical assistance to support the strengthening of host government institutions involved in the investigation, prosecution, and confinement of major drug traffickers through a program at the University of the West Indies in Bridgetown and through parallel law enforcement training programs; 7) continue legal advice to assist the drafting and implementation of legislation to implement the 1988 UN Convention; 8) continue chemical control

training to assist governments to implement chemical control regimes; and 9) develop a maritime cooperation training program.

The FY 1998 request will support OAS/CICAD programs to: 1) strengthen national drug commissions, promote interagency cooperation, maximize use of national resources, and establish a means of permitting these commissions to exchange information; 2) enhance the Central American Legal Development Center in Costa Rica, and initiate parallel centers for the Andean region and the Caribbean; 3) promote effective national control of precursor chemicals, money laundering and arms trafficking; 4) coordinate programs for international law enforcement training; 5) provide law enforcement training activities, such as port security training, witness protection, and court reporting; 6) further develop and provide demand reduction assistance programs; and 7) conduct follow-on activities identified in the Alternative Development working-level planning meeting.

Remaining FY 1998 INL funds will: 1) support regional treatment and drug intelligence gathering seminars in Southeast and Southwest Asia; 2) organize coalitions of drug prevention NGOs in SAARC countries; 3) conduct public awareness campaigns throughout Asia; and 4) develop a regional fora for law enforcement agencies in Southeast and Southwest Asia.

NARCOTICS LAW ENFORCEMENT TRAINING AND DRUG AWARENESS AND DEMAND REDUCTION

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
INC	7.000	9.000	7.000

Narcotics Law Enforcement Training

OVERALL U.S. OBJECTIVES:

Law Enforcement Training is designed to assist cooperating countries in creating effective national organizations for investigating drug trafficking and interdicting illegal narcotics, thereby affecting the flow of illegal drugs to the United States. Key objectives of Narcotics Law Enforcement Training are to:

- Contribute to the basic infrastructure for carrying out counternarcotics law enforcement activities in cooperating countries;
- Improve technical and investigative skills of drug law enforcement personnel in key narcotics countries; and
- Increase cooperation and coordination between U.S. and foreign law enforcement officials.

International anti-narcotics training is managed and funded by the Department of State, and carried out by DEA, the U.S. Customs Service, and the U.S. Coast Guard. Since 1971, INL has transferred approximately $103 million to DEA, Customs and the Coast Guard, resulting in training for more than 60,000 foreign anti-narcotics officials. Generally, training programs in the United States are tailored to senior-level management and policy-level officials, while programs offered overseas are normally for operational personnel.

INL's law enforcement training programs constitutes one of the surest means of implementing the current U.S. counternarcotics strategy for institution-building and promotion of host-nation self-sufficiency. U.S. counternarcotics efforts overseas will be evaluated by their achievements in establishing

effective host country enforcement institutions which remove drugs from circulation before leaving the country of production. The prime responsibility of U.S. personnel overseas is to promote the creation of host government systems which are compatible with and serve the same broad goals as those in the United States.

INL-funded training will continue to support the major U.S. and international strategies for combating narcotics trafficking worldwide. Major emphasis will be given to training on a regional basis, and to contributing to the activities of international organizations, such as the UNDCP and the OAS.

The United States will continue to furnish programs only to those countries considered to be of high priority for U.S. anti-narcotics interests. Through the meetings of major donors, the Dublin Group, UNDCP and other international fora, the United States will coordinate with and urge other states to shoulder greater responsibility in providing training which serves their particular strategic interests. This coordination will also help to avoid wasteful duplication of training efforts.

Programs dealing with financial crimes (i.e., methods for promoting asset seizure and combating money laundering) will continue to expand. INL will continue to coordinate the activities of Washington agencies in response to assistance requests from U.S. Embassies. This will avoid duplication of effort, and ensure that presentations represent the full range of U.S. Government policies and procedures.

PERFORMANCE:

During the past year, INL training has become increasingly focused on encouraging self-sufficiency in foreign law enforcement agencies through infrastructure development. Basic instruction programs were provided only in countries having limited experience with anti-narcotics activities. Most of the training scheduled was in more sophisticated areas, such as executive and management development, asset forfeiture and financial investigations, use of special enforcement teams, counternarcotics security measures, and instructional techniques.

Law enforcement training continued to give particular attention to the emerging problem of heroin trafficking and abuse. Programs were provided to opium production and transit countries where U.S. access has recently improved such as China, Vietnam, Cambodia and the Central Asian republics. Training also focused on the Newly Independent States, paving the way for a much broader U.S. law enforcement assistance program, which was implemented during the fiscal year.

JUSTIFICATION:

The demand from foreign governments and U.S. embassies abroad for INL sponsored training continues. Funds requested for FY 1998 will allow the United States to accommodate the demand and the growing emphasis on law enforcement training as a vehicle for achieving many of the basic objectives of its counternarcotics policy.

Drug Awareness and Demand Reduction

OVERALL U.S. OBJECTIVES:

Drug Awareness and Demand Reduction programs seek to reduce the worldwide demand for illicit drugs and minimize the flow of drugs to the U.S. by stimulating foreign governments and institutions to increase attention to the negative effects of drug abuse upon societies, and to target the trafficking groups responsible for these problems. Key objectives of Drug Awareness and Demand Reduction Training are to:

- Strengthen the ability of host nations to conduct more effective demand reduction efforts on their own;

- Encourage drug producing and transit countries to invest resources in drug awareness, demand reduction, and training to build public support and political will for implementing counternarcotics programs; and

- Improve coordination of and cooperation in international drug awareness and demand reduction issues involving the United States, donor countries, and international organizations.

INL-funded training will continue to enable host nation counternarcotics institutions to independently conduct more effective demand reduction and public awareness programs. The program will give particular attention to cocaine producing and transit countries in Latin America and address the emerging heroin threat from South Asia. Eastern Europe, the former Soviet Union and South Africa will constitute other areas of focus. These activities will be undertaken in collaboration with other donor countries and international organizations to enhance multilateral activities and reduce costs to the U.S. Government.

INL will continue its collaborative arrangements with other U.S. agencies (NIDA, USIA) and regional organizations (OAS). Training and technical assistance in FY 1998

will continue to emphasize treatment, prevention, education, and drug research. While training will be continue in these four critical areas, the program will enhance its focus on the development of national, regional, and international coalitions of public/private sector organizations to strengthen national and international cooperation and actions against the drug trade. In response to PDD-42 on international organized crime, the training program will address the role of youth gangs and related violence in the international drug trade by providing technical assistance on the development of intervention methods for this high-risk population, which represents a prime recruiting pool for organized crime groups.

The public awareness program will strengthen the ability of host countries to build public support and strengthen the political will for implementing counternarcotics programs. Training will focus on the development of national-level drug awareness campaigns that demonstrate connections between the drug trade and other concerns such as economic growth, democracy, and the environment. On the local level, training will focus on the establishment of effective drug awareness/education campaigns in schools and the community (including the use of media and advertising resources). Technical assistance will help host governments conduct sustained drug awareness campaigns by developing linkages between the corporate sector and the mass media. The public awareness program will also help develop regional and international coalitions of non-government organizations (NGOs) to mobilize international opinion against the drug trade and encourage governments to develop and implement strong counternarcotics policies and programs.

The demand reduction program will continue work at the grassroots levels to build a public/private sector base to sustain pressure against the drug trade. The program will help establish and sustain strong community partnerships and coalitions of public/private sector programs for drug prevention/treatment, create or enhance effective community- and school-based prevention programs, and enhance services provided by treatment and after-care programs.

PERFORMANCE:

Because of INL-funded training and technical assistance, host governments have been able to engage their own national institutions, communities and resources to reduce their demand for illicit drugs. INL has been able to convince other donor countries and international organizations to provide support to priority U.S. international demand reduction programs.

Significant demand reduction program achievements include:

- Countries in Latin America and South Asia continue to develop and staff their own drug treatment/prevention programs;

- Countries implemented their own national level drug awareness campaigns and conducted their own national level epidemiological surveys in South America;

- Countries in South America and Asia developed regional training centers for demand reduction;

- The European Community, UNDCP, OAS, Colombo Plan, and host governments co-sponsored with INL regional training events in Latin America, South Asia, and Eastern Europe, and developed specialized drug prevention projects for high-risk youth in Latin America.

JUSTIFICATION:

Foreign governments frequently request training assistance for their demand reduction efforts, pointing out that drugs affect their children as well as those in the United States. In return for their efforts against production and trafficking, they request information on the latest U.S. demand reduction technology. Drug research training helps host nations to document existing drug problems; public awareness training helps disseminate this information to the general public and mobilize private/public sector responses against drug trafficking. When countries fund their own treatment and prevention programs, they not only acknowledge the existence of a drug problem, but also tend to target those groups (i.e., traffickers) responsible for that problem. The requested demand reduction budget is the same as FY 1997, since costs for expanded activities will come from collaboration with other donor countries and international organizations.

PROGRAM DEVELOPMENT AND SUPPORT

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
INC	6.500	7.800	7.800

OVERALL U.S. OBJECTIVES:

Program development and support (PD&S) funds provide for the domestic administrative operating costs associated with INL. The key objectives of PD&S funds are to:

- Develop and manage narcotics control and international crime activities of the Department of State;
- Coordinate with other U.S. Government agencies; and
- Provide program, financial, procurement, and administrative guidance and assistance for narcotics and crime programs worldwide.

PERFORMANCE:

Within the Department of State, the Bureau of International Narcotics and Law Enforcement Affairs (INL) has been charged with developing plans and initiatives to achieve international counternarcotics and crime foreign policy objectives. The INL Bureau maintains a cadre of program and technical experts to meet overseas and domestic requirements and support field needs. Washington staff activities include but are not limited to the following: overall policy formulation, guidance, and analysis; developing, guiding, evaluating, and backstopping programs overseas; conducting periodic visits to embassy narcotics affairs sections to review, analyze, and make recommendations on programs; developing or sponsoring management control seminars for overseas staff; developing training programs for new personnel; and coordinating with other agencies and governments.

JUSTIFICATION:

More than three-quarters of the requested funds will be used for the salaries and benefits of INL Washington-based employees and of employees loaned to INL from other State Department bureaus and other agencies. Travel is also funded with PD&S funds. Staff travel is essential to review and evaluate the many programs the Bureau supports worldwide, as well as to promote and advance international counternarcotics foreign policy objectives. In addition, PD&S funds are used for special studies, short-term technical assistance, staff training, equipment, administrative services and supplies.

FY 1998
INTERNATIONAL NARCOTICS CONTROL
DIRECT HIRE STAFFING

FY 1998 Staffing. The Bureau of International Narcotics and Law Enforcement Affairs (INL) expects to have a total of 143 permanent positions, not including the Assistant Secretary, whose salary is paid by the Department of State's Salary and Expenses account. Of the 143 Bureau positions, 15 would be dedicated to International Criminal Justice programs and are funded by State's Salary and Expenses account. The remaining 128 positions are funded by the International Narcotics Control account.

Of these 128 Bureau-funded positions, 81 would be Washington-based and funded with Program Development and Support funds, including three reimbursable support personnel positions assigned to other bureaus. In addition, the Bureau has one direct-hire American regional narcotics affairs officer in Miami whose position is financed from the program funds of that office. Overseas, a total of 29 direct-hire American field positions and 17 direct-hire foreign national positions are financed from INL country program funds to implement the Bureau's narcotics efforts overseas.

INTERNATIONAL CRIMINAL JUSTICE

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
INC	18.200[2]	20.000[3]	16.000[4]

OVERALL U.S. OBJECTIVES:

In his October 1995 speech to the United Nations General Assembly, the President referred to the growing danger of international organized crime as being not only a law enforcement problem, but also a national security threat to the United States. The end of the Cold War presents new opportunities for criminals. Transparent national borders, fewer trade restrictions, and truly global financial and telecommunications systems provide significant opportunities for criminal organizations to expand operations beyond national boundaries. The global reach of organized crime makes it more difficult for industrialized countries and emerging democracies to detect, investigate, and prosecute criminals. Crime groups take advantage of emerging democracies who sometimes lack the resources, laws, and skills to meet their challenge. Organized crime groups from the former Soviet Union, Asia, and Italy are forming partnerships among themselves as well as with the drug barons of Latin America. Their activities pose major challenges to U.S. national interests abroad, such as American businesses and their employees, U.S. tourists, and to the security of Americans at home.

The Secretary of State mandated the Bureau of International Narcotics and Law Enforcement Affairs (INL) to fund, coordinate, and provide policy guidance for international crime matters. This includes responsibility for law enforcement training assistance and procurement of equipment for those countries in which international criminal activity arises. The key objectives are to:

[2] The amounts reflected are FSA and SEED Act funds (total $13.2 million) and $5 million ESF allocated from USAID to INL for anticrime programs.
[3] The FY 1997 and FY 1998 budgets do not reflect FSA and SEED Act funding. This funding will be allocated to INL.
[4] Ibid.

- Combat the growing threat to U.S. national security posed by international organized crime;

- Help emerging democracies strengthen their national judicial and law enforcement institutions;

- Provide training and technical assistance to foreign civilian law enforcement agencies as an element of peace-keeping operations; and

- Strengthen efforts by the United Nations and other international organizations to assist member states in combating international criminal activity.

PERFORMANCE:

The United States is making strides in several fora towards enhancing international cooperation in the fight against international organized crime. In FY 1995, over 4,100 law enforcement officers from Central Europe and the NIS received training under ICJ's Anti-Crime Training and Technical Assistance Program (ACTTA). The level of training was sustained in FY 1996. Several agencies reported that partnerships forged through training with their Central European and NIS counterparts are solving cases of mutual concern. The State/INL-funded International Law Enforcement Academy (ILEA) in Budapest trained 99 Central European police managers in its eight-week program in 1995. In 1996, 250 NIS and Central European law enforcement officials participated in the ILEA eight-week program. Germany, the United Kingdom, Canada, Italy, Russia and the Council of Europe are providing instructors to teach units on nuclear smuggling, organized crime, VAT tax evasion, human rights, and media relations as part of the eight-week program at ILEA. President Clinton's UNGA speech in October 1995 referred to the Budapest Academy as a model for developing other regional academies around the world.

An initiative to work with the National Insurance Crime Bureau and the FBI is designed to recover U.S. stolen vehicles from Central America and the Caribbean. The United States has developed a model treaty to identify, recover, and return stolen vehicles to their owners, and a training program for local law enforcement to recover these vehicles. This treaty has been discussed with Panama, Costa Rica, El Salvador, Nicaragua, Guatemala, Honduras, Belize, and the Dominican Republic. Agreements are expected to be finalized with most of these countries in 1997. Panama, El Salvador, Honduras, and Venezuela have received stolen car training. The initiative has expanded to Central Europe in 1997.

Since 1993, an inter-agency working group chaired by INL has coordinated the interdictions of 12 Chinese alien smuggling vessels and the return of its illegal immigrants to China. Moreover, the United States is working with the Inter-Governmental Consultations group (IGC), the International Organization for Migration, the European Union, the Budapest Group, and the P-8 to coordinate enforcement efforts, assist sending and transit countries to combat alien smuggling, and to enact anti-smuggling laws where none currently exist. The United Nations General Assembly, the United Nations Crime Commission, and the International Maritime Organization have adopted resolutions condemning alien smuggling.

The Caribbean Crime Initiative is designed to enhance ongoing efforts to combat organized criminal activity in the region. A regional witness security training program, for example, has been developed as part of this initiative. This program is being implemented to improve Caribbean government protection of witnesses prior to and during the trial.

JUSTIFICATION:

The FY 1998 budget request is based on the requirements set forth in PDD-42, "International Organized Crime," and reflects the consolidated management of law enforcement and police training programs under INL. INL will use federal and local law enforcement agencies, the International Criminal Investigative Assistance Program (ICITAP), and other organizations to provide law enforcement training programs and technical assistance to the New Independent States, Russia, Central Europe, Latin America, Africa, and East Asia. The program, generally, will place significant emphasis on money laundering, alien smuggling, and combating organized and financial crime.

NIS, Russia, and Central Europe

Russia and the New Independent States: INL will fund training programs to strengthen the capacity of the governments of Russia and the other NIS states to combat the activities of organized crime, including financial crimes and illegal trafficking, particularly narcotics trafficking. INL will continue to fund training and technical assistance programs in Russia and the NIS carried out by the FBI, Secret Service, DEA, Customs, IRS and other U.S. federal law enforcement agencies. Assistance will focus on financial crimes, organized crime, nuclear smuggling and drug trafficking.

Central Europe: INL also will continue to fund law enforcement training and technical assistance programs in Central Europe. INL will continue the advanced technical

assistance programs in Poland, Czech Republic, Bulgaria, the Baltics, Slovakia and Hungary.

ILEA: INL will continue funding for law enforcement and criminal justice training programs at the International Law Enforcement Training Academy (ILEA) in Budapest, Hungary.

Alien Smuggling: INL will assist the NIS, Russia, and Central Europe to more effectively combat alien smuggling by enacting anti-smuggling legislation training and working through existing fora, such as the P-8 and the Budapest Group. The first regional training program on illegal migration was held in 1996 at ILEA.

Latin America

Law Enforcement Training: INL will support civilian law enforcement training programs in Latin America and the Caribbean to combat transnational crimes, especially financial crimes. ICJ will also establish a regional law enforcement academy modeled on ILEA in Budapest, Hungary.

Stolen Cars: INL will fund the third phase of the program to negotiate bilateral agreements with regional governments. These agreements will provide standard procedures for the recovery and return from Central America of stolen U.S. vehicles and provide training for law enforcement agencies to reduce the annual several hundred million dollar loss in car theft from the United States. The U.S. insurance industry strongly supports this program, which will expand to South America and other parts of the world where stolen U.S. vehicles are being marketed in large numbers.

Alien Smuggling: Through INL's efforts, many Latin American countries are beginning to improve their efforts to combat alien smuggling by enacting anti-smuggling legislation, and by coordinating enforcement operations against alien smugglers. INL will continue to assist these countries to combat alien smuggling through training, information sharing, and coordinated enforcement operations.

Africa and East Asia

Africa: Law enforcement training and technical assistance in newly-emerging democracies will emphasize respect for human rights by demonstrating how U.S. agencies function to enhance the rule of law. INL also will provide technical assistance to law enforcement agencies in South Africa responsible for preventing illegal trafficking in nuclear materials and weapons.

East Asia: INL will provide law enforcement training to prevent money laundering and to combat organized crime groups involved in alien smuggling.

Multilateral Organizations/Other

International Criminal Investigative Training Assistance Program (ICITAP): ICITAP law enforcement and forensics training will be provided for countries in transition from civil strife or military rule to democratic rule (i.e., Haiti, Bosnia).

Multilateral Organizations and Initiatives: Funding for the UN's Crime Prevention and Criminal Justice Branch and other multilateral organizations will be provided to undertake training and technical assistance programs.

Financial Action Task Force (FATF): Contributions to key research activities and meetings of the FATF not otherwise funded by the U.S. Government, international organizations, or operational expenses of the office will aid in addressing money-laundering crimes.

EFFECTIVENESS MEASURES:

- Minimized duplication of U.S. efforts to formulate polices to combat international organized crime -- international financial and economic crimes, particularly money-laundering, and international illegal trafficking, particularly alien smuggling;

- Strengthened ability of emerging democracies and their institutions to deal with the challenges of organized crime groups;

- Partnerships formed between U.S. law enforcement agencies and their counterparts in solving international cases of mutual concern;

- Reduction of organized criminal groups, illegal trafficking, and financial and economic crimes in the countries listed above; and

- Improved law enforcement capability and effectiveness of member states of the United Nations Commission on Crime Prevention and Criminal Justice.

SYSTEMS SUPPORT AND UPGRADE

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
INC	-	6.000	17.000

OVERALL U.S. OBJECTIVES:

In FY 1997, INL initiated a program to maintain aviation systems deployed throughout the world, rather than including funding for these in individual country programs. This approach provides standardization of services and support, and allows savings through economy of scale in procurement. Because costs incurred within contracts for individual items are subject to negotiation and may be higher or lower than our estimates, this provides INL the flexibility of a line item covering several different systems to allow adjustments in funding levels. Specific Systems Support and Upgrade projects include C-26 support, an airborne surveillance initiative, refurbishment of OV-10 Broncos, and upgrade of UH-1H helicopters.

Through this funding, specialized systems which are currently not available will be provided to meet counternarcotics mission requirements in support of surveillance, detection, eradication, interdiction, and logistics. The Bureau will also be able to improve the performance characteristics of existing systems to better utilize their capability, extend their useful life, and increase the effectiveness of reconnaissance, eradication, and interdiction efforts.

PERFORMANCE:

C-26 Support:

Under Section 506(a)(2) drawdown authority for counternarcotics purposes, participating governments have acquired 17 C-26 aircraft which will be distributed as follows: Colombia--Two for Colombian National Police, Three for the Colombian Air Force; Peru--Four for the Air Force; Barbados--Two for the Regional Security System; Venezuela--Two for the Air Force; Mexico--Four for the Air Force.

The C-26 twin turboprop aircraft performs in all weather conditions, is known for its reliability and low operational costs, and can be configured for passenger, cargo, or MEDEVAC mode. C-26s with special surveillance pods are in use by the U.S. Air National Guard for counternarcotics surveillance. (None of the C-26s being transferred are equipped at this time with surveillance pods.)

No direct DoD parts and maintenance follow on support is available for the C-26s--and only limited DoD training. While the manufacturer has supplied these services to National Guard units which have the C-26, individual Host Governments may not be able to afford that complete package once aircraft have been deployed to recipient countries.

To ensure both initial and follow-on success for the C-26, INL will either buy into a DoD C-26 support contract or create its own commercial support contract. INL will offer recipient countries varying degrees of USG support for the C-26s, ranging from providing virtually everything for the Eastern Caribbean to a much more limited set of services for host government Air Forces.

Airborne Surveillance Initiative:

One of the critical shortfalls in the current counternarcotics operational structure overseas is the lack of host government surveillance, detection, and monitoring capability. To fill the gap, INL is considering acquisition of proven, low cost surveillance upgrades to C-26 or other platforms.

Possibilities include air to air radar, air to ground radar, Forward Looking Infrared (FLIR), and cameras now in use by the U.S. military and law enforcement agencies for similar missions. The most obvious candidates for installation into selected C-26s are the FLIR and the APG-66 radar currently in use in U.S. Air National Guard C-26 aircraft.

OV-10 Refurbishment:

INL recently received 22 OV-10D aircraft previously used by DoD which have increased capabilities for conducting massive coca and opium aerial eradication campaigns throughout Latin America compared to existing T-65 aircraft. The employment of these aircraft, equipped with armored cockpits and twin engines, will increase speed, range, pilot safety, and herbicide carrying capacity. The OV-10 refurbishment program will allow for major modification of these airframes to reduce weight and modernize electrical, avionics, cockpit configuration, and special mission equipment to take full advantage of the aircraft's capability and extend its useful life. Aircraft so modified will have a full day/night eradication capability. Although a complete cost estimate is not yet available, INL believes at least two aircraft can be fully retrofitted at the funding level requested.

UH-1H Upgrade:

INL plans to upgrade UH-1H helicopters deployed in key source countries to enhance their performance in the high altitude, hot climate environment of the Andean region. The upgrade consists of replacement of key power train, drive train, and airframe

components to achieve greater weight carrying capability and performance at altitude. This will increase the number of troops carried per sortie and preclude the procurement of newer, twin engine helicopters. The costs of each modification will be determined through a competitive procurement process and will depend in part upon the availability of appropriate excess components.

EFFECTIVENESS MEASURES:

- Provide specialized systems, especially air assets, to meet counternarcotics mission requirements.

- Improve performance ability of existing systems to extend their effectiveness and useful life.

REFUGEE ASSISTANCE

MIGRATION AND REFUGEE ASSISTANCE

EMERGENCY REFUGEE AND MIGRATION ASSISTANCE FUND

FY 1998
OVERVIEW

(Dollars in Thousands)

	FY 96 Actual	FY 97 Estimate	FY 98 Request	Inc./Dec. (-)
MRA	670,983	650,000	650,000	-
ERMA	50,000	50,000	50,000	-
TOTAL	**720,983**	**700,000**	**700,000**	-

Meeting humanitarian needs is a fundamental policy objective of the President's FY 1998 International Affairs budget; refugee and migration assistance is a major component of this objective. **The Migration and Refugee Assistance (MRA)** appropriation and the **Emergency Refugee and Migration Assistance Fund (ERMA)** are administered by the Department of State. These programs span the range of international refugee needs encompassing emergency assistance, long-term care and maintenance, repatriation, and resettlement.

The Administration requests $700,000,000 for refugee assistance funding in FY 1998. Of this amount, a total of **$650,000,000** is for **Migration and Refugee Assistance** and **$50,000,000** is for the **Emergency Refugee and Migration Assistance Fund.**

The MRA is an annual appropriation used to fund 1) overseas assistance activities, 2) the admission of refugees to the United States, 3) a grant to support refugee resettlement in Israel, and 4) the administrative expenses of the Department of State, Bureau of Population, Refugees, and Migration (PRM).

ERMA is a no-year appropriation, drawn upon by the President to meets unexpected urgent refugee and migration needs when it is determined to be important to the national interest to do so.

FY 1998
MRA SUMMARY STATEMENT

(Dollars in Thousands)

FY 96 Actual		FY 97 Estimate		FY 98 Request		Inc./Dec. (-)	
Positions	*Funds*	*Positions*	*Funds*	*Positions*	*Funds*	*Positions*	*Funds*
106	670,983	105	650,000	105	650,000	(2)	-

I. Summary

Migration and Refugee Assistance (MRA) programs provide assistance to victims of persecution and civil strife, upholding humanitarian principles that the United States shares with others in the international community. These programs support the protection of refugees and conflict victims; the provision of basic needs to sustain life and health; and the resolution of refugee and migration problems through repatriation, local integration, or permanent resettlement in third countries -- including the United States. These objectives are achieved largely by providing assistance through international organizations and by resettling refugees in the United States. In carrying out these objectives, the United States sustains its leadership of the world community in responding to the needs of refugees and conflict victims.

- ***Overseas Assistance***

In 1996, there were approximately 26 million refugees and persons of concern to the United Nations High Commissioner for Refugees (UNHCR). An additional 3.3 million Palestinian refugees are registered with the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA). Many of the world's refugees and victims of conflict have little hope for more than mere survival without adequate international assistance, and their protection and care are shared international responsibilities.

The *Migration and Refugee Assistance Act of 1962, as amended,* provides for U.S. support of UNHCR, the International Committee of the Red Cross (ICRC), the International Organization for Migration (IOM), and other relevant international organizations. Accordingly, the Department of State contributes most of its Overseas Assistance funds to programs administered by international organizations. When required to address specific assistance needs, the Department may also support the programs of non-governmental organizations that carry out relief services overseas -- many in conjunction with the programs of international organizations -- and provide bilateral assistance directly to governments and governmental agencies under a statutory authority for Presidential determinations.

The humanitarian traditions and national interest of the United States support generous responses to the needs of refugees and conflict victims. The levels of U.S. contributions depend on the nature and urgency of the needs, the prospects for successful program implementation, the responses of other donors, the availability of funds, and U.S. foreign policy interests. No standard formula or uniform U.S. percentage share is appropriate for all contributions, but an effort is made to limit the U.S. share where other donors can shoulder a fair portion of the costs. This is consistent with other U.S. contributions to multilateral assistance efforts.

In recent years, multilateral and non-governmental organizations, faced with multiple new humanitarian emergencies and expanding repatriation opportunities, have increased their appeals for funding.

- ***Refugee Admissions***

For the vast majority of the world's refugees, the safe return to their home countries or the establishment of new lives in first asylum countries, rather than resettlement in the United States or another third country, is the preferred solution. While third country resettlement is not a viable option for the great majority of refugees, it remains the most appropriate solution for some.

The U.S. refugee admissions program aims to provide resettlement opportunities to refugees for whom other solutions are not possible and/or who have special ties to the United States. The program is consistent with the long-standing U.S. commitment to humanitarian principles; it assists individuals who are victims of persecution and who have no recourse other than to seek new lives in foreign lands. The United States also encourages other countries to participate in resettlement efforts.

- ***Refugees to Israel***

This program supports resettlement in Israel from certain other countries. Most of these funds provide transportation, en route care and maintenance, and temporary accommodation upon arrival in Israel. Funds also are used to provide integration assistance for the elderly, the handicapped, and children requiring institutional care.

- ***Administrative Expenses***

These funds are used to finance the salaries and operating costs associated with a staff of 98 employees located in Washington and at 11 overseas posts. While the Bureau of Population, Refugees, and Migration has responsibility for international population policy and coordination, funds for the salaries and operating costs associated with the six positions dedicated to this function are included in the Diplomatic and Consular Programs budget request.

II. FY 1998 Plans

In FY 1998, MRA assistance will continue to further efforts to reach durable solutions for refugee populations. Durable solutions relieve the long-term burden on the international assistance budgets that provide for the care and maintenance of refugees in asylum countries. Assistance funds, therefore, may be used to support communities in their initial reintegration of refugees who have repatriated. A small portion of the Bureau's program funds may be used to finance studies and Bureau oversight necessary to evaluate programs carried out by recipients of U.S. funds.

Overseas Assistance

The majority of funds in Overseas Assistance is expected to be used for the General and Special Program appeals of UNHCR, the emergency appeals of ICRC, and UNRWA's programs for Palestinian refugees. In addition, funds are contributed to the World Food Program (WFP) for the costs of its programs on behalf of populations of concern to UNHCR. Funds are also used to support activities of relevant international or non-governmental organizations that address multiregional problems or aspects of international migration, in particular, the International Organization for Migration (IOM). In all regions, MRA assistance will take into account the need to incorporate the abilities and needs of refugee women and the special needs of refugee children into protection and assistance program design, implementation, and evaluation.

The FY 1998 request includes funds for a voluntary contribution in support of ICRC headquarters operations at 10 percent of the estimated budget, as well as funds for the U.S. membership assessment for the IOM administrative budget at 29.95 percent. U.S. contributions, which provide institutional funding for ICRC and IOM, underscore our strong support for the work carried out by these organizations worldwide.

Refugee Admissions

The FY 1998 budget request includes funds to finance the resettlement of up to 75,000 refugees in the United States. Although this admissions number is used to calculate estimated costs, the final number and regional allocations will be determined by the President following the annual consultations process with Congress later in the current fiscal year. These funds cover the costs of processing refugee applicants, providing cultural orientation, health screenings, transportation of refugees accepted for resettlement to the United States, and initial reception and placement services in the United States. The program for refugees from the former Soviet Union will continue to be implemented through the Washington Processing Center (WPC).

Refugees to Israel

The FY 1998 request includes $80,000,000 to support resettlement in Israel through a grant to the United Israel Appeal. This request maintains the FY 1997 grant level of $80,000,000.

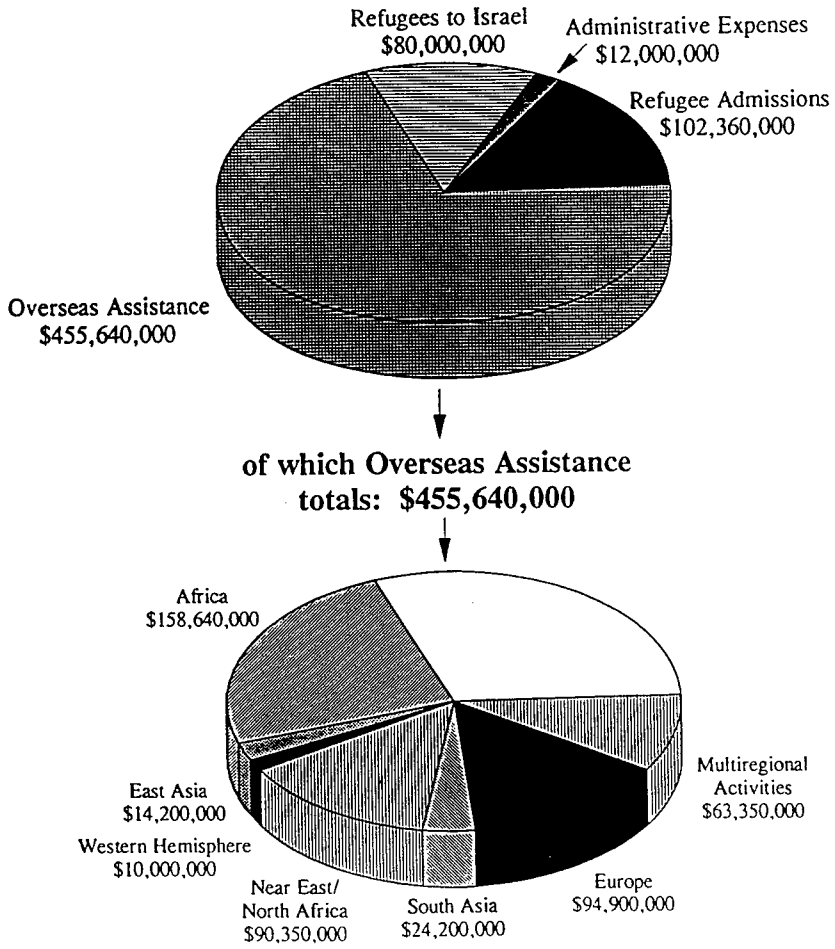
Administrative Expenses

The FY 1998 request of $12,000,000 covers the salaries and administrative support costs of 98 positions in the Bureau of Population, Refugees, and Migration and at 11 overseas posts. None of these funds will be used for the administrative support costs of six positions identified with the Bureau's responsibility for international population policy and coordination.

FY 1998 Budget Request

Migration and Refugee Assistance

$650,000,000



FY 1998
MRA SUMMARY BY PROGRAM

(Dollars in Thousands)

	FY 96 Actual	FY 97 Estimate	FY 98 Request	Inc./Dec. (-)
Overseas Assistance				
Africa	175,361	168,074	158,640	9,434
East Asia	31,455	18,524	14,200	(4,324)
Western Hemisphere	12,689	9,900	10,000	100
Near East/North Africa	94,300	89,700	90,350	650
South Asia	25,223	24,052	24,200	148
Europe	93,302	94,600	94,900	300
Multiregional Activities	60,960	63,150	63,350	200
Subtotal, Assistance	493,290	468,000	455,640	(12,360)
Refugee Admissions	86,210	90,000	102,360	12,360
Refugees to Israel	80,000	80,000	80,000	-
Administrative Expenses	11,483	12,000	12,000	-
Appropriation Total	670,983	650,000	650,000	-

FY 1998
JUSTIFICATION OF PROGRAM ACTIVITIES

Overseas Assistance

(Dollars in Thousands)

FY 96 Actual	FY 97 Estimate	FY 98 Request	Inc./Dec.(-)
492,802	468,000	455,640	(12,360)

The FY 1998 overseas assistance request is $455,640,000, a decrease of $12,360,000 from the FY 1997 estimate.

The primary purposes of international protection and assistance funding are to meet short-term, life-sustaining needs of refugees and conflict victims and to support durable solutions -- notably voluntary repatriation -- overseas. Many nations hosting large groups of refugees and victims of conflict are among the world's least developed. Their presence often strains limited resources and may result in serious problems that affect U.S. foreign policy interests. It is equally important to assure sustainable reintegration programs, particularly in less developed countries, when repatriation occurs. In an effort to reduce the need for people to cross international boundaries, the UNHCR has undertaken cross border and internal assistance programs (e.g. Somalia, Bosnia, and Tajikistan) which attempt to address some of the root causes of refugee flows. It is expected that this approach will continue. These factors have been taken into consideration in determining specific regional assistance request levels.

U.S. refugee policy is based on the premise that the care of refugees and conflict victims and the pursuit of permanent solutions for refugee crises are shared international responsibilities. Accordingly, most overseas assistance funds will be contributed to programs administered by international organizations. Although the United States is just one of many donors, in most cases the U.S. Government is the largest individual donor. While some of these programs are discussed in the regional presentations that follow, the use of U.S. funds is not limited to these organizations. U.S. support may be provided to other organizations as required to meet specific program needs and objectives.

A continuing element of the assistance effort will be support for lasting solutions to refugee problems. The FY 1998 request will be used to respond to programs as they evolve from care and maintenance in first asylum countries to self-sufficiency or repatriation. Funds also may be used to assist in the initial reintegration of refugees who have repatriated. U.S. support for ongoing repatriations will be provided from

MRA funds to the extent possible, once basic care and maintenance requirements for existing refugee populations have been met.

Chief among the international organizations receiving refugee assistance funds is the **Office of the United Nations High Commissioner for Refugees (UNHCR)**, which has a worldwide mandate to assist host governments to protect and care for refugees as well as to promote lasting solutions to refugee situations. In 1998, it is anticipated that UNHCR will make additional progress in orienting protection and assistance activities toward refugee women and children who comprise about 80 percent of most refugee populations.

The International Committee of the Red Cross (ICRC) is an independent, internationally funded, humanitarian institution mandated under the terms of the Geneva Conventions to act as a neutral intermediary in armed conflict. The United States is party to the Geneva Conventions, under which ICRC is called upon to provide assistance and protection to prisoners of war and political detainees, assist and protect civilian victims of armed conflict, provide needed medical assistance to conflict victims, trace missing persons and separated family members, and disseminate information on the principles of humanitarian law.

The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) has a continuing mandate from the United Nations to provide educational, medical, relief, and social assistance to the 3.3 million registered Palestinian refugees located in Jordan, Syria, Lebanon, the Gaza Strip, and the West Bank.

The International Organization for Migration (IOM) works with governments, other international organizations, and voluntary agencies to provide for the orderly migration of persons in need of international migration services. This objective includes providing operation services for humanitarian migration, technical assistance to governments and others interested in the development of migration policy, legislation and administration, and advancing the understanding of migration issues.

The World Food Program (WFP) is the principal vehicle for multilateral food aid within the UN system. WFP distributes commodities supplied by donor countries for development projects, protracted refugee and displaced person projects, and emergency food assistance. Migration and Refugee Assistance funds will be contributed to WFP toward the expenses of refugee feeding programs undertaken in cooperation with UNHCR. The U.S. Government provides food commodities to WFP under other appropriations.

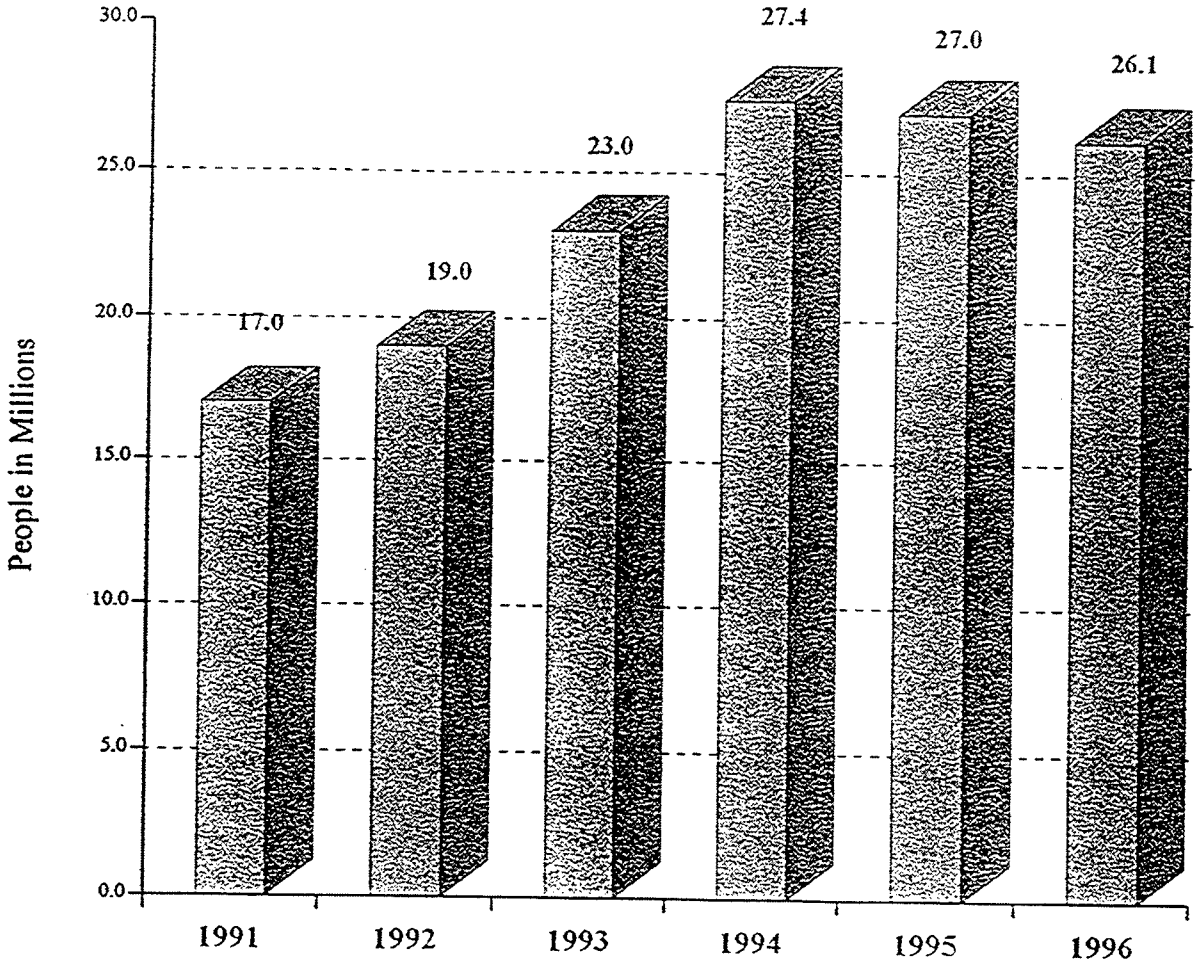
In general, funds for overseas assistance will be used to respond to the 1998 calendar year budget appeals issued by international organizations. As new or changing assistance needs arise, however, some organizations find it necessary to issue new or increased appeals for funds during the course of the year. Therefore, this request may

be used during the first quarter of the fiscal year to respond to urgent appeals that may be issued late in the 1997 calendar year.

The Department may reallocate funds between regions or organizations within the overseas assistance request level of $ 455,640,000 in response to changing requirements.

REFUGEES AND PERSONS OF CONCERN TO UNHCR*

1991-1996



* *Persons of Concern* include refugees, internally displaced persons, former refugees who have returned to their home countries, and others including war victims. These figures do not include Palestinian refugees. There are approximately 3.2 million Palestinian refugees who come under the mandate of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA).

ASSISTANCE PROGRAMS IN AFRICA

(Dollars in Thousands)

FY 96 Actual	FY 97 Estimate	FY 98 Request	Inc./Dec.(-)
175,361	168,074	158,640	9,434

The Administration requests $158,640,000 to respond with appropriate U.S. contributions to the basic needs of refugees and conflict victims in sub-Saharan Africa, a decrease of $9,434,000 from the FY 1997 estimate. The decrease is made possible by the substantial Rwandan repatriation in Central Africa, which occurred in FY 1997.

With over five million refugees and recent returnees in need of international attention, sub-Saharan Africa continues to host about one-third of the world's refugees and a much greater share of the world's internally displaced persons. These are not static populations. At the end of 1996 and early in 1997, more than 1.2 million Rwandan refugees were able to return home safely from Burundi, Zaire, and Tanzania. At the beginning of 1997, an estimated 640,000 refugees from Rwanda, Burundi, and Zaire were in uncertain asylum. Moreover, wars in Burundi and Eastern Zaire threatened to create still more refugees and displaced persons. The cease-fire/peace agreement in Liberia was still holding though disarmament/demobilization had not yet occurred to lay a stable base for large scale repatriation of the over 700,000 Liberian refugees. In contrast, the Horn of Africa presented good prospects for accelerated repatriation to Ethiopia, Eritrea, and even Somalia. Expanding warfare in Sudan at the beginning of 1997 was the significant exception to a brighter outlook for the Horn. Repatriations to Mauritania, Mali, and Togo were underway, offering hope for a durable resolution of those situations. Prospects for voluntary repatriation of some 300,000 Sierra Leonean refugees seemed promising.

Continuing ethnic tension (even in formerly very stable countries such as Kenya and Cameroon), human rights abuses, competition for resources and political power, religious persecution, and armed conflict can be expected to generate substantial numbers of additional refugees in the short term. Where conflicts can be brought to a negotiated settlement, it should be possible for refugee repatriation to be part of the overall solution -- for example, in Angola and Sierra Leone.

United Nations High Commissioner for Refugees

As in years past, the U.S. contribution to UNHCR programs in Africa in 1998 will fund protection and the most basic material assistance to save and maintain lives of refugees and other conflict victims of concern to UNHCR. UNHCR activities must address the fundamental protection and assistance needs while pursuing opportunities for permanent solutions for some refugee populations. It is expected that UNHCR will meet the minimum international standards in such areas as public health, nutrition, and

sanitation; provide basic educational programs; and implement efforts to promote self-sufficiency so that refugees can integrate with local populations where possible. Self-sufficiency lowers the care and maintenance costs to the international community while creating conditions conducive to the continued provision of first asylum. In cases where refugees have little or no access to arable land (for example, in Kenya and Ghana), self-sufficiency will be unattainable. Aggressive promotion of voluntary repatriation where conditions in the country of origin are suitable is also key to both finding refugee solutions and maintaining the willingness of governments to offer first asylum.

In 1998, UNHCR is expected to continue implementing repatriation and reintegration programs for some of the largest and most enduring of Africa's refugee populations -- including Angolans, Somalis, and Rwandans as well as Sierra Leoneans. Should peace talks and political dialogue prove fruitful, Liberians could be added to that list. Repatriation assistance for returning refugees includes transportation home, a small package of household and agricultural items to facilitate the returnees' re-establishment, and limited rehabilitation of social infrastructure, such as clinics and water projects.

International Committee of the Red Cross

ICRC, often in partnership with other elements of the international Red Cross movement, is called upon to provide relief and medical assistance in the most difficult and dangerous areas of countries caught up in armed conflict where success depends largely on the cooperation of the warring parties. Sudan and Sierra Leone are examples of such ICRC action. The ICRC program in Africa provides relief and medical assistance to conflict victims and displaced persons, and assistance to political prisoners and prisoners of war. ICRC also undertakes tracing services (for detainees as well as family members separated by conflict), individual refugee repatriation, and in some cases refugee protection and assistance.

World Food Program

In past years, contributions to WFP have supported feeding programs for refugees and displaced persons from Liberia and Sierra Leone; Ethiopian and Eritrean refugees in Sudan; for Somali refugees in Ethiopia, Djibouti, and Kenya; for Sudanese refugees in Uganda, Ethiopia, and Kenya; and for refugees and displaced persons from Rwanda, Burundi, and Zaire. In FY 1998, funds may be contributed to WFP for expenses of such programs undertaken in conjunction with UNHCR.

Other International Organizations/Non-Governmental Organizations

Funds may be used for assistance needs not covered by UNHCR and ICRC that are addressed by governmental or non-governmental organizations, some specialized UN agencies such as the United Nations Children's Fund (UNICEF), the International Federation of Red Cross and Red Crescent Societies (IFRC), the UN Department of Humanitarian Affairs (DHA), and the International Organization for Migration (IOM), among others.

ASSISTANCE PROGRAMS IN EAST ASIA

(Dollars in Thousands)

FY 96 Actual	FY 97 Estimate	FY 98 Request	Inc./Dec.(-)
30,967	18,524	14,200	(4,324)

The Administration requests $14,200,000 in FY 1998 for assistance programs in East Asia, a decrease of $4,324,000 from the FY 1997 estimate. This request is dedicated in part to UNHCR for the follow-up stages of the Comprehensive Plan of Action for Indochinese Refugees (CPA). Though all first asylum camps in Southeast Asia and Hong Kong established to address the needs of the Vietnamese boat people and Lao asylum seekers will be closed by the middle of 1997, UNHCR will continue its monitoring activities in Vietnam and Laos well into 1998.

Burmese constitute the largest group of refugees in the region. Of the Rohingya refugees who fled to Bangladesh from late 1991 to mid-1992, some 230,000 had voluntarily repatriated to Burma by the beginning of 1997. All but about 10,000 of the remaining 33,000 are expected to return to Burma in 1997. Another 5,000 to 16,000 Rohingya crossed the border into Bangladesh in 1996, but the Government of Bangladesh denied outside observers and relief organizations access to this population. Burmese Army military activities in 1996 against ethnic minority armed forces near the Thai border pushed another 5,000 refugees into Thailand where some camps were consolidated into larger units for security. About 10,000 ethnic Mon refugees were returned to Burma where they remain in refugee-like camps. Some 92,000 Burmese refugees were in ethnic minority camps in Thailand at the beginning of 1997.

United Nations High Commissioner for Refugees

UNHCR's role in implementing the CPA and bringing it to a successful conclusion, including full reintegration of those Vietnamese and Lao who chose voluntary repatriation and those who were found not to be refugees or refugees who chose voluntary repatriation will require continuing U.S. financial support in FY 1998. Approximately 9,000 Vietnamese left in first asylum camps in Hong Kong and the Philippines at the beginning of 1997 have been determined not to be refugees and shall either return to Vietnam, or may be locally integrated in 1997. For those who return to Vietnam, UNHCR will continue its intensive monitoring efforts.

Some 6,000 Lao refugees in Thailand, mostly Hmong, were accorded the opportunity to pursue resettlement in the United States in 1996. Of the 3,423 who elected to be interviewed for resettlement, 3,043 were fully approved for admission, and all had already traveled, or were about to, to their new homes in the U.S. Some 1,600 Lao refugees are expected to voluntarily repatriate in 1997. U.S. assistance to returnees through contributions to UNHCR will continue to be critical in FY 1998.

The U.S. contribution to UNHCR also will include funds for assistance to any remaining Burmese refugees in Bangladesh as well as for remaining reintegration needs of those who returned to Burma. UNHCR concluded agreements with the Bangladesh Government in May 1993 and with the Burmese authorities in November 1993 that covered the voluntary repatriation and reintegration of the Rohingyas in safety and dignity with a UNHCR presence on both sides of the border. Assistance to Burmese refugees in Thailand is through NGOs (see below).

International Committee of the Red Cross

U.S. contributions to ICRC support ongoing programs such as regional delegations throughout East Asia as well as visits to detainees and emergency relief and medical care for conflict victims. Armed conflict in Southeast Asia is very localized (e.g., in pockets of Cambodia, Indonesia, and Papua New Guinea). ICRC is therefore largely concentrating on its core activities of protection, tracing, dissemination, and medical assistance such as prosthetics.

World Food Program

Funds may be contributed to WFP toward expenses of programs undertaken in cooperation with UNHCR. In past years, contributions have supported the feeding program for Rohingya refugees in Bangladesh as well as programs for voluntary repatriates to Burma.

Other International Organizations/Non-Governmental Organizations

Burmese refugees in Thailand are assisted by NGOs that implement public health programs including water and sanitation, and provide food aid as well as some basic household assistance such as blankets and mosquito nets. The FY 1998 request covers support of NGOs working in Thailand along the Burmese border. This funding also provides direct U.S. support for international, governmental, and non-governmental organization programs that deliver services to refugees, asylum seekers, and repatriates to address needs not covered by programs outlined above.

ASSISTANCE PROGRAMS IN THE WESTERN HEMISPHERE

(Dollars in Thousands)

FY 96 Actual	FY 97 Estimate	FY 98 Request	Inc./Dec.(-)
12,689	9,900	10,000	100

The Administration requests $10,000,000 for the Western Hemisphere assistance. The region's largest remaining refugee population is the Guatemalan refugees in Mexico who will progressively repatriate to Guatemala or settle permanently in Mexico pursuant to a Government of Mexico agreement. Underlying tensions, such as those evident in the armed insurrections in Peru and Colombia, support a continuing need for UNHCR and ICRC activities. As necessary, support for other refugee and migration requirements in the region will be provided.

- ***United Nations High Commissioner for Refugees***

UNHCR levels of assistance for care and maintenance, repatriation, and local settlement of refugees in the Western Hemisphere have been declining, commensurate with the restoration of peace in most parts of the hemisphere. UNHCR's involvement in the reintegration phase for Central American refugees (except for Guatemalans) was completed by the end of 1995, with other United Nations and development agencies assuming responsibility for the continued cementing of peace and recovery. Given the signing of several peace accords on Guatemala in 1996, ending 36 years of internal conflict, repatriation and reintegration of Guatemalan refugees should be completed by the end of 1997.

- ***International Committee of the Red Cross***

Funds will be contributed to ICRC assistance programs in Central and South America, primarily Colombia, Peru, and Haiti, and for its network of three regional offices and delegations. The peaceful settlement of most of the conflicts in Central America and the continued democratization in the region (with the notable exception of Cuba) has lessened the need for ICRC's exercise of its mandate in emergency relief to conflict victims, aid to prisoners of war, and tracing, enabling ICRC to focus on prison visits and promotion of international humanitarian law. The outbreak of hostilities in Chiapas, Mexico in 1994 and the hostage crisis in Peru where hundreds of diplomats were held by the Tupac Amaru Revolutionary Movement guerrillas, demonstrated, however, the need for ICRC's critical work.

- ***Other International Organizations/Non-Governmental Organizations***

The Department may fund activities of IFRC, IOM, WFP, and other governmental and non-governmental agencies as required to complement the assistance efforts of the international organizations outlined above or to meet special requirements for assistance to refugees and migrants in the region.

ASSISTANCE PROGRAMS IN THE NEAR EAST AND NORTH AFRICA

(Dollars in Thousands)

FY 96 Actual	FY 97 Estimate	FY 98 Request	Inc./Dec.(-)
94,300	89,700	90,350	650

The Administration requests $90,350,000 for Near East and North Africa assistance programs. The major focus in the region continues to be on the long-standing Palestinian refugee population, which UNRWA is mandated to assist.

United Nations Relief and Works Agency for Palestine Refugees in the Near East

UNRWA is mandated by the United Nations to assist Palestinian refugees in Jordan, Syria, Lebanon, the Gaza Strip, and the West Bank. Over 3.3 million refugees are registered with UNRWA, which provides education, vocational training, relief and social services, medical assistance, and small-scale income-generation projects. UNRWA schools and training centers are leading factors in helping Palestinian refugees become economically self-reliant. Since UNRWA began operations in 1950, the United States has been a major contributor toward its programs. U.S. Government funding helps provide some stability in the lives of the Palestinian refugee population in the region, and contributes to a climate conducive to a peaceful resolution of regional problems.

United Nations High Commissioner for Refugees

These funds will support UNHCR offices and operations throughout the Near East and North Africa, including large programs in Algeria, Egypt, and Iran. The presence of UNHCR offices in Kuwait, Jordan, Saudi Arabia, and Syria is also a reminder that refugees in these and other countries continue to require protection and monitoring. Somali refugees in Yemen continue to receive UNHCR support, as do the Western Saharan refugees in Algeria who are awaiting a political settlement before returning to the Western Sahara.

International Committee of the Red Cross

Throughout the Middle East, ICRC is often the only international humanitarian organization able to access areas of civil strife to provide needed medical and other assistance to conflict victims and displaced persons. ICRC assists conflict victims in Lebanon, Israel, Gaza, and the West Bank, with particular emphasis on tracing and protection of detainees. It also addresses unresolved humanitarian problems -- particularly POWs and MIAs -- related to conflicts where hostilities have ceased. ICRC's emergency programs will continue to provide emergency shelter, food and water, medical care, and protection to civilians displaced by conflict in the region.

Other International Organizations/Non-Governmental Organizations

Funds may be contributed for special projects of governmental or non-governmental organizations designed to complement the assistance efforts of international organizations or to meet special needs of refugees and migrants in the region. In recent years, the Department has funded specific projects for Palestinian refugees, primarily through UNRWA's Peace Implementation Program, in support of the Middle East Peace Process. These projects included upgrading education, health, and social service activities.

ASSISTANCE PROGRAMS IN SOUTH ASIA

(Dollars in Thousands)

FY 96 Actual	FY 97 Estimate	FY 98 Request	Inc./Dec.(-)
25,223	24,052	24,200	148

The Administration requests $24,200,000 in FY 1998 for assistance programs in South Asia. This request for assistance requirements is based on several assumptions regarding current refugee populations in the region. If conditions in Afghanistan allow, repatriation of some of the approximately 2.2 million Afghan refugees in Pakistan and Iran will continue in FY 1998. Since UNHCR reduced its involvement in care and maintenance programs in October 1995, it has become more involved in protection and initial reintegration activities inside Afghanistan, one of the world's least developed countries.

The Bhutanese refugee population in eastern Nepal reached almost 91,000 registered refugees in six camps at the end of 1996 and continues to slowly increase, both through new refugee arrivals and births in the camps. Of the original 120,000 Tamil refugees who fled to India from Sri Lanka in June 1990 as a result of ethnic violence, approximately 62,000 refugees remain. During 1996, 6,000 new refugees arrived, most following an escalation of hostilities in the summer.

- ***United Nations High Commissioner for Refugees***

The primary focus of the U.S. with regard to UNHCR programs in South Asia will be the continued repatriation and initial reintegration of Afghan refugees. Repatriations will continue during 1997, with the actual rate dependent on the level of security in Afghanistan. UNHCR's program for repatriation is designed so that it can expand quickly and easily if repatriation rates increase. While it is anticipated that in the long run most refugees will return to Afghanistan, some will opt to remain in Pakistan indefinitely. In FY 1997, UNHCR is expected to continue to provide care and maintenance assistance as required to the most vulnerable refugee groups remaining in Pakistan. At the same time, UNHCR will increase activities inside Afghanistan aimed at establishing stability and a return to normal conditions of life for refugees.

UNHCR also is concerned with the status of Tibetan refugees in Nepal and India, the internally displaced and repatriates in Sri Lanka, and with refugees from Sri Lanka in India. In Nepal, UNHCR's presence supports Tibetan refugees in transit to India as well as the growing Bhutanese refugee population and other smaller groups.

- ***International Committee of the Red Cross***

ICRC will maintain programs for victims of the Afghan conflict in both Pakistan and Afghanistan, with increased emphasis on its programs inside Afghanistan as the refugees return home. It presently provides emergency medical assistance, runs a number of surgical and field hospitals for war-wounded Afghans, and operates orthopedic centers that provide complete rehabilitative services to the disabled. Protection and tracing activities are important aspects of ICRC's Afghan Conflict Victims program.

ICRC is also involved in protection, tracing, medical assistance, and human rights training in Sri Lanka. ICRC will continue its frequent visits and increase efforts to re-establish civilian population access to food supplies, health facilities, homes, and workplaces. With no resolution to the conflict in sight, support for ICRC's critical humanitarian efforts through contributions to its regional appeal will continue.

- ***World Food Program***

Funds may be contributed to WFP for expenses of programs undertaken in cooperation with UNHCR. In past years, contributions have supported feeding programs for Afghan refugees in Pakistan and for repatriates to Afghanistan. General care and maintenance feeding programs in Pakistan ended in October 1995, and since that time WFP programs have concentrated on the most vulnerable refugees.

- ***Other International Organizations/Non-Governmental Organizations***

Funds may be contributed for projects of governmental or non-governmental organizations, designed to complement the assistance efforts of international organizations that meet special needs of refugees and migrants in the region. In recent years, the Department has reduced funding for non-governmental programs providing medical services and basic education to Afghan refugees based in Pakistan. Following the lead of UNHCR and WFP, these programs have been limited to vulnerable groups of refugees with the efforts of aid organizations concentrated on assisting the reintegration of refugees who have returned to Afghanistan. In FY 1998 the Department intends to cease funding basic education programs for Afghan refugees in Pakistan and will limit its funding to health programs for vulnerable refugees who have no other access to these services.

Beginning in FY 1996 the Department has funded NGO health programs in Afghanistan and in FY 1997 and FY 1998 will consider supporting projects which assist the reintegration of returnees or the repatriation of refugees to Afghanistan. Additionally, funds may support the demining program of the United Nations Office for the Coordination of Humanitarian Assistance to Afghanistan (UNOCHA). Other refugee groups on the Subcontinent also may receive support.

ASSISTANCE PROGRAMS IN EUROPE

(Dollars in Thousands)

FY 96 Actual	FY 97 Estimate	FY 98 Request	Inc./Dec.(-)
93,302	94,600	94,900	300

The Administration requests $94,900,000 to respond to assistance programs in Europe, including the New Independent States (NIS) of the former Soviet Union. There are still over two million Bosnian and 550,000 Croatian refugees and internally displaced persons. The international community is now focusing significant energy and resources on facilitating their return. It is also working to find other durable solutions for those unable to return due to a well-founded fear of persecution or particular humanitarian needs. Continued funding is required through FY 1998 to support the UNHCR-led repatriation effort and to provide relief assistance to the most vulnerable. Cash contributions provided through the MRA appropriation are a particularly important portion of the overall U.S. effort.

The crisis in Chechnya demonstrates the volatility of the transformation from Soviet rule to democracy in the NIS. Some nine million persons in the NIS have been uprooted as refugees, displaced persons, repatriates, and other migrants. While some progress was noted with respect to the older conflicts in the region -- Tajikistan, Georgia, Armenia, and Azerbaijan -- continued funding for these areas will be required in FY 1998.

- ***United Nations High Commissioner for Refugees***

In FY 1998, UNHCR's continued assistance efforts will be required to facilitate the return of people displaced by the war in the former Yugoslavia or help them take advantage of other durable solutions. UNHCR will likely have to continue some level of humanitarian assistance to the most vulnerable groups and individuals.

UNHCR is one of three organizers of the May 1996 CIS Conference which examined a broad range of issues relating to the involuntary movement of people in the CIS. All UNHCR programs in the NIS for the next four years will be covered under annual joint UNHCR/IOM CIS Conference appeals. UNHCR has expanded its programs beyond the traditional provision of protection, emergency assistance for refugees and internally displaced persons, and dissemination of refugee law. Programs which support the CIS Conference Program of Action include technical assistance and training to develop appropriate legislation, implementation mechanisms, and government structures to handle migration concerns, prevention programs, public awareness projects, and capacity building of both governmental and non-governmental agencies.

- ***International Committee of the Red Cross***

In the former Yugoslavia, ICRC plays a unique role among international agencies by facilitating exchange of information on missing persons. ICRC may continue relief activities in FY 1998, if circumstances require.

In FY 1998, funds will continue to support ICRC's programs in the NIS to provide emergency assistance and promote the basic principles of international humanitarian law and the law of war.

- ***World Food Program***

Funds may be contributed to WFP for expenses of programs undertaken in cooperation with UNHCR. In past years, contributions have been made for WFP programs in the former Yugoslavia and toward WFP components of consolidated appeals for Tajikistan, the Caucasus, and Chechnya.

- ***Other International Organizations/Non-Governmental Organizations***

Funds will be required to support other international, governmental, and non-governmental organizations facilitating return and providing assistance in the republics of the former Yugoslavia. Non-governmental organizations serve as implementing partners to the UNHCR assistance and repatriation efforts. In addition, they work independently to meet special needs. For example, the Administration has used NGOs to implement programs facilitating the return of displaced persons to areas where their ethnic group is in the minority.

In the NIS, these funds are primarily used to support emergency needs of refugees and internally displaced persons not provided by UNHCR and ICRC. In addition, these funds will be needed over the next four years to support IOM's portion of the joint UNHCR/IOM CIS Conference appeals. IOM and OSCE, as co-organizers of the Conference play a significant role in its follow-up. IOM's main activities support NIS governments' efforts to develop their migration apparatus. IOM also focuses its efforts on NGO capacity building and in providing reintegration assistance to migrants. Funds will also be provided to the International Federation of Red Cross and Red Crescent Societies and NGOs working in support of CIS Conference Program of Action goals. Funds also may be contributed for special projects of governmental or non-governmental organizations or to meet special needs of refugees and migrants in the region.

MULTIREGIONAL ACTIVITIES

(Dollars in Thousands)

FY 96 Actual	FY 97 Estimate	FY 98 Request	Inc./Dec.(-)
60,960	63,150	63,350	200

For FY 1998, the Administration requests $63,350,000 for Multiregional Activities. These funds support the assessed U.S. contribution to IOM, the headquarters budget of the ICRC, the General Program of UNHCR, the multiregional refugee activities of international or non-governmental organizations, and international migration activities. (The IOM assessment and the ICRC contribution are paid in Swiss francs, and the dollar amounts will vary according to the exchange rate at the time of payment.) The increase over FY 1996 will support enhanced multiregional refugee and migration activities of international and non-governmental organizations, particularly UNHCR, including programs for refugee women and children. The increase also will be used to continue and strengthen support for emergency response and capacity building of UNHCR, WFP, the International Federation of Red Cross and Red Crescent Societies, the UN Department of Humanitarian Affairs (military-civil defense unit), and other organizations.

- ***International Committee of the Red Cross***

The request of funds for the ICRC headquarters budget covers the permanent activities carried out by ICRC staff at the Geneva headquarters only; field-related costs are normally attributed to the regional appeals. The contribution will be calculated at 10 percent of the 1997 ICRC headquarters budget in accordance with the *Foreign Relations Authorization Act, 1988 and 1989.* The ICRC headquarters budget is funded through voluntary contributions by governments and national societies of the Red Cross; approximately 50 percent is contributed by the Swiss Government. U.S. contributions to ICRC's regional appeals are described under the previous regional sections of this document.

- ***International Organization for Migration***

As a member government in IOM, as provided in the *Migration and Refugee Assistance Act of 1962*, the United States pays a 29.95 percent assessment to its administrative budget. IOM's services and expertise contribute significantly to the development and success of international migration and refugee resettlement programs worldwide.

- ***Multiregional Activities***

These funds will support activities of international and non-governmental organizations that do not appear in any specific regional program (e.g. centrally-funded multiregional

activities) or that support other aspects of international migration including strengthening the ability of organizations to respond to new requirements -- many of them humanitarian emergencies.

Multiregional program activities include interagency coordination efforts, emergency response teams of international organizations, health assessment missions, and special information/study/evaluation efforts. These funds also will be used to support efforts to integrate the special needs of refugee women and refugee children in the program and budget planning process of the international organizations and non-governmental agencies engaged in providing refugee assistance overseas. The United States provides unearmarked funding to the UNHCR General Program (from which many of the above activities are funded) under this activity, in addition to the funds provided to UNHCR through region-specific allocations discussed previously in this request.

- ***Migration Activities***

International migration activities comprise cooperation with other governments and with international and non-governmental organizations to understand the root causes of migration and to encourage collective solutions to migration problems, including promotion of respect for migrants rights and addressing illegal migration. International migration activities are expected to increase, especially as population movements increase worldwide. IOM will continue to develop its technical assistance and migration information activities as follow-up to the CIS Conference, as well as in the Baltic states, Central and South America, and the Caribbean. Funds will be contributed to support this work. The Intergovernmental Consultations on Asylum, Refugee, and Migration Policies in Europe, North America, and Australia (IGC) is a process through which the United States, Canada, Australia, and twelve European countries, cooperate on migration policy. The increase in international cooperation on migration also will require support of multilateral activities. Examples of these efforts in 1996 include the CIS conference and the conference on migration in Central and North America.

Migration and asylum figure prominently as part of the Third Pillar issues in the New Trans Atlantic Agenda (NTA) between the United States and the European Union (EU). The Bureau will support efforts to maintain a dialogue and gain cooperation with the EU member states and the European Commission on migration issues, especially concerning refugees and others in need of international protection.

FY 1998 REFUGEE ADMISSIONS

(Dollars in Thousands)

FY 96 Actual	FY 97 Estimate	FY 98 Request	Inc./Dec.(-)
86,183	90,000	102,360	12,360

The Administration requests $102,360,000 to support the Refugee Admissions program in FY 1998, an increase of $12,360,000 over FY 1997. Increased transportation requirements and higher processing costs account for the bulk of this requested increase. This request is based on a planning level of 75,000 refugee admissions. The final number and regional allocations will be determined by the President following the annual consultations process with Congress later in the fiscal year. The specific regional ceilings established in the consultations process will be based on an assessment of worldwide refugee needs at that time. The request funds all related refugee admissions activities and the processing and transportation of Amerasian immigrants.

Actual U.S. refugee admissions for FY 1996 and the established FY 1997 ceilings are shown below:

U.S. REFUGEE ADMISSIONS LEVELS

Geographic Region	FY 96 Actual	FY 1997 Ceiling
Africa	7,512	7,000
East Asia	19,235	10,000
Europe	41,617	48,000
Latin America/Caribbean	3,788	4,000
Near East/South Asia	3,541	4,000
Unallocated Reserve	--	2,000
Total	**75,693**	**75,000**

East Asia

ODP, ROVR, and Amerasians. Under the Orderly Departure Program (ODP) from Vietnam, the United States processes refugee cases with close ties to the United States, with particular emphasis on former re-education center detainees and Amerasians. Resettlement interviews of former re-education center detainees will be completed during FY 1998, with actual admissions perhaps extending into early FY 1999. In addition, we expect to complete admissions of applicants for the Resettlement Opportunity for Vietnamese Returnees (ROVR), begun in FY 1997, during FY 1998. Large-scale admissions of Amerasian cases have been completed, although limited numbers of admissions are likely to continue.

First Asylum. All Vietnamese in first asylum camps in the region will have returned home or have been resettled by the beginning of FY 1998. We expect that in FY 1998, only a small number of Burmese in Thailand will continue to be considered for admission to the U.S. as refugees.

Europe

The FY 1998 program will primarily include persons from the former Soviet Union, persons from the former Yugoslavia, and a small residual population of qualifying family member (Visas 93) beneficiaries from Eastern European countries.

Admissions from the former Soviet Union will be primarily persons in the categories specified in the Lautenberg-Morrison Amendment to the *Foreign Operations Appropriations Act for 1997, P.L. 104-208*, as of special interest to the United States. These include Jews, Evangelical Christians, and Ukrainian religious activists. In FY 1998, refugee interviews of former Soviet nationals will continue to be done in Moscow with the support of the Washington Processing Center. Bosnian admissions will emphasize vulnerable cases and refugees for whom repatriation is not a viable option.

Near East and South Asia

In FY 1998 there will be a steady level of admissions of Iranians (mostly religious minorities) from processing posts in Europe, and of Iraqis from Saudi Arabia, Turkey, and other countries in Europe.

Western Hemisphere

Program efforts in this region primarily support the admission of Cubans. The in-country Cuban refugee processing program is designed to allow those individuals most likely to qualify as refugees the opportunity to have their claims heard without resorting to dangerous boat departures.

Africa

African refugees of any nationality who are referred by UNHCR for resettlement for protection or durable solution reasons will be processed. In addition, refugees from countries undergoing active armed conflict will be eligible for family reunification processing. In FY 1997 the largest numbers were expected to be Somalis, Sudanese, and Liberians.

Summary of Costs

The total cost of all admissions activities to be covered from appropriated funds in FY 1998 is estimated at $102,360,000. The requested funds are directly related to costs incurred on behalf of refugees whose actual admission will occur in FY 1998. Some of the expenses incurred, however, are attributable to processing activities on behalf of refugees whose admission dates fall in the following fiscal year because of the effect of the processing pipeline. After a refugee is approved by the Immigration and Naturalization Service (INS) for the U.S. refugee admissions program, the refugee receives a medical examination, sponsorship in the United States is assured, travel arrangements are prepared, and all other steps necessary for admission to the United States are completed. Most transportation and reception and placement grant costs are incurred when the refugee departs the asylum country for resettlement in the United States. Funds also are used to support all ongoing activities related to admissions, such as pre-screening of refugee applicants, processing of applicant case files, medical examinations, and overseas orientation.

The Administration is requesting a higher Refugee Admissions funding level to meet increased FY 1998 transportation requirements; higher processing costs due to the larger number of refugees being resettled out of Europe; increased costs related to an effort to streamline refugee processing worldwide through improved automation; added cultural orientation programs for U.S. bound refugees; and a proposed increase in the level of the Reception and Placement Grant in support of domestic resettlement.

The budget request for refugee admissions funds the programs described below. These funds may also be used for the evaluation of these programs.

Amerasian Admissions Costs

Within the total admissions request, sufficient funds have been included to cover the admissions costs of Amerasian immigrants and their qualifying family members. These funds are included within the category requests that follow, but are not separately identified by activity.

The small number of Amerasian immigrants who enter under the provisions of Section 584 of the *FY 1988 Further Continuing Resolution to the Appropriations Act*, P.L. 100-202, receive the same services provided to refugees.

Processing

The Department of State funds a number of private voluntary agencies and the International Organization for Migration to assist with the processing of refugees worldwide to be resettled in the United States. In most locations, principal processing responsibilities focus on screening applicants to assess their eligibility for interview by INS adjudicators under the U.S. refugee program. Therefore, more cases are processed during the course of the year than will actually be approved for admission to the United States as refugees. Processing funds also are used to pay for medical examinations and required documentation. The Administration's request also funds direct processing costs related to ODP in Vietnam.

In addition to overseas processing operations, the Department funds certain services performed in the United States that are essential to the smooth and efficient operation of the admissions process. This includes maintaining a U.S.-based Refugee Data Center which operates a case allocation and reception and placement grant verification system. The Department also maintains the Washington Processing Center (WPC) as part of the former Soviet Union admissions processing operation.

Transportation and Related Services

In FY 1998, the Administration requests funds for transportation and related services provided by IOM in support of the U.S. admissions program. This activity includes funding for international and domestic airfares, IOM operational support, communications, and transit accommodations where required. The cost of the airfares is usually loaned to refugees; loan beneficiaries are responsible for repaying a designated sum over time after resettlement. Some refugees, primarily from the former Soviet Union, elect to travel on privately purchased tickets. Therefore, the requirement for appropriated funds for refugee transportation, in any given year, is partially offset by loan repayments to IOM from refugees previously resettled and direct payments by the refugees themselves.

Reception and Placement Grants

Through the Department's Reception and Placement (R&P) program, private voluntary agencies receive funds on a per capita basis to provide basic services to refugees for initial resettlement in the United States. These agencies augment the federal grant by drawing on private cash and in-kind contributions that are essential to the success of this program. Services include pre-arrival planning, reception at the airport, initial housing, orientation to their communities, counseling, and referral to local social service programs.

Within the overall program funding, the Department may support different resettlement services for groups of refugees with special resettlement needs, for example, unaccompanied minors destined for foster care programs.

The Department coordinates its reception and placement services with the refugee assistance programs administered by the Office of Refugee Resettlement in the Department of Health and Human Services (HHS/ORR).

Overseas Cultural Orientation

The FY 1998 budget request for overseas cultural orientation supports programs designed to facilitate the refugees' integration into the United States. The budget requests funds to support the distribution of resettlement guides and other information to all U.S.-bound refugees in locations around the world. In addition, at selected sites refugees receive up to two weeks of cultural orientation prior to their departure.

FY 1998 REFUGEES TO ISRAEL

(Dollars in Thousands)

FY 96 Actual	FY 97 Estimate	FY 98 Request	Inc./Dec.(-)
80,000	80,000	80,000	-

The FY 1998 request includes $80.0 million to support resettlement in Israel through a grant to the United Israel Appeal (UIA). This grant helps finance programs of the Jewish Agency for Israel that assist in the absorption into Israeli society of Jewish refugees coming to Israel from certain other countries. There were approximately 65,000 arrivals in 1996. The U.S. grant covers only a portion of the overall costs of resettlement in Israel.

FY 1998 ADMINISTRATIVE EXPENSES

(Dollars in Thousands)

FY 96 Actual		FY 97 Estimate		FY 98 Request		Inc./Dec. (-)	
Positions	*Funds*	*Positions*	*Funds*	*Positions*	*Funds*	*Positions*	*Funds*
106	11,483	105	12,000	105	12,000	-	-

The Administration requests $12,000,000 to finance the salaries and administrative expenses of the Bureau of Population, Refugees, and Migration (PRM). These funds will be used to finance the salaries and operating costs associated with a staff of 98 employees of whom 79 are located in Washington and 19 at overseas posts. The FY 1998 request provides funds for wage and price increases for domestic and overseas administrative operations.

While the Bureau of Population, Refugees, and Migration is responsible for international population policy and coordination, in FY 1998, funds for the salaries and support costs of the 6 domestic positions dedicated to carrying out this responsibility are requested under the Department of State Diplomatic and Consular Programs appropriation.

REQUIREMENTS BY OBJECT CLASS

(Dollars in Thousands)

Object Class	FY 96 Actual	FY 97 Estimate	FY 98 Request	Inc./Dec. (-)
Personnel compensation	6,194	6,488	6,645	157
Personnel benefits	1,906	2,077	2,106	29
Benefits for former personnel	4	25	-	(25)
Travel and transportation of persons	863	907	882	(25)
Travel and transportation of things	18	15	15	0
Rents, communications, and utilities	604	644	659	(15)
Printing and reproduction	13	62	60	(2)
Other services	1,161	1,192	1,283	91
Supplies and materials	136	251	170	(81)
Personnel property	579	338	180	(158)
Grants, subsidies, and contributions	659,505	639,000	638,000	(1)
Appropriation Total	**670,983**	**650,999**	**641,249**	--

FY 1998
ERMA SUMMARY STATEMENT

(Dollars in Thousands)

1996 Actual		1997 Estimate		1998 Request		Inc./Dec. (-)	
Positions	*Funds*	*Positions*	*Funds*	*Positions*	*Funds*	*Positions*	*Funds*
-	50,000	-	50,000	-	50,000	-	-

The Emergency Refugee and Migration Assistance Fund (ERMA) is a no-year appropriation, drawn upon by the President to meet "unexpected urgent refugee and migration needs" whenever the President determines that it is "important to the national interest" to do so. *The Migration and Refugee Assistance Act of 1962*, as amended, provides permanent authorization for the account of up to $100,000,000.

For FY 1998, the Administration requests $50,000,000 to replenish ERMA, the same level as appropriated in FY 1997.

In FY 1996, the President authorized the drawdown of $22,000,000 from the ERMA fund to assist refugees and victims of conflict from the former Yugoslavia (Presidential Determination (PD) 96-22).

FY 1997 Program Activities

In FY 1997, as of January 1997, the President authorized the following drawdowns:

Near East -- $15,000,000

Presidential Determination 97-8 -- $15,000,000

On November 27, 1996, $15,000,000 was authorized to meet the urgent and unexpected needs of refugees, victims of conflict, and other persons at risk in and from Northern Iraq.

Africa - $38,000,000

Presidential Determination 97-13 -- $38,000,000

On December 27, 1996, $38,000,000 was authorized to meet the urgent and unexpected needs of refugees, victims of conflict, and other persons at risk in the Great Lakes region of Africa.

REQUIREMENTS BY OBJECT CLASS

(Dollars in Thousands)

Object Class	FY 97 Opening Balance	FY 98 Request
Grants, subsidies, and contributions	118,931[1]	50,000[2]

[1] Of which, $68,931,456 was carried forward from FY 1996 and $50,000,000 was appropriated in FY 1997.

[2] P.L. 104-208 made these ERMA funds available not withstanding the limitations set out in section 2 (b) (2) of the Migration and Refugee Assistance Act of 1962.

NONPROLIFERATION AND DISARMAMENT FUND

- Establishing programs for preventing diversion of weapons-related scientific and technical expertise of the independent states to terrorist groups or to third countries; and

- Establishing programs for facilitating the conversion of military technologies and capabilities and defense industries of the former Soviet Union into civilian activities

ONGOING PROJECTS:

- Elimination of SCUD missiles and their launch systems from Romania and Hungary;

- Dismantlement of South Africa's Category I missile production infrastructure;

- Assistance in the procurement of highly enriched uranium stocks from the former Soviet Union;

- Procurement of a chemical weapons defensive laboratory for the Middle East;

- Completion of the Phase I engineering assessment needed to convert Russian plutonium production reactors to a power only mode of operation;

- Procurement of seismic arrays in support of the Comprehensive Test Ban Treaty;

- Successful deployment of an automated system in Poland for tracking the export of sensitive materials;

- Export licensing and enforcement assistance to Central Europe, the Baltics, and the former Soviet Union; and

- Procurement of verifications and safeguards equipment for the International Atomic Energy Agency (IAEA).

ANTI-TERRORISM ASSISTANCE

ANTI-TERRORISM ASSISTANCE

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
Total Budget Authority	16.000	18.000	19.000
Full-Time Permanent Appointments, End-of-Year	13	13	13

OVERALL U.S. OBJECTIVES:

Reducing the incidence of international terrorist attacks, especially against American citizens and interests, is among our highest foreign policy objective. International cooperation in the fight against terrorism is essential to our success in achieving this objective. The Anti-Terrorism Assistance (ATA) program provides training and equipment to foreign countries in order to enhance the anti-terrorism skills and abilities of foreign police and security officials. Concurrently, the ATA program seeks to strengthen U.S. bilateral ties with the participating countries by offering concrete assistance in this area of great mutual concern and working to increase respect for human rights among foreign police officials by sharing modern, humane and effective anti-terrorism techniques.

STRATEGY:

The ATA program operates from the premise that the United States must rely on local law enforcement agencies overseas in order to counter and, ultimately, reduce international terrorist activity. Foreign police and security officials are the first line of defense against terrorism for Americans abroad.

Training is the dominant activity of the ATA program. Since the ATA Program was authorized in 1982, approximately 18,800 students representing 94 countries have participated, and have learned anti-terrorism skills such as crisis management, hostage negotiations, airport security management, and deactivation of improvised explosive devices. The curriculum and instructors give trainees a solid foundation that enables them to operate in the field as well as share their new skills with colleagues. The program has authority to provide training in selected courses overseas at sites where the students will employ their skills. During FY 1996, the ATA program conducted 53 overseas events which included assessments, evaluations, consultations in explosive

management, airport security, senior crisis management, terrorist interdiction seminars and passenger screening. These events involved over 150 participants.

Many participants come from developing nations lacking sufficient expertise and financial resources to provide an effective anti-terrorism training program. The ATA program augments student capabilities by providing them valuable skills, some support equipment, and, on occasion, technical advice. It also establishes a professional relationship between the student and U.S. police and other officials. These ties open new avenues of communication and cooperation for all U.S. government officials overseas. In sum, the ATA program is an essential element in the United States' effort to combat international terrorism

The FY 1998 budget request of $19,000,000 reflects a $1,000,000 funding increase over the FY 1997 funding level. This level of funding will enable the ATA Program to meet the highest priority of accumulated needs identified through assessments of the foreign country capabilities. The increased funding level for FY 1998 will be used to enhance technical skill training being provided, and to increase equipment supplied to training recipients. In part, it will also be used to offset inflation for airfares, contract instructors, hotels for students, interpreters and translators, equipment and course expendables.

PERFORMANCE INDICATORS:

- Increased bilateral and multilateral cooperation to combat terrorism;
- Strengthened international aviation security systems and standards; and
- Improved capabilities of friendly governments to combat terrorism.

Funding

The tables on the following pages detail the allocation of the ATA program funds for Fiscal Years 1996, 1997, and 1998. The first table summarizes the funding by program activity. The second table summarizes the funding by object class. Each table provides obligation information for three years (actual FY 1996 and estimates for FY 1997 and FY 1998).

FUNDING BY PROGRAM ACTIVITY

(Dollars in thousands)

Program Activity	1996 Actual	1997 Estimate	1998 Request	Increase/ Decrease 1998 vs. 1997
Training and Evaluations	14,420	16,130	16,880	+750
Equipment Grants	993	1,200	1,400	+200
Program Design and Development	20	20	20	0
Program Management	567	650	700	+50
Total Obligations	16,000	18,000	19,000	+1,000

FUNDING BY OBJECT CLASS

(Dollars in thousands)

Object Class	1996 Actual	1997 Estimate	1998 Request	Inc./Dec. 1998 vs. 1997
Travel and Transportation of Persons	270	350	400	+50
Transportation of Things	21	25	30	+5
Printing and Reproduction	5	5	5	0
Other Services	11,647	12,850	13,085	+235
Supplies and Material	64	70	80	+10
Equipment	993	1,200	1,400	+200
Grants, Subsidies, and Contributions	3,000	3,500	4,000	+500
Total Obligations	16,000	18,000	19,000	+1,000

FY 1998 Request:

Training, Evaluations and Other Related Activities and Associated Equipment

(Dollars in thousands)

Program Activity	1996 Actual	1997 Estimate	1998 Request	Inc./Dec. 1997 vs. 1996
Training, Evaluations and Other Related Activities (including Executive Seminars)	15,007	16,800	17,600	+800
Equipment Grants	993	1,200	1,400	+200
Total Obligations	16,000	18,000	19,000	+1,000

Equipment is directly related to training. Therefore, these two program activities should be reviewed together.

The FY 1998 request is based on a comprehensive plan to provide ATA training and equipment to countries that meet one or more of the following criteria:

- The country is categorized as a critical or high threat post and cannot meet the terrorist threat within its own resources;
- There is a substantial United States presence in the country;
- The country is a last point of departure for flights arriving in the United States, or is served by an American carrier; and
- There are important bilateral policy interests at stake.

The top priority of the ATA program is to provide assistance to friendly countries facing a significant level of terrorist activity. Accordingly, major recipients of ATA assistance in FY 1996 included countries such as Turkey, Israel, Jordan, Argentina, and Peru. The training programs are focused to address the specific needs of the country. As noted earlier, the training is intended to improve the anti-terrorism skills and capabilities of the recipient officials while enhancing the democratic and human rights values essential for a stable, free society. Not only does ATA training enhance the local government's ability to protect its own citizens and its political institutions, it also helps ensure the safety of Americans living in or visiting that country.

Countries in which United States air carriers operate are another important part of the ATA program during FY 1998. The ATA program trains airport officials in procedures and techniques for operating a safe, secure airport and for protecting civilian passenger aircraft on the ground. The ATA airport security curriculum is based on security procedures more rigorous. than those required by International Civil Aviation Organization (ICAO) Annex 17 standards. In addition, the ATA program has provided limited quantities of equipment such as walk-through metal detectors, state-of-the-art X-ray machines, and dogs trained in the detection of explosives, to improve airport security.

The ATA program has also been extended to those countries that do not currently face an immediate terrorist threat, but are significant to United States policy interests. For example, in FY 1996, training assistance was initiated with Mexico, Albania, Bosnia-Herzegovina and Macedonia.

The following tables provide a three-year overview reflecting the distribution of resources (1) by region and (2) by major subject area.

OBLIGATIONS BY REGION
(Dollars in thousands)

	1996 Actual		1997 Estimate		1998 Request	
	$	%	$	%	$	%
Training & Equipment:						
African Affairs (AF)	0	0	772	4	0	0
Inter-American Affairs (ARA)	7,124	44	6,080	34	4,370	23
East Asian and Pacific Affairs (EAP)	248	1	1,255	7	3,230	17
European and Canadian Affairs (EUR)	4,410	28	1,591	9	1,180	6
Near Eastern Affairs (NEA)	3,631	23	7,632	42	9,500	50
Subtotal, Training & Equipment	**15,413**	**96**	**17,330**	**96**	**18,280**	**96**
Program Design and Development	20	1	20	1	20	1
Program Management	567	3	650	3	700	3
Total	**16,000**	**100**	**18,000**	**100**	**19,000**	**100**

OBLIGATIONS BY MAJOR SUBJECT AREA

	1996 Actual		1997 Estimate		1998 Request	
	$	%	$	%	$	%
Training & Equipment:						
Airport Security	1,214	7	1,350	7	1,330	7
Other Transportation Security	204	2	196	1	570	3
Dog for Explosive Detection	1,157	7	1,419	8	1,140	6
Other Explosive Management	3,843	24	4,371	25	3,230	17
Anti-Terrorism Support	3,440	21	4,192	23	7,030	37
Hostage and Crisis Management	4,747	30	5,151	29	3,610	19
Personal Security	808	5	651	3	1,370	7
Subtotal, Training & Equipment	**15,413**	**96**	**17,330**	**96**	**18,280**	**96**
Program Design and Development	20	1	20	1	20	1
Program Management	567	3	650	3	700	3
Total	**16,000**	**100**	**18,000**	**100**	**19,000**	**100**

PROGRAM DESIGN AND DEVELOPMENT

(Dollars in thousands)

	1996 Actual	1997 Estimate	1998 Request	Increase/ Decrease
Program Design and Development	20	20	20	0

These funds are used to develop approaches and objectives for instruction and assistance; to identify potential audiences and associated task and skill requirements; to collect information essential for training to be adapted to the needs of the participating countries; and to provide a basis for evaluations.

PROGRAM MANAGEMENT

(Dollars in thousands)

	1996 Actual	1997 Estimate	1998 Request	Increase/ Decrease
Program Management	567	650	700	+50

Travel, translations, transportation of ATA purchased equipment items and various other administrative support expenses for the ATA program are funded through this activity. The ATA staff manages and coordinates all phases of the program by promoting, presenting, and explaining the goals of the program to eligible countries; directing the assessment teams; and developing and scheduling training. In addition, the staff is involved in conducting essential follow-up evaluations on the effectiveness of training and equipment provided. In FY 1997, the ATA staff will continue to perform these duties in carrying out the program mission.

WORKLOAD INDICATORS

	FY 96 Actual	FY 97 Estimate	FY 98 Request
Countries Participating	35	44	28
Training Events Conducted			
In the U.S.	63	88	82
Overseas	53	53	53
Total	116	141	135
Participants Trained:			
In the U.S.	1,050	1,147	1,147
Overseas	168	454	424
Total	1,218	1,601	1,571
Program Evaluations	12	17	12
Airports to Receive Security X-ray machines	12	12	12

INTERNATIONAL MILITARY EDUCATION AND TRAINING (IMET)

INTERNATIONAL MILITARY EDUCATION AND TRAINING

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	39.000	43.475	50.000

OVERALL U.S. OBJECTIVES:

International Military Education and Training (IMET) is an instrument of national security and foreign policy -- a key component of U.S. security assistance that provides U.S. training on a grant basis to students from allied and friendly nations. IMET is an investment in ideas and people which has an overall positive impact on the numerous individuals trained under the program. It is a program that, for a relatively modest investment, presents democratic alternatives to key foreign military and civilian leaders. The overall objectives of the program are:

- To encourage effective, mutually beneficial relations and increased understanding between the United States and foreign countries in furtherance of the goals of international peace and security;

- To improve the ability of participating foreign countries to utilize their resources, including defense articles and services obtained from the United States, with maximum effectiveness, thereby contributing to greater self-reliance; and

- To increase the awareness of foreign nationals participating in such activities of basic issues involving internationally recognized human rights.

The IMET program exposes students to the U.S. professional military establishment and the American way of life, including regard for democratic values, respect for individual and human rights, and belief in the rule of law. Students are also exposed to U.S. military procedures and the manner in which the military functions under civilian control. A less formal, but nonetheless significant, part of the program exposes students to the civilian community and its important democratic institutions. In addition, English language training, essential to attending courses in the United States, increases rapport between students and their U.S. counterparts, promoting important relationships which provide for U.S. access and influence in a sector of society which often plays a crucial role in the transition to democracy.

The training and education provided under the IMET program is professional and non-political, reflecting both the U.S. tradition of civilian oversight and the operational,

rather than policy, role of the military. IMET has a positive effect on participants and recipient countries beyond actual training. The exposure to American society, the quality of instruction, and acknowledged professionalism of the U.S. military play an important part in support for U.S. policies and an orientation toward the United States. Furthermore, although nation-building is not an objective of the IMET program, it is nevertheless, an important byproduct. The associated skills and the increase in trained personnel have had a positive effect on the infrastructure of IMET recipient countries. The effect has been to stimulate nation-building which, in turn, has encouraged economic development. Similarly, English language instruction -- which is essential to the training -- contributes directly to the foreign participant's understanding of the United States, its people, and its values.

IMET is expanding and taking new directions in response to the changing global political scene. In the past few years, significant changes in the program have taken place to align program objectives with U.S. foreign policy interests in the post-Cold War environment. For example, a number of new and meaningful courses have been added to meet U.S. foreign policy objectives as important bilateral relations are developed with emerging democracies around the world. Some specific objectives of these programs are:

- To foster greater respect for and understanding of the principle of civilian control of the military;

- To improve military justice systems and procedures in accordance with internationally recognized human rights;

- To introduce military and civilian participants to the U.S. judicial system, the two-party system, the role of a free press and other communications media, minority problems, the purpose and scope of labor unions, the U.S. economic system, educational institutions, and the way in which all of these elements of American democracy reflect the U.S. commitment to the basic principles of internationally recognized human rights;

- To resolve the civil-military conflict that a country actually confronts, and bring together key military and civilian leaders in order to break down barriers that often exist between armed forces, civilian officials, and legislators of competing political parties; and

- To modify existing civil-military mechanisms used by democracies to meet a country's own unique circumstances.

IMET objectives are achieved through a variety of military education and training activities conducted by the DoD for foreign military and civilian officials. These include: formal instruction involving over 2,000 courses taught at approximately 150

military schools and installations; on-the-job training; observer training; orientation tours for key senior military and civilian officials; and limited training conducted by U.S. military and civilian teams in foreign countries. Also, the U.S. Coast Guard provides education and training in maritime search and rescue, operation and maintenance of aids to navigation, port security, at-sea law enforcement, international maritime law, and general maritime skills. Furthermore, all students attending an IMET-sponsored course are exposed to a DoD-managed informational program: a specialized outside-the-classroom activity to assist the international student in acquiring an understanding of American society, institutions, ideals and values, including an awareness of the importance the United States places on the role of the military in a democratic society, and respect for internationally recognized human rights.

STRATEGY:

In its relations with friendly countries, the United States pursues a host of foreign policy objectives associated with American political, economic, social, and security interests throughout the world. IMET serves such interests directly by providing an increased understanding of America among foreign militaries and key civilian officials, with a consequent improvement in mutually beneficial relations. From a military perspective, the principal value of IMET is to enhance the military efficiency and effectiveness of the participant nations. Professional military competence is improved at all levels, thereby promoting self-sufficiency as well as furnishing many of the skills essential to nation building. This in turn, provides a wide range of benefits to the United States in terms of collective security, stability, and peace. As foreign militaries improve their knowledge of U.S. military principles, military cooperation is strengthened. Similarly, opportunities for military-to-military interaction, information sharing, joint planning, and combined force exercises, as well as essential requirements for access to foreign military bases and facilities, are notably expanded. IMET fosters important military linkages throughout the world that are essential to preserving the security of U.S. friends and allies, as well as for advancing the global security of the United States.

The IMET program assists U.S. friends and allies in the professionalization of their militaries through their attendance in U.S. military educational programs. Additionally, the program reaches a sector of society, both military and civilian, who are essential to the transition to and sustainment of democracy. The IMET program uniquely supports the following efforts:

- Professionalization of militaries: IMET annually funds training for over 5,000 students from approximately 120 countries. The majority of students are military officers who attend U.S. professional military educational programs provided by DoD and Service schools in the United States. Such training has long been recognized by U.S. friends and allies as essential for the progression of their own

military leaders, as evidenced by the number of students who ultimately rise to significant leadership positions in their respective countries.

- Democratization: The issues of military justice, to include internationally recognized human rights, effective defense resources management, and improved civil-military relations are specifically addressed under Expanded-IMET (E-IMET). The growing number of programs available to U.S. friends and allies under this initiative are provided to civilians who perform a defense-related function, militaries, parliamentarians, and non-governmental organizations. Ultimately, the goal is to effect institutional change, culminating in a professional, apolitical military, under true civilian control.

- Strengthened regional relationships: IMET continues to strengthen regional friendships, while bolstering the U.S. military's forward presence. Furthermore, the training provided enhances the self-defense capabilities of U.S. friends and allies, while decreasing the chances for conflict that might require commitment of U.S. forces abroad.

PERFORMANCE INDICATORS:

- Increased evidence and demonstration of militaries in fostering the promotion of civilian control of the military, improved civil-military relations, and support for democratization.

- Continued opportunities for military-to-military interaction, information sharing, joint planning, combined force exercises, and access to foreign military bases, facilities, and airspace.

- Promulgation of military regulations which improve military justice systems and procedures in accordance with internationally recognized human rights.

- Increase in the number of U.S.-trained military and civilian personnel in military, defense ministry, and legislative leadership positions. Elevation of these people in positions of prominence within their government bureaucracy has a positive effect on support for U.S. policies.

- Continued improvement of governments to utilize their defense resources, including U.S.-origin equipment, with maximum effectiveness, thereby contributing to greater self-reliance.

The following table shows the FY 1998 IMET request. Detailed justification for the proposed programs are found in the section on Regional and Country Programs.

INTERNATIONAL MILITARY EDUCATION AND TRAINING

PROGRAM SUMMARY

(Dollars in Millions)

COUNTRY	FY 96 ACTUAL	FY 97 ESTIMATE	FY 98 REQUEST
Sub-Saharan Africa			
Angola	0.000	0.125	0.200
Benin	0.281	0.350	0.350
Botswana	0.454	0.450	0.500
Burundi	0.071	0.000	0.000
Cameroon	0.083	0.100	0.125
Cape Verde	0.064	0.100	0.100
Central African Republic	0.110	0.150	0.150
Chad	0.000	0.025	0.050
Comoros	0.064	0.075	0.075
Congo	0.162	0.175	0.175
Cote d'Ivoire	0.151	0.150	0.150
Djibouti	0.150	0.100	0.100
Eritrea	0.261	0.375	0.400
Ethiopia	0.327	0.400	0.450
Ghana	0.257	0.260	0.285
Guinea	0.035	0.150	0.150
Guinea-Bissau	0.088	0.125	0.125
Kenya	0.297	0.300	0.400
Lesotho	0.072	0.075	0.075
Madagascar	0.102	0.100	0.100
Malawi	0.154	0.225	0.225
Mali	0.155	0.150	0.175
Mauritania	0.000	0.000	0.000
Mauritius	0.000	0.025	0.050
Mozambique	0.203	0.175	0.175
Namibia	0.190	0.200	0.200
Niger	0.011	0.000	0.000
Rwanda	0.243	0.300	0.300
Sao Tome & Principe	0.075	0.075	0.075
Senegal	0.637	0.650	0.675
Seychelles	0.031	0.075	0.075
Sierra Leone	0.134	0.115	0.115
South Africa	0.466	0.700	0.800

COUNTRY	FY 96 ACTUAL	FY 97 ESTIMATE	FY 98 REQUEST
Swaziland	0.050	0.075	0.075
Tanzania	0.126	0.225	0.225
Togo	0.000	0.025	0.040
Uganda	0.189	0.300	0.350
Zambia	0.099	0.150	0.150
Zimbabwe	0.224	0.275	0.350
AF Totals:	6.016	7.325	8.015
East Asia & Pacific			
Cambodia	0.403	0.500	0.600
Indonesia	0.577	0.600	0.800
Malaysia	0.613	0.600	0.700
Mongolia	0.070	0.325	0.325
Papua New Guinea	0.162	0.200	0.200
Philippines	1.210	1.250	1.350
Singapore	0.020	0.000	0.000
Solomon Islands	0.085	0.150	0.150
South Korea	0.009	0.000	0.000
Thailand	1.445	1.500	1.600
Tonga	0.085	0.100	0.100
Vanuatu	0.088	0.100	0.100
Western Samoa	0.079	0.100	0.100
EAP Totals:	4.846	5.425	6.025
Europe and the NIS			
Albania	0.432	0.600	0.600
Austria	0.015	0.000	0.000
Belarus	0.279	0.300	0.300
Bosnia & Herzegovina	0.259	0.500	0.600
Bulgaria	0.708	0.800	0.900
Croatia	0.218	0.350	0.425
Czech Republic	0.795	0.800	1.300
Estonia	0.386	0.500	0.650
Finland	0.014	0.000	0.000
Georgia	0.302	0.275	0.375
Greece	0.054	0.025	0.025
Hungary	1.034	1.000	1.500
Kazakhstan	0.388	0.400	0.550

COUNTRY	FY 96 ACTUAL	FY 97 ESTIMATE	FY 98 REQUEST
Kyrgyzstan	0.231	0.250	0.325
Latvia	0.388	0.500	0.650
Lithuania	0.498	0.500	0.650
Malta	0.030	0.100	0.100
Moldova	0.273	0.250	0.350
Poland	1.021	1.000	1.500
Portugal	0.769	0.800	0.800
Romania	0.758	0.800	0.900
Russia	0.760	0.800	0.850
Slovakia	0.473	0.600	0.600
Slovenia	0.253	0.400	0.600
Spain	0.049	0.000	0.000
The FYRO Macedonia	0.249	0.300	0.400
Turkey	1.095	1.400	1.500
Turkmenistan	0.213	0.250	0.300
Ukraine	1.019	1.000	1.200
Uzbekistan	0.293	0.250	0.350
EUR/NIS Totals:	13.256	14.750	18.300
Latin America & Caribbean			
Argentina	0.588	0.600	0.600
Bahamas	0.116	0.100	0.100
Belize	0.217	0.250	0.250
Bolivia	0.547	0.500	0.550
Brazil	0.200	0.225	0.225
Chile	0.301	0.400	0.450
Colombia	0.095	0.600	0.900
Costa Rica	0.196	0.150	0.200
Dominican Republic	0.507	0.500	0.500
Eastern Caribbean	0.507	0.400	0.450
Ecuador	0.547	0.425	0.500
El Salvador	0.535	0.450	0.500
Guatemala	0.000	0.225	0.225
Guyana	0.220	0.175	0.175
Haiti	0.169	0.300	0.300
Honduras	0.500	0.425	0.500
Jamaica	0.469	0.500	0.500
Mexico	0.992	1.000	1.000
Nicaragua	0.000	0.150	0.200

COUNTRY	FY 96 ACTUAL	FY 97 ESTIMATE	FY 98 REQUEST
PACAMS	0.500	0.500	0.550
Paraguay	0.155	0.200	0.200
Peru	0.380	0.450	0.450
Suriname	0.085	0.100	0.100
Trinidad & Tobago	0.083	0.100	0.125
Uruguay	0.380	0.275	0.300
Venezuela	0.428	0.350	0.400
ARA Totals:	8.717	9.350	10.250
Near East			
Algeria	0.075	0.075	0.075
Bahrain	0.108	0.125	0.175
Egypt	1.009	1.000	1.050
Jordan	1.202	1.600	1.700
Lebanon	0.474	0.550	0.600
Morocco	0.830	0.800	0.900
Oman	0.119	0.150	0.200
Yemen	0.050	0.050	0.075
Tunisia	0.816	0.800	0.900
NEA Totals:	4.683	5.150	5.675
South Asia			
Bangladesh	0.326	0.300	0.375
India	0.357	0.400	0.475
Maldives	0.080	0.100	0.100
Nepal	0.140	0.200	0.225
Pakistan	0.000	0.000	0.000
Sri Lanka	0.179	0.200	0.225
SA Totals:	1.082	1.200	1.400
Non-Regional			
General Costs	0.400	0.275	0.335
Non-Regional Totals:	0.400	0.275	0.335
GRAND TOTALS:	39.000	43.475	50.000

SUMMARY OF STUDENTS TRAINED UNDER IMET

	ACTUAL FY1996	ESTIMATED FY1997	PROPOSED FY1998
AFRICA:			
BENIN	51	63	63
BOTSWANA	36	35	39
BURUNDI	6	0	0
CAMEROON	5	6	7
CAPE VERDE	48	50	50
CENTRAL AFRICAN REPUBLIC	76	78	78
CHAD	0	2	3
COMOROS	2	3	3
CONGO	7	8	8
COTE D'IVOIRE	7	6	6
DJIBOUTI	7	6	6
ERITREA	49	70	75
ETHIOPIA	66	43	58
GAMBIA	0	0	0
GHANA	51	60	60
GUINEA	1	5	5
GUINEA-BISSAU	3	4	4
KENYA	24	26	26
LESOTHO	9	7	7
MADAGASCAR	63	50	51
MALAWI	10	15	14
MALI	52	65	65
MOZAMBIQUE	8	7	7
NAMIBIA	13	13	14
NIGER	2	0	0
RWANDA	40	50	50
SAO TOME & PRINCIPE	2	2	2
SENEGAL	29	30	32
SEYCHELLES	2	2	2
SIERRA LEONE	78	70	50
SOUTH AFRICA	35	60	60
SWAZILAND	34	6	6
TANZANIA	31	40	40
UGANDA	21	25	30
ZAMBIA	37	40	40
ZIMBABWE	94	100	120
TOTAL	999	1,047	1,081
AMERICAN REPUBLICS:			
ANTIGUA-BARBUDA*	11	10	10
ARGENTINA	186	180	180
BAHAMAS, THE	19	20	20
BARBADOS*	12	12	12
BELIZE	81	32	32
BOLIVIA	133	100	120
BRAZIL	38	50	50
CHILE	184	200	200
COLOMBIA	32	50	100
COSTA RICA	69	40	52
DOMINICA*	6	10	10
DOMINICAN REPUBLIC	70	70	70

SUMMARY OF STUDENTS TRAINED UNDER IMET

	ACTUAL FY1996	ESTIMATED FY1997	PROPOSED FY1998
AMERICAN REPUBLICS (CONT):			
ECUADOR	135	125	130
EL SALVADOR	207	200	200
GRENADA*	9	10	10
GUATEMALA	0	20	20
GUYANA	31	30	30
HAITI	9	35	50
HONDURAS	213	236	266
JAMAICA	73	70	70
MEXICO	221	225	200
NICARAGUA	0	30	30
PARAGUAY	10	16	22
PERU	75	100	100
ST. KITTS & NEVIS*	11	10	10
ST. LUCIA*	9	13	13
ST. VINCENT & GRENADINES*	10	13	13
SURINAME	138	100	100
TRINIDAD & TOBAGO	8	10	10
URUGUAY	85	50	50
VENEZUELA	114	90	102
REGIONAL TOTAL	2,199	2,157	2,282
EAST ASIA & PACIFIC:			
CAMBODIA	333	100	142
INDONESIA	17	30	30
MALAYSIA	84	83	82
MONGOLIA	3	60	60
PAPUA NEW GUINEA	197	50	50
PHILIPPINES	148	121	141
SINGAPORE	4	0	0
SOLOMON ISLANDS	14	50	20
SOUTH KOREA	4	0	0
THAILAND	171	180	190
TONGA	8	7	7
VANUATU	14	30	15
WESTERN SAMOA	7	20	20
REGIONAL TOTAL	1,004	731	757
EUROPE:			
ALBANIA	134	134	202
AUSTRIA	5	0	0
BELARUS	62	65	65
BOSNIA FEDERATION	13	30	30
BULGARIA	28	50	70
CROATIA	18	25	30
CZECH REPUBLIC	100	100	150
ESTONIA	27	35	40
FINLAND	3	0	0
GEORGIA	51	60	60
GREECE	7	5	5
HUNGARY	151	150	170

SUMMARY OF STUDENTS TRAINED UNDER IMET

	ACTUAL FY1996	ESTIMATED FY1997	PROPOSED FY1998
EUROPE (CONT):			
KAZAKHSTAN	93	123	132
KYRGYZSTAN	15	50	60
LATVIA	101	120	120
LITHUANIA	19	30	30
MACEDONIA (FYROM)	115	100	120
MALTA	28	35	35
MOLDOVA	18	40	40
POLAND	125	130	170
PORTUGAL	47	50	50
ROMANIA	203	130	150
RUSSIA	125	130	135
SLOVAKIA	105	120	120
SLOVENIA	21	25	40
SPAIN	5	0	0
TURKEY	150	160	160
TURKMENISTAN	9	20	25
UKRAINE	145	160	170
UZBEKISTAN	77	80	85
REGIONAL TOTAL	2,000	2,157	2,464
NEAR EAST & SOUTH ASIA:			
ALGERIA	7	7	7
BAHRAIN	19	26	25
BANGLADESH	107	50	60
EGYPT	63	62	65
INDIA	21	25	27
JORDAN	107	143	160
LEBANON	131	135	140
MALDIVES	8	10	10
MOROCCO	92	90	95
NEPAL	10	12	15
OMAN	22	22	25
SRI LANKA	14	18	20
TUNISIA	117	120	150
REGIONAL TOTAL	718	720	799
WORLDWIDE TOTAL	6,920	6,812	7,383

Note: The FY 1996 actuals also include students taught in country by Mobile Education Teams.

* These countries comprise the Eastern Caribbean. See Eastern Caribbean narrative for a discussion of specific country programs.

FOREIGN MILITARY FINANCING (FMF)

FOREIGN MILITARY FINANCING

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
FMF Grant	3222.343	3224.000	3274.250
FMF Grant, Supplemental	70.000	-	-
FMF Loans Subsidy (BA)	59.400	60.000	66.000
FMF Loan Amount	544.000	540.000	699.500

OVERALL U.S. OBJECTIVES:

Hegemonist aspirations of aggressive communism often inspired regional conflicts during the Cold War. In the post-Cold War era, regional and internal conflicts, fueled by more discrete problems such as ethnic discord, competing territorial claims and other sources of tension, persist and are among the greatest threats and barriers to the achievement of international peace, stability, and a world order based on the rule of law. Prudent investment of U.S. resources is essential to assist, through bilateral and collective efforts, in preventing or containing armed conflict, and in restoring peace and stability throughout the world. American leadership requires a readiness to back its diplomacy with credible threats of force. To this end, the United States can achieve better results at lower costs to human life and national treasure by leveraging its power and resources through alliances and multilateral institutions. Thus, the United States has a strong stake in helping its allies and coalition partners to strengthen their defense so they can share the common defense burden.

Foreign Military Financing (FMF) enables key friends and allies to improve their defense capabilities by financing acquisition of U.S. military articles, services, and training. As FMF helps countries provide for legitimate defense needs, it also promotes U.S. national security interests by strengthening coalitions with friends and allies, cementing cooperative bilateral foreign military relationships, and enhancing interoperability with U.S. forces. FMF supports regional security cooperation with key allies. It helps meet post-Cold War challenges, such as multilateral peacekeeping efforts and demining assistance programs, by financing equipment and services in support of these efforts. It will also help the new democratic nations of Central Europe and the New Independent States of the former Soviet Union to obtain the training and equipment needed to participate in regional initiatives such as the Partnership for Peace. Finally, FMF will contribute to regional stability by supporting the ongoing military reform efforts of the democratic Central Europe and Baltic governments.

- Both a grant and loan program, FMF is distinguished from Foreign Military Sales (FMS), the system through which government-to-government military sales are made. In general, FMF provides financing for FMS. By enabling selected friends and allies to purchase needed U.S. defense goods and services, FMF has the beneficial byproduct of encouraging demand for U.S. systems, which also contributes to a strong U.S. defense industrial base -- a critical element of the national defense strategy. FMF financing for equipment sales can lengthen production runs, which can result in lower unit costs for Department of Defense (DoD) purchases and create jobs for Americans. Key objectives of FMF are:

- To assist allies and friends in financing procurement of United States defense articles, and services to help strengthen their self-defense capabilities and meet their legitimate security needs;

- To meet urgent humanitarian needs by improving the capability of the armed forces of foreign countries to respond to natural and manmade disasters, such as the indiscriminate use of anti-personnel landmines;

- To promote self-defense and defense cooperation by assisting friendly countries to acquire U.S. defense articles and services;

- To improve key capabilities of friendly countries to contribute to international peacekeeping;

- To promote the effectiveness and professionalism of military forces of friendly foreign countries; and

- To promote rationalization, standardization, and interoperability of the military forces of friendly foreign countries with U.S. Armed Forces.

STRATEGY:

The vast majority of FMF goes to the Middle East to promote regional peace and security in helping to meet the legitimate security needs of parties engaged in the peace process. This assistance supports the long-standing U.S. policy goal of seeking a just, lasting and comprehensive peace between Israel and her Arab neighbors, including the Palestinians. Additionally, FY 98 FMF grant and loan programs will:

- Continue the President's Warsaw Initiative, a program that supports the Partnership for Peace (PFP), which strengthens practical cooperation between NATO and PFP Partners in Central Europe and the New Independent States (NIS). PFP's principal objective has been to establish strong security ties between NATO and PFP Partners, and to prepare Partners interested in joining NATO for the obligations of membership. FMF funds will also facilitate Partner participation in PFP joint

peacekeeping exercises, which have already helped prepare some Partners to participate in NATO-led peacekeeping operations.

- Assist in the gradual enlargement of NATO by providing FMF loans to creditworthy Central European and Baltic States for acquisition of NATO-compatible equipment. Specifically, FMF laons will support, through equipment transfers, training and exchange programs, the reorientation of CE and Baltic militaries to defensive postures, regional cooperation based on uniform standards of NATO-compatible equipment, and expanded military cooperation with NATO forces both bilaterally and through the Partnership for Peace (PFP).

- Implement indigenous, sustainable mine awareness and mine clearance training programs in countries that are experiencing adverse humanitarian effects from landmines. This program has been very successful in developing an indigenous landmine clearance training program capable of training selected host country personnel to conduct, supervise and teach landmine clearance procedures in Afghanistan, Angola, Cambodia, Laos, Eritrea, Ethiopia, Honduras, Mozambique, Namibia, Nicaragua and Rwanda. The relatively modest FMF assistance has enabled host country personnel to clear thousands of square meters of suspected minefields.

- Advance ongoing U.S. security interests in Southern Europe and meet NATO requirements on the Alliance's southern flank through sustainment of Turkey's and Greece's defense capabilities.

- Develop the Royal Cambodian Armed Forces (RCAF) engineers' capability to build and improve civil infrastructure through training in road construction and repair.

- Sustain Caribbean defense and maritime forces allowing these island nations to maintain small professional forces essential to regional peace and security. Because of the modest FMF assistance to the region, much of the success for recruiting and building a multilateral force that allowed the Aristide government to return to office can be attributed to the participation and professionalism of Caribbean defense forces. In addition, the assistance facilitated a successful transition to the United Nations peacekeeping operation in Haiti (UNMIH).

- Bolster the capabilities of East African states (Eritrea, Ethiopia and Uganda) bordering Sudan to thwart Sudan-sponsored terrorism and the disruption of humanitarian assistance.

- Support democratic Central European and Baltic states to focus on enhancing defensive capabilities by providing assistance that helps re-orient their militaries to defensive postures, rationalize their defense planning, and deter potential aggressors.

- Through a U.S.-led multilateral effort, improve and expand the capabilities of African militaries to respond to limited peace and humanitarian operations on the continent.

- Concentrate on assisting selected countries to improve their peacekeeping capabilities with emphasis on communication systems, peacekeeping education and training programs (e.g., training aids and support equipment), and interoperability, including possible provision of selected specialized equipment and repair parts.

PERFORMANCE INDICATORS:

- Increased regional interoperability and cooperation with U.S. forces, including maintaining access to foreign military bases, facilities, and airspace.

- Improved ability of peacekeeping units to deploy to regional and international peace and humanitarian operations.

- Increased willingness to participate in regional/international peacekeeping and humanitarian assistance missions and regional conflict prevention mechanisms.

- Continued demonstration by Central Europe and New Independent States' militaries in the promotion of area stability, civilian control of the military, and military support for democratization.

- Strengthening of PFP, including increased participation in joint NATO missions such as international peace operations, search and rescue, and humanitarian operations.

- Increased interoperability of coalition partners, as measured by combined joint exercises.

- Continued support and willingness of regional states to seek a just, lasting, and comprehensive Middle East peace.

- Relinquishing demining responsibilities to host governments.

The following table depicts the FMF request for FY 1998. Detailed justifications for the proposed programs are found in the section on Regional and Country Programs.

FOREIGN MILITARY FINANCING

PROGRAM SUMMARY

(Dollars in Millions)

PROGRAM NAME	FY 1996 Actual	FY 1997 Estimate	FY 1998 Request
Africa			
Africa Crisis Response Force		3.000	5.000
East Africa Regional	5.000	4.750	5.000
AF Totals:	5.000	7.750	10.000
East Asia/Pacific			
Cambodia	1.000	1.000	1.000
EAP Totals:	1.000	1.000	1.000
Europe and the NIS			
Baltic Battalion	0.750		
Estonia	(0.250)		
Latvia	(0.250)		
Lithuania	(0.250)		
CE Defense Loans (loan)		[242.500]	[402.000]
CE Defense Loan (subsidy BA)		20.000	20.000
Greece (loan)	[224.000]	[122.500]	[122.500]
Greece (loan subsidy BA)	24.438	3.230	12.850
Partnership for Peace	53.100	66.900	70.000
Turkey (loan)	[320.000]	[175.000]	[175.000]
Turkey (loan subsidy BA)	34.962	36.770	33.150
EUR Totals:	113.250	126.900	136.000
Latin America			
Caribbean Regional	2.000	2.000	3.000
ARA Totals:	2.000	2.000	3.000
Near East			
Egypt	1300.000	1300.000	1300.000
Israel	1800.000	1800.000	1800.000
Jordan	30.000	30.000	45.000
Jordan, FY 1996 Supplemental	70.000		
NEA Totals:	3200.000	3130.000	3145.000
Non-Regional:			
Demining	7.213	0.000[a]	15.000
Defense Administrative Costs	23.250	23.250	23.250
Enhanced Int'l Peacekeeping			7.000
Ethiopia	0.030		
Non-Regional Totals:	30.493	23.250	45.250
Total, FMF Grant	3222.343	3230.900	3274.250
Total, FMF Grant supplemental	70.000		
Total, FMF Loan Subsidy BA	59.400	60.000	66.000
GRAND TOTALS:	**3351.743**	**3290.900**	**3340.250**

[a] FY 97 demining was appropriated under the Non-Proliferation, Antiterrorism, Demining, and Related Programs Account.

DEFENSE ADMINISTRATIVE COSTS

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
FMF Grant	23.204	23.250	23.250

OVERALL U.S. OBJECTIVES:

The requested funding provides for the cost of administrative activities related to non-Foreign Military Sales (FMS) security assistance programs implemented by the Unified Commands, the Military Departments, and Defense Security Assistance Agency (DSAA). FMF grants:

- Support worldwide administration of International Military Education and Training (IMET);
- Finance administrative costs for all security assistance activities incurred by the Unified Commands;
- Finance administrative costs incurred by the Military Departments and DSAA headquarters for all security assistance activities not related to Foreign Military Sales; and
- Fund operating costs of non-FMS activities of overseas Security Assistance Organizations.

STRATEGY:

The proposed program level represents the projected costs required to prudently, and effectively, accomplish the managerial and administrative actions necessary to manage and implement the non-FMS segments of security assistance programs, as authorized under the AECA and the FAA. These functions include staffing headquarters, personnel management, budgeting and accounting, office services and facilities, and support for non-FMS functions of Security Assistance Offices (SAOs). The Defense Administrative Costs account implements such non-FMS activities as: administration of the IMET program; management of drawdowns of military equipment and services; grant transfers of excess defense articles; as well as fulfilling responsibility for monitoring military items previously transferred under the former Military Assistance Program (MAP). The initiation and expansion of security assistance relationships with many new democracies around the world, but principally in Central Europe, the New

Independent States, and South Africa, require the establishment of SAOs in an increasing number of locations. The FY 1998 request for Defense Administrative costs will fund the establishment and/or the continuing operating costs of these new SAOs and is essential to the effective management of security assistance programs with these new defense partners. The recent increases in IMET funding levels will also increase administrative workload and funding requirements.

In FY 1998, we will hold costs to the same level as FY 1996 and FY 1997, absorbing pay raises, inflation, and the increased costs associated with the additional SAO operating locations. The amount requested is the minimum essential funding to accomplish our mission.

PERFORMANCE INDICATORS:

- Effective administration of grant military assistance programs within the requested budget level.

FMF ADMINISTRATIVE COSTS
(Dollars in Millions)

	Actual FY 1996	Estimated FY 1997	Proposed FY 1998
Departmental and Headquarters Administrative Expenses a/	6.204	6.250	6.250
SAO Administrative Expenses a/	17.000	17.000	17.000
Total Budget Authority	23.204	23.250	23.250

a/ Excludes those Defense Security Assistance Agency (DSAA) and overseas security assistance organizations (SAO) costs related to FMS which are financed from sales under Sections 21, 22, and 29 of the Arms Export Control Act. See Overseas Military Program Management table for further details on SAO costs.

DEMINING

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
FMF	7.213	7.000	15.000

OVERALL U.S. OBJECTIVES:

The United States has a compelling interest to promote national and regional security, political stability, and economic development by reducing civilian landmine casualties and their tragic human, social, and economic costs in war-torn countries. In May 1996, President Clinton pledged to strengthen global efforts to clear minefields through developing better mine detection and mine-clearing technology, and to expand demining training programs in countries with landmine problems.

The reality of the problem is enormous: more than 400 million mines have been placed in the last 55 years, over 65 million of which have been placed during the last 15 years alone. Today, in about seventy countries, mainly in Africa and Asia, there are at least 120 million mines. Of these mines, at least 108 million are anti-personnel landmines (APL), which, together with other articles of war, are believed to injure or kill an estimated 500 persons every week.

While mine awareness education campaigns help, tremendous population pressures and limited arable land in many of these countries force countless civilians to live and farm in areas that are suspected to be contaminated with landmines or unexploded ordnance (UXOs). If demining operations are not accomplished by indigenous deminers trained and equipped through a demining program, these anti-personnel mines will remain threats to everyday life and will continue to jeopardize stability and U.S. interests.

STRATEGY:

The U.S. demining assistance concept calls for assisting the host nation with development of all aspects of mine awareness and mine clearance operations, including establishment of an indigenous demining capacity. The multi-pronged U.S. strategy for demining FMF:

- Provides funds for programs to help restore national infrastructure which has been rendered unusable by landmines, and returns mined areas, including farmland and roads, to productive use.

- Works with host governments, non-governmental organizations (NGOs), and international organizations to educate local populations about the dangers of landmines. Each USG demining program has an associated mine awareness program element, and leaves trained host nation personnel to continue to provide mine awareness education.

- Develops an indigenous mine clearance training program capable of training selected host nation personnel to safely detect, map and record data, and destroy landmines, then train others in their country to do the same.

- Promotes the institutional capacity necessary to manage and administer the program locally, preferably in a national demining office, to include identification and training of host nation personnel for program leadership.

In particular, State provides FMF for defense articles and services including sustainment equipment, transportation, medical and other assistance needed to develop and maintain the operational capability of the host nation.

PERFORMANCE INDICATORS:

FMF has played a critical role in the implementation of U.S. demining assistance programs by providing equipment to complement comprehensive demining training programs financed by DoD Operations and Maintenance (O&M) funds. The Interagency Working Group on Demining closely coordinates these two programs.

In 1996, FMF for demining assistance has been allocated to Angola, Cambodia, Eritrea, Ethiopia, Jordan, Laos, Mozambique, Namibia and Rwanda on a bilateral basis. FMF has also gone to the UN Office for the Coordination of Humanitarian Assistance to Afghanistan (UNOCHA), to assist with their mine awareness and clearance programs. Funds have also been provided for the Organization of American States to assist with the Inter- American Defense Board's demining efforts in Central America.

There are many measures of effectiveness of USG demining programs. Some of these include:

- Roads cleared of landmines for internal transportation.

- Previously mined fields returned to agriculture.

- Greatly reduced casualties from mine accidents.

- Cleared infrastructure for critical restoration.

- Resettlement of refugees and displaced persons.
- Development of indigenous mine awareness and clearance capability after "train the trainer" program.
- Effective use of transferred equipment by local population.
- Formation of national demining office to manage program after expatriates depart.

These measures of effectiveness have been found to some degree in all host nations where the USG currently has demining programs, proving the efficacy of our strategy. The performance indicators contribute to local stability in a host nation and the people gain confidence in their government, which they see as actively working to solve the landmine problem. This complements U.S. foreign policy initiatives as well as contributes to military-to-military contacts and country access.

ENHANCED INTERNATIONAL PEACEKEEPING CAPABILITIES (EIPC)

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
FMF	-	-	7.000

OVERALL U.S. OBJECTIVES:

Enhanced International Peacekeeping Capabilities (EIPC) is a new global initiative which seeks to improve the peacekeeping readiness of selected countries which have demonstrated significant potential for greater contributions to international peacekeeping operations. The components of peacekeeping readiness include political commitment, adequate resource allocation, competent military leadership, appropriate training, effective logistics support, language proficiency, and interoperability. By enhancing international peacekeeping capabilities of selected countries, EIPC aims to reduce U.S. and international costs for peacekeeping missions, increase the pool of credible peace operations, reduce the demand for U.S. burdensharing, and encourage regional conflict prevention and resolution. EIPC provides a global framework for rationalizing development of regional peacekeeping initiatives. Whole most regional initiatives focus on rapidly energizing near-term peacekeeping capabilities, EIPC develops the country's intellectual and training base structure to facilitate host nation design and implementation of a comprehensive peacekeeping/humanitarian assistance training and education program.

STRATEGY

FY 1998 FMF for the EIPC, allocated regionally, will concentrate on assisting selected countries to improve their peacekeeping readiness. Key components of EIPC development include: communications systems, education program training aids and equipment, and procedural and mechanical interoperability, including possible provision of selected specialized equipment and spare parts. EIPC objectives are supported by complementary resources, including IMET and Excess Defense Articles (EDA) programs, CINC exercise and other CINC initiative programs, and international contributions from other sponsor countries.

PERFORMANCE INDICATORS

- Increased political willingness and military capacity from potential contributor countries to participate in peace operations.

  Increasing political commitment and integration of complementary programs by other sponsor governments to work with the United States in support of EIPC goals (increased PKO burdensharing, reduced PKO costs, increased regional capability to resolve problems regionally) in countries.

- Improved ability of political organization and peacekeeping forces to quickly respond to regional and international peacekeeping or humanitarian crises.

- Improved capacity and effectiveness of national peacekeeping training programs to develop leaders, staffs and units proficient in UN/MNF peacekeeping/humanitarian assistance missions.

- Increased regional cooperation in common peacekeeping training and education standards.

- Active participation in the International Association of peacekeeping training centers, exchange/harmonization of peacekeeping training programs with other internationally recognized.

- Participation in the UN stand-by Arrangements system.

- Implementation of national policy that authorizes deployment of national PKO troop contingents beyond national boundaries.

- Battalion and company commanders of designated PKO units trained at a major international leaders' school or participants in sanctioned PKO missions.

- National UN stand-by arrangement designated units participate in CINC/regional PKO-related exercises/missions.

- Increased support for, and participation in, regional conflict prevention mechanism.

PEACEKEEPING OPERATIONS

PEACEKEEPING OPERATIONS

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
PKO	70.000[a]	65.000	90.000

OVERALL U.S. OBJECTIVES:

The number of contingencies requiring peacekeeping operations has risen dramatically since the end of the Cold War. This trend is expected to continue, especially in politically charged regions in Central and East Asia, Europe, Africa and Latin America. The Foreign Assistance Act of 1961, Part II, Chapter 6, as amended, authorizes U.S. assistance to friendly countries and international organizations for peacekeeping operations and other conflict resolution efforts which further U.S. national security interests. Such support is a useful and cost-effective option for dealing with certain conflicts and humanitarian crises. Although peacekeeping is not a substitute for a strong national defense and vigorous alliances, it has demonstrated its capacity, under appropriate circumstances, to separate adversaries, maintain cease-fires, facilitate delivery of humanitarian relief, allow repatriation of refugees and displaced persons, demobilize combatants, and create conditions under which political reconciliation may occur and democratic elections may be held. Thus, peacekeeping operations can reduce the likelihood of interventions by regional powers, prevent the proliferation of small conflicts, facilitate the establishment and growth of new market economies, contain the cost of humanitarian emergencies, and limit refugee flows. Key objectives of peacekeeping funds are to:

- Promote peace and security by supporting multilateral peacekeeping initiatives;
- Encourage fair-share contributions to peacekeeping efforts from those countries with greater potential to pay, while facilitating increasing participation of poorer countries when resource constraints would otherwise prevent their taking part; and
- Encourage greater participation of foreign forces in international peacekeeping activities.

STRATEGY:

[a] In addition, in FY 96, $26.2 million in ESF and SEED was transferred from USAID to State for PKO/Liberia ($8.6 million), Bosnia/OSCE ($11.6 million), and Bosnia Demining ($6.0 million).

While the bulk of funding for multilateral peacekeeping operations goes to the United Nations, it is sometimes in the U.S. interest to support, on a voluntary basis, peacekeeping activities that are not UN mandated and/or are not funded by UN assessments. In the appropriate circumstances, the Peacekeeping Operations (PKO) account provides the flexibility to pro-actively support conflict resolution, multilateral peace operations, sanctions enforcement, and similar efforts outside the context of assessed UN peacekeeping operations. The PKO account promotes increased involvement of regional organizations in conflict resolution, which may result in more politically- or cost-effective operations. The account is also used to encourage fair-share contributions to joint efforts where no formal cost sharing mechanism is available. As a result, the United States is often better able to assist countries in creating an environment of security and stability essential to their social, economic, and political progress.

Unlike U.S. contributions to the UN to support multilateral peacekeeping operations, this account supports, on a voluntary basis and where it is in the U.S. interest to do so, activities that are not UN mandated and/or not funded through UN assessments. For example, such support has included:

- Recruitment and building of a multinational force comprised of both military and international police monitors that allowed the Aristide government to return to office and facilitated a successful transition to a UN peacekeeping operation in Haiti (UNMIH/UNSMIH).

- Establishment of a joint Baltic Peacekeeping Battalion (BALTBAT) consisting of 700-800 soldiers from the three Baltic States. In coordination with Denmark, Finland, Norway, Sweden, France, the United Kingdom, and Germany, the United States has provided critically needed assistance to support deployment of the BALTBAT to regional as well as global peacekeeping operations. Although the BALTBAT is in its infancy, one Estonian and two Lithuanian platoons were successfully deployed to Croatia as part of a Danish battalion.

- As part of an overall UN sanctions enforcement effort, implemented a multilateral effort to assist the states neighboring Serbia and Montenegro in tightening sanctions enforcement to encourage a settlement in the former Yugoslavia.

- As part of a multilateral effort, assisted the Economic Community of West African States' peacekeeping force (ECOMOG) in Liberia in implementing the Abuja Peace Accord. Transportation and communication assistance from the United States has facilitated ECOMOG's quick deployment to begin disarmament and demobilization of the warring factions.

- In a multilateral role, provides assistance that permits Israel and Egypt to work toward progress in the peace process, secure in the knowledge that their common border is monitored by the Multinational Force and Observers (MFO) in the Sinai.

PERFORMANCE INDICATORS:

- Continued security along the Egyptian-Israeli border.

- Increased regional involvement in conflict resolution, which can result in more politically- and cost-effective operations.

- Improved ability of peacekeeping forces to quickly respond to regional and international peace or humanitarian crises.

- Continued stability in countries emerging from social, economic, and political instability.

The following table depicts the PKO request for FY 1998. Detailed justifications for the proposed programs are found in the Country and Program Papers section.

PEACEKEEPING OPERATIONS

Program Summary
(Dollars in Millions)

PROGRAM	FY 1996 Actual	FY 1997 Estimate	FY 1998 Request
Africa Regional	12.000	2.000	10.000
ARA Regional			4.000
African Crisis Response Force		8.000	15.000
E. Slavonia/Bosnia Police	9.600		
Europe Regional	3.000		14.000
Europe Regional/OSCE	5.400	18.600	11.000
Israel-Lebanon Monitor Group	0.992	1.200	2.000
N. Iraq Peace Monitor Group		1.500	
Demining	1.287		
Baltic Battalion	1.119		
Haiti	12.066	15.200	15.000
MFO - Sinai	15.500	15.500	16.000
Organization of African Unity	3.000	3.000	3.000
Sanctions Assistance	6.036		
PKO Total	**70.000**	**65.000**	**90.000**

MULTILATERAL ECONOMIC ASSISTANCE

FUNCTION 150 - TREASURY INTERNATIONAL PROGRAMS

(Budget Authority in thousands of dollars)

	FY 1996 Actual	FY 1997 Estimate	FY 1998 Request
Multilateral Development Banks, ESAF, & Debt	**1,166,264**	**1,012,905**	**1,557,191**
Int'l Bank for Reconstruction & Development	28,190	0	0
International Development Association	700,000	700,000	1,034,503
Global Environment Facility	35,000	35,000	100,000
International Finance Corporation	60,900	6,656	0
Inter-American Development Bank - Ord. Capital	25,952	25,611	25,611
Inter-American Development Bank - Fund for Spec. Ops.	10,000	10,000	20,576
I-ADB Multilateral Investment Fund	53,750	27,500	30,000
Asian Development Bank	13,222	13,222	13,222
Asian Development Fund	100,000	100,000	150,000
African Development Fund	0	0	50,000
European Bank for Reconstruction & Development	70,000	11,916	35,779
North American Development Bank	56,250	56,000	56,500
Middle East Development Bank 1/	0	0	
Subtotal, Multilateral Development Banks	1,153,264	985,905	1,516,191
IMF Enhanced Structural Adjustment Facility	0	0	7,000
Debt Restructuring	13,000	27,000	34,000

1/ The FY 1998 Request proposes MEDB funding through a transfer from ESF

ASIAN DEVELOPMENT BANK GROUP

Budget Authority Request: **$13.2 million for the ADB**
Budget Authority Request: **$150 million for the ADF**

The Administration is requesting a total of $163.2 million for the Asian Development Bank Group for FY 1998: $13.2 million for a scheduled capital subscription to the Asian Development Bank (ADB), which provides developing Asian economies with loans at market rates; and, $150 million for a scheduled payment and partial payment of outstanding arrears to the Asian Development Fund (ADF), the Group's concessional lending facility for the poorest Asian economies lacking access to alternative sources of capital.

Asian Development Bank (ADB)

The United States has been actively engaged in the ADB since its inception in 1966 and is, with Japan, the largest shareholder in the institution (16 percent). The Administration's FY1998 budget request for the ADB fulfills a 1994 U.S. commitment to participate in a general capital increase totaling $24 billion. With a 16 percent ownership share and a paid-in rate of 2 percent, the total U.S. funding obligation arising from this commitment amounts to $66.6 million, or $13.2 million per year for 5 years. We do not envision any need for additional capital in the foreseeable future.

Asian Development Fund (ADF)

The United States has been a member of the Asian Development Fund since its inception in 1974. In negotiations concluded on a four-year replenishment for the period 1997-2000, the United States has reduced its commitment by 41 percent, to $400 million from the $680 million committed to the last replenishment. Related to this sharply reduced new commitment will be a modest reduction in our share of the replenishment, from 16.2 percent to 14.8 percent. The new replenishment agreement incorporates two other major developments. First, Asian donors -- notably first-time contributors Thailand and Malaysia and other high-growth Asians such as Korea, as well as lead contributor Japan -- will significantly increase their support to nearly half of the approximately $2.7 billion replenishment. Japan remains the leading contributor. High-growth Asian economies, such as Korea, are also increasing their contributions. For the first time, Malaysia and Thailand, both graduates of ADF assistance, will contribute. Second, it was agreed that the ADF would position itself for self-sustainability within half a generation. Starting this year, Management is introducing a range of resource-stretching techniques designed to achieve this goal.

The Administration's FY 1998 budget request of $150 million for the ADF would provide the first of four scheduled payments of $100 million for ADF-7 and $50 million toward payment of $237 million in arrears left from our 1991 commitment.

Asian Development Bank (ADB)

Budget Request:

The Administration's FY 1998 request seeks budget authority of $13.2 million in paid-in capital for the third of six installments on the fourth general capital increase of the Asian Development Bank (ADB) negotiated in 1994.

Institutional Mandate

The ADB promotes economic development in the poorer countries of the Asia/Pacific region through project investment lending, policy reform lending and advice, and technical assistance. ADB loans are provided at market rates, with the longer maturities (10-30 years) appropriate for development financing. Interest charges covers all related costs, including the Bank's general administrative expenses. Net income has averaged more than $550 million a year over the past five years.

ADB borrowers are developing Asian countries able to pay market-based interest rates but not yet able to access international capital markets on a sufficient scale. Several highly successful Asian countries -- Hong Kong, South Korea, Singapore and Taiwan -- are ADB graduates. Others, such as Thailand and Malaysia, are making impressive progress toward full access to international capital markets.

Over 700 million Asians, two-thirds of the world's poor, live in poverty. ADB-only borrower India, home to 270 million poor people, has the greatest concentration of poor in the world. Hundreds of millions of people in the region therefore depend on ADB financing to raise living standards through investments in housing, electricity, rural and agricultural development, farm-to-market roads, soil conservation, and open, safe and efficient financial and capital markets.

The ADB's capital base is provided and backed by member countries in the form of a capital subscription including a small paid-in portion. ADB management leverages its capital base by borrowing in the international capital markets. With conservative financial policies and a AAA credit rating, the ADB borrows competitively in international capital markets; its global bonds trade roughly at par with those of the World Bank.

The ADB loaned $3.7 billion in 1996. Cumulative ADB lending totals $42.9 billion. The largest ADB borrowers are Indonesia, China, India, Philippines, Pakistan and Thailand. To supplement its lending, the Bank leverages additional resources through co-financing, private sector operations, infrastructure funds, and guarantees.

Promoting U.S. Economic Interests Abroad

The United States has major economic, foreign policy and commercial interests throughout Asia. Enormous opportunities exist in Asia for U.S. business. The $2.2 trillion developing Asian economy represents a $1 trillion market for exports. Since 1987, U.S. exports to developing Asia have tripled in size ($115.6 billion in 1995). The ADB supports the development of Asia's emerging markets, a necessary condition for successful penetration of these markets. More immediately, direct participation in ADB-funded projects both provides new market foot holds and reduces the risks for many U.S. firms entering or expanding into new markets.

- The United States has received over $1.25 billion in direct business procurement from the ADB over the last five years, an average of $250 million per year.

- U.S. exports to many of the more advanced ADB borrowers have more than doubled in the last six years. Two ADB borrowers and ADF graduates, Malaysia and Thailand, jointly bought $15.2 billion from U.S. exporters in 1995. The fast-growing Asian countries also present attractive new investment vehicles; Americans have invested $14 billion in Thailand alone.

- India, already about a $35 billion market for exports, buys more from the United States than any other single country. In 1995, U.S. exports rose a remarkable 44 percent.

U.S. Policy Leadership in Asia

Responding to U.S. priorities, the ADB capital increase agreement negotiated in 1994 contained sweeping and forward-looking policy changes to substantially increase the institution's development effectiveness.

- The Bank is investing more in human capital (e.g., basic education, health and sanitation) and the environment, and catalyzing more private sector resources for infrastructure development.

- The ADB helps borrowers reorient the public sector toward facilitating market-led, broad-based, sustainable growth, especially important for the countries in transition.

- Internally, the Bank has moved forcefully to strengthen project quality, improve portfolio management, increase the transparency and accountability of its own operations, and keep a tight hold on administrative costs. An information policy based on the presumption of disclosure has been adopted, and an independent inspection panel established.

- State-of-the-art policies cover a range of issues: governance, forestry, energy, population, involuntary resettlement, and information disclosure.

- We successfully negotiated the lowest annual cost ever on our most recent capital subscription, while maintaining our leadership position and shareholding parity with Japan.

Promoting Economic Development

Good Governance and Legal Reform: The Asian Bank's governance policy -- the only Board-adopted policy among the multilateral development banks -- establishes a framework for strengthening accountability, transparency, predictability (or rule of law), and participation. ADB assistance supports public sector management and reform, conducive legal environments, greater information disclosure, decentralization, and development of consultative mechanisms. The ADB has spearheaded work in the area of law and development, establishing an Internet forum to cover legal issues confronting developing countries, and promoting international standards to ease businesses' entry into new markets.

- The Bank is now developing a model policy on the legal status of women and compiling cross-country data on property laws, inheritance rights, family laws, child custody, constitutional rights and capacity to contract. Findings will influence the design of country-specific strategies to improve women's legal standing, and hence the welfare of their children and future generations.

- ADB legal assistance is helping Cambodia draft a central bank charter, commercial banking law, and audit act. The ADB is also providing assistance in other areas such as the financial sector, tax and customs administration reform, statistics law and implementing guidelines in line with International Standards on Accounting.

- ADB technical assistance, using U.S. Customs Service expertise, is helping China modernize and improve its customs administration.

Financial and Capital Market Development: The ADB actively supports financial market liberalization in a number of ways: restructuring banking systems, establishing prudential norms and sound banking practices, and promoting efficient regulation and supervision. Specific measures help deepen and broaden capital markets, reduce intermediation costs and build the support infrastructure (e.g., regulatory framework; enforcement and surveillance systems; credit rating agencies; and clearing, settlement and depository systems). Deeper and broader capital markets open new, lower risk opportunities to share in the growth of Asia's emerging markets.

- Credit rating agencies: form an integral part of capital market evolution and provide an essential service for domestic resource mobilization, particularly for the corporate sector. An independent assessment of credit quality provides important information to institutional and individual investors, especially in markets where the level of sophistication of investors is relatively low and information scarce. Ratings information makes the capital markets more transparent and investment decisions more efficient. So far, the ADB has invested seed capital in three credit rating agencies in the region (in Malaysia, Thailand and India).

- The ADB began catalyzing mutual funds in 1987. So far, the Bank has leveraged more than a ten-fold increase -- roughly $1.5 billion -- of long-term investment in ADB-supported mutual funds. To meet anticipated huge regional infrastructure demands, the ADB has mobilized over $1.1 billion of equity and debt funds for private infrastructure projects. Many of the investors in ADB-supported funds are U.S.-based pension funds and institutional investors. Fund managers and investment banks have also included prominent U.S.-based institutions. Many of the projects financed by the funds are likely to be sponsored by U.S. companies in sectors such as electric power, telecommunications and transportation.

Investing in Children: Two-thirds of the world's malnourished children live in just eight Asian countries. Nutrition is a prerequisite for human capital building and sustained improvement in labor productivity. The ADB, in coordination with UNICEF, has taken the lead in developing strategies to improve child nutrition. Results of a one-year policy study on nutrition-related strategies will be included in a major nutrition policy paper being prepared for ADB Board consideration in 1997. Already, the ADB encourages governments in the region to shift their investment priorities towards children. The ADB's lending program in the education sector focusses on "basic education for all" as part of its commitment to early childhood development.

Transitioning Economies: One of the ADB's greatest development challenges is in those member countries transitioning from planned to market economies. Transitioning economies looking to the ADB for assistance include those in Central Asia such as Kazakhstan, Kyrgyz Republic and Uzbekistan; the Greater Mekong subregion such as Vietnam, Cambodia and Laos (all ADF borrowers); and Mongolia (also an ADF borrower). The ADB's country strategies focus on issues such as privatization of state-owned enterprises, constructing viable social safety nets for the transition period, and comprehensive tax reform, as well as targeted investments in key social sectors such as agriculture and education..

Project Examples

Indonesia: The ADB provided several loans in the late 1980s to support financial sector deregulation in Indonesia which sparked a dramatic shift toward openness and diversity. Developments include the entry of new domestic and foreign banks and nonbank financial institutions, the appearance of new financial services and products, diversification and deepening of the money and foreign exchange markets, and reactivation of the securities market (which has since boomed). A second Financial Sector Program, effective 1992-93, established a definitive legal and regulatory framework for the financial sector, strengthened supervision and enforcement, and introduced standardized prudential guidelines. The program also helped to develop long-term debt instruments and paved the way for several successful Eurodollar offerings and IPOs.

Another, very different, ADB project supported simple, low-cost improvements in farmer-managed irrigation, yielding rapid increases in crop areas and productivity. Participating farmers provided in-kind contributions of about 12 percent of the project costs by constructing, operating and maintaining their portion of the irrigation system. The more decentralized implementation and participatory resource management approach helped reduce poverty among small-scale farmers covering nearly 200,000 acres in six provinces.

Philippines: The ADB has successfully supported microenterprise development in the Philippines by channeling assistance through effective Non-Governmental Organizations (NGOs). The first NGO micro-credit project, approved in 1988, assisted more than 21,000 microenterprises in six different areas, and created more than 40,000 jobs. Completed ahead of schedule, it was followed by a 1992 loan now being implemented.

China: Of the ten most polluted cities in the world, five are in China. The ADB is helping China prepare environment and natural resource laws, strengthen environmental management capacity and clean-up urban environmental problems. Environmental protection standards, including effluent and emission standards, are being reviewed and updated. ADB assistance has helped improve environmental protection in urban areas such as Qingdao, Tangshan and Chengde, and Beijing.

India: In addition to support for wide-ranging economic reforms, the ADB has provided a catalytic investment in establishing two private commercial banks in India, the first such banks in 40 years. These institutions complement the ADB's support for liberalization of the financial sector. The two new banks have a strong policy of hiring women and providing financial services for women; a woman also serves on one bank's Board of Directors.

Asian Development Fund (ADF)

Budget Request

The FY 1998 request seeks budget authority of $150 million for the Asian Development Fund for a scheduled payment to the current replenishment ($100 million for four years) and $50 million to partially reduce $237 million in overdue and outstanding U.S. commitments to the Fund. Arrears to the ADF are proportionally the highest level of unmet U.S. commitments to any of the multilateral development institutions. This is true despite a one-year delay in replenishing ADF resources, a delay made possible by prudent management of existing resources.

Institutional Mandate

The Asian Development Fund (ADF) provides concessional loans and technical assistance to the poorest Asian countries. The ADF's lending priorities are promoting economic growth, reducing poverty, investing in human development, improving the status of women, and protecting the environment. These basic objectives, which largely reflect U.S. priorities, were formally reaffirmed during recent negotiations on the 1997-2000 ADF replenishment.

ADF operations are financed by donor contributions agreed in the context of periodic replenishment negotiations. ADF loans carry highly concessional terms and are provided to the poorest and least creditworthy countries in the region. ADF loans must be, and are, fully repaid.

The current ADF replenishment (approximately $2.7 billion of new money) is intended to cover operations for the four-year period 1997-2000. Prudent management of existing resources made it possible to delay this replenishment one full year. The ADF loaned $1.7 billion in 1996. Cumulative ADF lending now totals $19.2 billion. The largest ADF borrowers are Bangladesh, Laos, Mongolia, Pakistan, Sri Lanka and Vietnam. (China and India do not have access to ADF.)

U.S. Interests

Half of the world's population, and two-thirds of its poor live in Asia. Despite the impressive successes of the Asian "miracle," average per capita income in South Asia is no higher than in Sub-Saharan Africa and, in the poorest economies, considerably lower. Poverty therefore remains an enormous challenge for one of the world's most dynamic and promising regions. The Administration believes that major and long-term American interests are being served by appropriate U.S. engagement in meeting this great challenge, and that the Asian Development Fund is a uniquely important, cost-effective and responsive instrument for this engagement.

In recent years, U.S. contributions to the ADF have fallen far short of our commitments. We are currently $237 million in arrears to the institution, the equivalent of 35 percent of our ADF-6 pledge. Recognizing the reality of diminishing resources, the negotiations for the 1997-2000 ADF-VII replenishment, concluded January 1997, reduced reliance on U.S. funding. Instead, more funds will come from new Asian donors and existing resources will be used more efficiently. Because of these structural changes, what amounts to a 41 percent reduction in our Fund contribution will translate into only a modest reduction in the U.S. share, to 14.8 percent from 16.2 percent.

The ADF has been remarkably responsive to United States development priorities. In the last two replenishments (ADF-6 and ADF-7) and the recent Bank capital increase, U.S.-inspired reforms have been accepted as policy and are now being implemented:

- ADF resources will be allocated where they are most needed and will be best used. Country performance (sound economic management, broad-based growth for poverty reduction and sustainable development) has become a major factor in allocating ADF resources. ADF-7 builds on the ADB's good governance policy, emphasizing the composition and quality of public expenditures (including unproductive expenditures such as military spending) and uprooting corruption.

- Comprehensive environmental impact assessments are being prepared systematically in project development. Starting with ADF-7, regional environmental strategies will be prepared to address broader environmental concerns.

- Private sector development and promotion of local entrepreneurship are explicitly mandated ADF objectives.

- A wide variety of project quality improvement measures are now under implementation.

- Because of effective U.S. intervention, neither China nor India has access to ADF funding in order to preserve ADF's limited resources for smaller countries that lack alternative sources of financing.

The Fund is also looking at ways to use resources more efficiently and a number of financial management innovations are planned. Following IDA's practice, the ADF will maximize new loan commitments by matching projected disbursements with already scheduled loan repayments, which have a highly reliable and predictable track record. A spring 1997 review of the Asian Bank's financial policies is expected to lay the groundwork for annual transfers of Bank net income as an additional source to fund the ADF. A planned review of the concessionality of ADF loan terms also may

introduce slightly less concessional terms, such as shorter maturities, to accelerate loan reflows over time.

In a precedent setting move, U.S. leadership secured an explicit objective to gradually reduce -- and eliminate within half a generation (about 15 years) -- the need for further donor replenishments. Accordingly, ADF operations will focus on expediting the progress of borrowing countries towards reduced need for, and eventual graduation from, concessional assistance. Management is preparing an explicit, comprehensive policy on graduation for Board approval.

Also in context of the ADF-7 negotiation, the United States succeeded in continuing to preclude China and India from ADF access, and avoided the imposition of any procurement restrictions or voting rights incursions related to a reduced U.S. contribution.

Project Examples

Mongolia: In Mongolia, the end of communism has led to a near total breakdown of electrical and thermal power generation system. The ADF has provided loans to rehabilitate critical power generation plants and coal mining operations so that Mongolia can meet is basic power and heating needs as it undertakes economic restructuring.

Bangladesh: The ADF is the largest multilateral donor in Bangladesh; and ADF assistance primarily supports development of social infrastructure. One operation, completed in 1995, reconstructed 605 primary schools and 50 secondary schools that had been seriously damaged by a 1991 cyclone. The schools were reconstructed to withstand storms and can be used by local communities for shelter and relief centers in severe weather conditions. Water and sanitation facilities were also improved. 350,000 primary school students and 25,000 secondary school students directly benefit.

A small-scale irrigation sector project, completed in 1993, led to increased land productivity, a shift to high-yield crops, reduced unemployment, and more productive use of credit. As agriculture productivity rose, so did household incomes, women's welfare, family nutrition, and children's school attendance. Secondary effects included expansion of non-farm activity, particularly in trade and processing.

Vietnam: The ADB is helping rebuild the primary health care network in ten provinces in Vietnam. When up to capacity, the public clinics will service the poorer segments of the population who cannot afford private health care. The clinics focus on providing family health care and family planning services.

Sri Lanka: A forestry project in Sri Lanka created economic opportunities for small farmers while encouraging sustainable reforestation of degraded areas. Approximately

6,000 farmers participated in planting 17 million seedlings, and 45,200 rural households planted and harvested homestead gardens.

Cambodia: The ADF was the first multilateral bank to support reconstruction in Cambodia. The Special Rehabilitation Project, approved in 1992, has restored roads in many areas, rehabilitated the main port in Sihanoukville, strengthened the rail system, and operationalized irrigation systems.

AFRICAN DEVELOPMENT BANK GROUP

Budget Authority Request: $50 million

Budget Request

The Administration requests $50 million for U.S. participation in the 7th replenishment of the African Development Fund. This is the first U.S. payment toward our commitment to fund 10 percent ($200 million) of the $2.0 billion AfDF-7 replenishment, agreed in 1996.

Institutional Mandate

The African Development Bank Group consists of the African Development Bank (AfDB) and the African Development Fund (AfDF). The AfDB makes loans on market-based terms to its more creditworthy borrowers, while the AfDF lends to the poorest members on highly concessional terms. Both institutions were established to promote broad-based economic development and poverty alleviation in Africa through project-specific investments, policy advice and technical assistance

Financially, shareholder countries provide the Bank's capital base through paid-in and callable capital subscriptions, on the basis of which it accesses the international capital markets for operating funds. Fund resources, on the other hand, are provided by donor countries through periodic replenishments.
The Bank effectively leverages shareholder investments -- for every dollar of U.S. paid-in capital the Bank has loaned $144, with total commitments of $19.4 billion by the end of 1995. The Fund's multilateral character allows it to lend $8.5 for every dollar in U.S. subscriptions, with total lending cumulative lending of over $10 billion.

South Africa became the Bank's newest member in December 1995. By far the largest economy on the continent, we expect it will play an influential role in managing the Bank. South Africa and Botswana are likely to become the first regional contributors to the Fund.

The United States is the largest non-regional Bank shareholder and 3rd largest shareholder overall (behind Nigeria and Egypt), with a 5.7 percent ownership stake. We are also the largest historical (though not current) contributor to the Fund, accounting for a cumulative contribution share of 18 percent. Our callable capital commitments are $2.02 billion.

AfDB Reform Program

The Bank has had serious management problems in recent years, which have been compounded by the economic difficulties of some of its major borrowers. Although the Bank has kept lending at a reduced level, the Fund depleted its resources and since late 1993 has made new loans only from its canceled loan pool. As a result, the 39 of the Bank's 53 borrowers eligible only for concessional loans from the Fund, have received virtually no development assistance from the AfDB group in recent years.

Two years of intensive efforts by the U.S. and others, which conditioned new funding on achieving fundamental change in the institution, have culminated in the most far-reaching and comprehensive restructuring and reform ever undertaken by an MDB. With our full support and confidence, an aggressive new President is radically reshaping the Bank:

- The poorest borrowers will no longer get market-rate loans they cannot service.
- Senior officials are now subject to term limits.
- A complete reorganization has cut staff by 20 percent and replaced 70 percent of managers.
- The portfolio is being completely scrubbed and $2.4 billion in loans have been canceled.
- Comprehensive external audits have been completed.
- External financial controllers and auditors have been appointed to maintain tighter financial controls.
- Measures to increase non-regional control are in progress.
- Release of any new resources to the Fund is now specifically linked to reform implementation.
- Independent units for Risk Management, Private Sector Development, Procurement, and Environment have been created and staffed.
- Information disclosure policy is under development, as is an inspection function with full participation from civil society organizations.

These unprecedented reforms will put the Bank in a position to make a cost-effective contribution to development in Africa.

In light of these major reforms, it is now essential for the shareholders to provide the institution with the resources it needs to move forward . Our $200 million commitment ($50M in FY97) for the African Fund is less than half of our previous commitment, and will be phased to coincide with reform implementation.

A reformed institution will make a unique contribution to the development of Sub-Saharan Africa where, despite accelerating growth in many economies, the conditions for private sector led development are still embryonic. The key areas where the Bank can make a difference are:

- Creating the proper policy environment for economic growth, which eventually will boost U.S. exports and create investment opportunities in the region.

- Developing an indigenous private sector by encouraging microenterprise.

- Making 'investments in people,' such as in primary education and preventive health care.

- Investing in physical infrastructure, such as roads, power plants, sewers and telecommunications, which will pave the way for private sector capital.

Maintaining U.S. Influence

The Administration believes that the modest, reform-linked replenishment negotiated for the Fund, and eventually a modest capital increase for the Bank, are both necessary and justified. These steps will provide us and the other non-regional shareholders with an exceptionally powerful tool to ensure that the reform program is fully implemented and that our financial interests in the institution are protected.

Negotiations are ongoing for a Bank capital increase which will: 1) ensure that there are adequate resources to meet the legitimate needs of creditworthy borrowers; 2) leverage much needed changes in ownership and reductions in administrative expenses; and 3)demonstrate confidence in the institution. Presently, the most serious obstacle to effective Bank governance and operations is the majority voting share of the non-regionals. We are committed to achieving decisive voting strength for the non-regionals either through a selective capital increase to raise our combined ownership share, or through voting rule changes that would guarantee us veto power over any major decision, or both. We will be consulting fully with the Congress as the negotiations move ahead.

Project Examples

Uganda Poverty Alleviation Project ($13.4 million)

Approved in 1993, this project promotes employment-creating and income-generating activities in order to reduce poverty among a carefully targeted segment of the vulnerable poor; women, in general and, in particular, widows; demobilized soldiers; AIDS orphans; youth; and retrenched civil servants. The project has extended loans totaling $1.5 million to 600,000 beneficiaries as individuals or members of micro-project groups through NGOs and community-based organizations.

Gambia Lowland Agricultural Development Program ($11.8 million)

Approved in November 1996, this project will contribute to improved food security for the poor smallholder rice growers through development of existing lowland rice schemes and support services to community-based organizations. Its emphasis on community mobilization and demand-driven interventions and its integration of environmental concerns into approval of sub-projects represents a new, more participatory approach of the African Development Bank.

Guinea Diecke Oil palm and Rubber Project Phase III (SOGUIPAH III) ($7 million)

Approved in January 1997, this project is part of an on-going effort to develop a portion of the Guinea Forest region. The Fund helped to finance the second phase of the project with a $37 million loan in 1991. That phase involved the clearing of land, planting of rubber and palm oil trees, and construction of schools and houses. This third phase will primarily entail building of industrial facilities to process the products, i.e., construction of oil mill/soap and rubber factories, and coverage of expenses relating to cultivation of the crops produced on the plantations.
US environmental concerns prompted the Bank to add new conditions which will establish an environmental monitoring unit, undertake annual environmental audits, and put in place mechanisms to ensure recommendations are implemented. It also agreed to send an environmental mission to visit the project site in January to assess the environmental and social impacts of all phases (not just phase III) of the project.

The African Development Fund

The Administration requests $50 million for the Seventh Replenishment of the Fund.

The Fund provides highly concessional loans to its poorest borrowers as well as technical assistance grants to support lending operations. The Fund's primary goal is poverty alleviation. Negotiations for the Seventh replenishment were completed in 1996. Having accomplished many reform objectives in the negotiations, it is important to support the Fund because the continent is in critical need of investments in all these areas.

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)

Budget Authority Request: **$35.8 million**

Budget Request

The Administration requests appropriation of $35.8 million in paid-in capital for the first payment of the new capital increase agreement of the European Bank for Reconstruction and Development (EBRD).

Institutional Mandate

The EBRD was founded in 1991 to promote the development of free market economies in the former Eastern Bloc. The EBRD is unique among development banks in its private sector focus and inclusion of political conditionality. The Bank Charter states that recipient countries are expected to be "committed to and applying the principles of multiparty democracy, pluralism and market economies." The Charter also specifically requires that the Bank's operations promote environmentally sound and sustainable development.

To date, the EBRD has committed over $10 billion, and mobilized over $20 billion in additional capital. In conformity with its private sector focus, the EBRD must invest at least sixty percent of its portfolio in privately sponsored projects. In fact, to date over seventy percent of total commitments have been to private sector projects. Consistent with U.S. priorities, the Bank promotes the privatization of state-owned enterprises and the development of small and medium-sized enterprises. The Bank also actively promotes development of domestic financial institutions in the region. To address its sustainable development mandate, the EBRD established environmental infrastructure and energy efficiency teams to develop projects with primarily environmental benefits.

Efficiently Advancing U.S. Priorities

The United states is the single largest shareholder in the EBRD with a 10 percent share. The EBRD leverages scarce U.S. resources in achieving a number of US priorities in central and eastern Europe and the former Soviet Union. Each dollar of U.S. paid-in capital leverages $30 in direct EBRD investments and, through co-financing, $90 in total investment in projects involving the EBRD. The Bank promotes and supports private sector led development and the development of local financial enterprises and capital markets through its lending and technical assistance programs. In addition, the EBRD promotes democracy and human rights by conditioning eligibility to borrow on countries' continued commitment to the transition to democracy. In the environmental arena, the Bank has created special units to invest in environmental infrastructure and energy efficiency projects.

The Bank has become an efficient and cost effective institution. During recent negotiations, the Bank committed to financial self-sufficiency after the current capital increase. To achieve this goal, the Bank is working to containing costs even as it increases its investments. Since 1993 annual budget increases have been kept at or below inflation while at the same time net cumulative commitments have grown 150 percent. The EBRD realized small profits in 1995 and 1996 which are expected to grow in the future and will provide the capital base for expanded lending and investment.

We successfully used the capital increase negotiations concluded last year to secure a number of priority policy improvements.

(1) Most significantly, the U.S. negotiated a lower paid-in ratio (22.5 percent vs. 30 percent), lower cash component and a longer paid-in period (from 5 to 8 years) for the subscription.

(2) Also at U.S. urging, the Bank has adopted an information disclosure policy similar to that of the World Bank and IFC to assist in preparing sustainable projects with well-informed publics. The Bank has made the project pipeline available on the internet.

(3) The Bank approved an environment policy in September 1996 which is broadly in line with the World Bank Group and specifies minimum environmental standards.

(4) The EBRD adopted a policy on graduation of EBRD operations in late 1996. The policy further codifies the Bank's commitment to only financing projects in countries where alternative sources of finance are unavailable and which will make a significant impact on the economic transition of the country.

U.S. influence at the EBRD has also made significant impact in the procurement area. EBRD procurement rules address both public and private sector contract awards which is unique among the MDBs. The bank has made good progress in supplying information on public sector contract awards. It also helped train local authorities and convince them of the benefits of transparent procurement procedures.

Overall, U.S. companies have done well securing business at the EBRD. In the private sector U.S. firms were involved in 16 percent of the projects in 1995. Cumulatively (1991-1995), U.S. firms were involved in 20 percent of the projects. In public sector projects U.S. companies secured 12 percent of the contract awards or about $76 million.

Project Examples

- In Russia, the EBRD, with funds from the G-7 and other donors, created the Russia Small Business Fund to promote micro and small enterprise development, and development of the local banking sector. By the end of 1995, the Fund had disbursed over 1,000 loans to small businesses through Russian banks and made a number of small equity investments in new enterprises.

- The Bank has also worked with donors to establish 11 regional venture funds (RVFs) managed by western investment companies. The RVFs target private and privatized companies in need of equity capital. One of the funds in the Volgagrad region is managed by Hancock Venture Partners/Point Venture Partners (Pittsburgh/Boston).

- In the Czech Republic, the Bank purchased 15 percent of Cokoladovny, a Czech chocolate manufacturer. The EBRD investment, together with a 43 percent investment by a Swiss/French joint venture (BSN/Nestle), ensured the firm's privatization. Since 1992, Cokoladovny has rationalized production and improved its business/marketing strategy allowing the company to compete successfully in a competitive market. In December 1995, in its first exit from a mature equity position, the Bank sold its shares to BSN/Nestle as per the original agreement.

- In late 1995 Hungary agreed to sell 60 percent of Budapest Bank to the EBRD and GE Capital (New York/Connecticut) for approximately $89 million. The EBRD has been working with Budapest Bank, Hungary's second largest bank in terms of assets, since October 1993. The project was a major step in Hungary's privatization program and brought vital revenue to the government's budget, while enabling a major American financial institution to expand into Eastern Europe.

- In April 1995, the Bank of New York (BONY), two Russian companies, the IFC and EBRD launched the Russian National Registry Company (NRC). BONY will manage the company. The NRC will encourage capital market development by increasing transparency of share ownership.

- The EBRD is an integral part of the effort to implement the Ukraine/G-7 Memorandum Of Understanding to close Chernobyl by the year 2000. Working with the World Bank and other donors, the Bank is financing new generating facilities, upgrading thermal power plants, addressing demand side management issues, and promoting power market development. These projects provide the basis for the closure of Chernobyl.

The EBRD also administers the Nuclear Safety Account to which the U.S. is the largest contributor. The Account provides grants for short-term safety upgrades tied to the closure of the most dangerous nuclear power plants in Eastern Europe and the former Soviet Union.

GLOBAL ENVIRONMENT FACILITY (GEF)

Budget Authority Request: $100 million

Budget Request

The administration is requesting $100 million in FY1998 for the Global Environment Facility as partial payment toward an FY1995-1998 commitment of $430 million.

Institutional Mandate

The GEF is mandated to develop, fund and implement economically sound solutions to global environmental problems. GEF focuses on four key areas: 1) preventing greenhouse gas emissions and avoiding economic disruption from climate change, 2) reversing depletion of the ozone layer, 3) arresting the loss of biological diversity, and 4) protecting international waters. The GEF is also the primary financial mechanism to fulfill industrialized country commitments under the Climate Change and Biological Diversity Conventions.

The GEF has an independent Secretariat based in Washington to coordinate environmental funding for projects managed by the World Bank, the United Nations Development Program (UNDP), and the United Nations Environment Program (UNEP). GEF projects are executed by a wide variety of organizations, ranging from specialized units within the multilateral agencies, to national laboratories and non-governmental organizations. The GEF also funds components of regular World Bank and UN projects when the additional funding can leverage improvements in the global environment.

The GEF began regular operations in July 1994 after a three year a pilot phase initiated in 1991. The carefully staged approach the has been followed was a key U.S. demand during the GEF funding negotiations to ensure that limited resources are used in the most cost-effective manner.

Voting in the GEF is based on in part on paid-in contributions, ensuring that donors maintain effective control over GEF policies and projects. Our leadership role in the GEF -- leadership based in large measure on our lead donor status -- has been a key instrument to guide the GEF's development. However, our influence has begun to decrease as we fall farther behind in meeting our pledge -- arrears are now $133 million. If we are to continue to effectively press our environmental agenda, we must fulfil our GEF commitments.

Supporting the U.S. Environmental Agenda

Many GEF policies reinforce our broader environmental policy goals for developing countries and the multilateral institutions. Under its new operating program, the GEF will help integrate economically efficient environmental protection into the growth strategies of developing countries. It will also help mainstream protection of the global environment into the normal development assistance provided to developing countries by the multilateral banks and UN.

The GEF also serves as a relatively low-cost means for the United States to fulfill its initial obligations under the United Nations Framework Convention on Climate Change. Meeting our GEF commitments is crucial for U.S. influence in pushing developing countries to shoulder greater responsibility for their own greenhouse gas emissions, which is a primary U.S. objective in the climate area. The GEF also supports similar obligations under the Convention on Biological Diversity, which we hope to ratify in coming months.

The GEF sets high standards for transparency and public participation--again, due in large part to U.S. leadership. Non-governmental organizations (NGOs) have observer status at GEF board meetings, helping to promote transparency, accountability, and an appropriate focus on genuine priorities. All non-confidential documentation is publicly available, and thorough public participation is assured for almost all GEF projects. We have begun work with the GEF to further develop consultative mechanisms to increase direct business and NGO involvement in GEF project design and implementation. Other challenges will require continued strong U.S. leadership. This includes effective monitoring and evaluation of operations in order to digest the lessons of experience, develop best practices, and incorporate new technologies.

Promoting Market Solutions to Environmental Problems

Aside from the enormous potential reduction in greenhouse gases otherwise emitted through fossil-fuel electricity generation, the U.S. is a major producer of the technology and stands to gain significantly from an expanded PV market.

- Phaseout of Ozone Depleting (ODS) Substances in Russia, Phases 1 and 2: This project is key to an initiative to reduce Russian use and production of ODS, which currently amounts to one half of total world output. The GEF's $43 million contribution will leverage $34 million from various sources to reduce Russian consumption of ODS plus set the stage for up to $100 million in private and bilateral funding to eliminate Russian production of the substances. The initiative will increase markets for ODS substitute chemicals, where U.S. firms are world leaders.

- Biodiversity Enterprise Fund for Latin America: A $5 million GEF grant will be coupled with approximately $25 million in private sector co-financing to invest in companies that sustainably use or protect biological diversity. Investments could include sustainable use of plant and animal stocks, extraction of non-timber forest and wildland products, and ecotourism. The GEF element would support incremental investment screening costs from adding biodiversity impact analysis to normal due diligence. This project will implement an innovative approach to using market forces for environmentally sustainable enterprise, a fast growing sector in the U.S. economy.

We will also press the GEF to boost support for private sector-driven sustainable development, exploring new tools such as project guarantees and equity investments in promising environmental technology firms. We will work with the GEF to leverage more cofinancing from private sources in support of development that is both pro-growth and pro-environment. These initiatives will provide opportunities to American firms that are industry leaders in many fields of environmental technology.

In particular, the GEF's work in the climate sector will have a strong concentration on the promotion of energy efficiency and renewable energy. On biodiversity, GEF funding will focus on demonstrating new approaches and technologies that can be widely replicated on a commercial scale, with financing from capital markets.

Project Examples

- Photovoltaic Market Transformation Initiative (PVMTI): A $20 million GEF grant will be used to lower market entry risks and facilitate $60-90 million in private sector and possibly IFC co-financing for ventures using this solar energy technology. When possible, GEF funding will use non-grant financing methods such as concessional loans, loan guarantees, and equity investment. The project's long-run effect should be to reduce barriers to PV use and help accelerate full commercialization worldwide y.

- Lake Victoria Environmental Management: This project is the primary support for international efforts to reduce overfishing and pollution, and save one of the richest biodiversity sources on the planet. GEF funding of $35 million will leverage an additional $35 million from local, regional, and other multilateral sources to preserve wetlands, facilitate transnational regulatory agreements and enforcement, etc. Close involvement of local people supports the design and implementation of project components.

- Mexico High Efficiency Lighting: This project is designed to help reduce energy waste and power plant pollution primarily by stimulating the market for compact fluorescent lamps (CFLs) to replace normal incandescent light bulbs in two major cities, Guadalajara and Monterrey. The project has exceeded all expectations, with

market transformation rates more than 40 percent over expected figures. Training and trade development elements of the project enhance technology development and Mexican capacity to design and implement energy conservation programs. The project has also boosted exports and joint venture opportunities for U.S. lighting manufacturers, and U.S. institutions secured contracts for project design and implementation. A $10 million GEF grant has leveraged over $13 million in co-financing.

International Bank for Reconstruction and Development (IBRD)

Budget Authority Request: $0

The IBRD is the hard loan window of the World Bank which lends at market-based rates to countries with 1995 per capita incomes between $905 and $5,295 per year. The IBRD currently earns net income of more that $1 billion annually and does not require appropriations. The IBRD is a AAA borrower on international financial markets and issues bonds to fund the bulk of its lending operations.

International Finance Corporation (IFC)

Budget Authority Request: $0

The IFC is a World Bank affiliate specifically mandated to promote private sector development and encourage the establishment of efficient financial markets in developing countries. The IFC finances private sector projects in partnership with local and foreign investors through equity investments and loans for its own account, and by attracting cofinancing from other investors. The IFC is also actively engaged in the privatization of state-owned enterprises, which have historically represented a major obstacle to economic efficiency, private investment and sound public finance. All IFC investments must meet World Bank economic, financial, social and environmental standards.

INTER-AMERICAN DEVELOPMENT BANK GROUP

Budget Authority Request: **$25.6 million for the IDB**
Budget Authority Request: **$20.6 million for the FSO**
Budget Authority Request: **$30.0 million for the MIF**

Budget Request

The Administration requests total FY 1998 funding of $76.2 million for three separate accounts within the Inter-American Development Bank Group: $25.6 million for a scheduled capital subscription to the Inter-American Development Bank's Ordinary Capital (IDB); $20.6 million for a scheduled payment to the Bank's concessional window, the Fund for Special Operations (FSO); and $30.0 million for partial payment of arrears to the Multilateral Investment Fund (MIF).

The IDB is the key institution for economic cooperation in our hemisphere and, with strong U.S. leadership, directly serves our policy interests by promoting regional economic integration, fostering growth, and addressing basic human needs throughout the region. Active U.S. involvement in the Bank has shaped an institution that not only responds to our policy concerns, but can deploy development resources far in excess of what the we can mobilize bilaterally. IDB loans of $6.7 billion in FY96 compare to U.S. bilateral development lending of around $650 million.

Under American leadership major reforms are underway. To encourage private sector led growth, the Bank has created private sector instruments such as the MIF and Inter-American Investment Corp. (IIC) and has increased direct Bank lending to private sector projects to $1.0 billion in FY 1996. The Bank has increased transparency through a comprehensive information disclosure policy and the establishment of an independent Inspection Panel. This increasing openness will contribute directly to a new anti-corruption policy to be developed this year. Environmental lending in FY96 reached nearly $800 million. The IDB is also harnessing the potential of the region's informal economy through a focus on micro-enterprise.

As a *development* bank, the IDB is committed to spreading the benefits of economic growth and cushioning the impacts of economic liberalization on the poorest. Over the last two years, the Bank has proven its commitment by directing over 40 percent (roughly $6.0 billion) for social programs.

The Bank's 1996 lending program showed that it continues to target its resources at new areas of importance. A $33 million loan to Guatemala, for example, will help promote internal peace by rebuilding the physical, human and social capital in the areas which witnessed the greatest destruction during the civil war. A $150 million loan for drug crop eradication and crop substitution in Columbia will help create legitimate sources of income for poor farmers and lay the foundation for lasting, self-sustaining economic development. The Bank's programs in governmental reform and

modernization, including judiciaries and legislatures, bolster efforts in the region to combat corruption and make the workings of government more efficient and transparent.

Cumulative IDB lending since its inception in 1959 totals $85 billion, which has leveraged an additional $125 billion through third part co-financing. Annual lending in 1996 fell to $6.7 billion from a record high of $7.2 billion in 1995 but the number of loans increased from 74 to 90. The Bank remains the largest development lender, multilateral or bilateral, in the region. The Bank's successful track record is a magnet for co-financing, amounting to $2.4 billion in 1996, provided by bilateral and multilateral sources interested in solid performance.

The current series of payments is the last set the U.S. expects to make to the IDB. For each dollar contributed to the Ordinary Capital, the Bank can lend $293; each dollar to the Fund leverages $24.2 dollars from other donors. The IDB has demonstrated that multilateral development banks can reward a solid commitment to economic fundamentals with necessary support. In turn, the success of the Bank's beneficiaries has handsomely rewarded the United States' cost-effective engagement in the institution.

Inter-American Investment Corporation

The Inter-American Investment Corporation (IIC) is an autonomous affiliate of the IDB with a mandate to work directly with the private sector. U.S. leadership in an extensive restructuring process several years ago resulted in a policy framework that responds to U.S. interests in the region. Specifically, the IIC is focused on small to medium sized enterprises, often with the express purpose of preparing these firms to go public. Equity investments are a primary tool of the Corporation, and an emerging strategy is the use of investment funds in the region. The IIC also provides corporate advisory services.

The IIC now operates independently of government contributions; the U.S. has fully paid its share. Total IIC investment at the end of 1996 stood at $613 million, which has leveraged $3.0 billion in private capital and other flows to the region's private sector.

Ordinary Capital (OC)

The Administration is requesting $25.6 million for the U.S. contribution to the Ordinary Capital of the Inter-American Development Bank, the main lending organ of the IDB. The annual appropriation represents a purchase of shares in the institution, upon which the Bank can borrow for its own lending operations. The IDB hard loan window lends at near markets to credit-worthy borrowers. All loans have been repaid and there are currently no problems with borrowers getting behind on repayments.

The last capital increase for the OC, IDB-8, was negotiated in 1994 on terms extremely favorable to the U.S. Almost all of our policy objectives were achieved, while additional funding came largely from other donors eager to expand their share in the organization.

U.S. policy objectives continue to be reflected in IDB projects and operations. The Bank now provides direct support to private sector infrastructure projects, thus assisting the region's efforts at privatization and private sector development. The Bank has also made significant progress toward its 40 percent target of lending to the social sectors. In 1996, approved operations include sanitation projects in Mexico, Bolivia and Uruguay, social investment funds in Ecuador and Guatemala, education programs in Peru, Brazil, and Uruguay, and housing projects in Panama, Venezuela, and Argentina.

The OC demonstrated its fundamental importance to U.S. policy interests in the region by supporting the United States' coordinated efforts to the region following the Mexican peso devaluation of December 1994. Mexico and Argentina received $1.75 billion to anchor their domestic financial systems during last year's extreme financial volatility, while $950 million was dedicated to essential social services and social sector reforms to assist these countries with difficult structural reforms. The IDB's role in providing long-term assistance for economic reform will help make such crises less likely in the future.

Project Examples

Mexico: Since the 1994 peso devaluation, the IDB has supported projects aimed at mitigating the negative impact of the crisis and establishing the necessary infrastructure to preclude future problems. For example, a $750 million financial system restructuring loan in 1995, the largest single operation in the IDB's history, helped restore confidence in the security and solvency of the Mexican financial system. Aware of the need to address the economic inequities in the country, the Bank recently approved a facility which will finance micro-enterprise programs among low income populations in southeastern Mexico.

Guatemala: The 36-year civil war in Guatemala took a large toll on the country's physical, social, and human capital. At the request of the Guatemalan government, the IDB is expected to play a key role in reconstruction efforts along with the World Bank and a variety of donors and institutions. Emphasis will be on the social sector and modernization of the state. In 1996, the Bank approved loans for a social investment fund and a "Community Development for Peace" program.

Fund for Special Operations (FSO)

The Administration is requesting $20.6 million for the U.S. contribution to the Fund for Special Operations of the Inter-American Development Bank.

The leverage of U.S. resources in the FSO is truly exceptional for a concessional loan window. Increased contributions from other IDB donors in the IDB-8 replenishment permitted the U.S. share to drop to 8.23 percent, down from our traditional share above 40 percent. Most importantly, the FSO has been financially structured to lend up to $350 million per year on a sustained basis, without requiring additional U.S. contributions after fulfilling our current obligations.

The Fund for Special Operations (FSO) targets the hemisphere's poorest nations: Bolivia, Guyana, Haiti, Honduras, Nicaragua, and Surinam. These countries generally do not have access to the international capital markets.

The FSO encourages growth and stability in post-conflict Central America, counter-narcotics efforts, environmental protection, and humanitarian assistance. By improving the economic opportunities and addressing the basic social needs of these countries' populations, the FSO is helping to reduce emigration pressures. By rewarding economic reform, the FSO is helping to accelerate the transition of these countries into stable U.S. trading partners.

The FSO played a central role in supporting Haiti's reconstruction following the restoration of that country's democratically elected government. The FSO, as the largest donor to Haiti during this period, has provided both project finance and budgetary support to the new government.

Project Examples

Haiti: In 1996, the Bank approved the second phase of the Economic and Social Assistance Fund which is targeted at basic services and physical infrastructure in low-income communities. It also approved an investment sector loan which aims to stimulate private sector initiative and economic growth.

Nicaragua: Since 1990, the IDB has been an important force in supporting the government's efforts to transform the economy into one governed by market forces. Early on, a Trade and Finance Adjustment Program supported by the Bank led to the liberalization of trade and prices. In 1994, the Bank supported the reform of public utility enterprises, which, among other things, promoted private participation, liberalization of the hydrocarbons market, and privatization in telecommunications. In 1996, the Bank approved a program for public administration reform.

Multilateral Investment Fund (MIF)

The Administration is requesting $30.0 million for the partial payment of arrears to the Multilateral Investment Fund of the Inter-American Development Bank, which currently total $178 million.

The Multilateral Investment Fund (MIF), administered by the IDB, is a key element of the Enterprise for the Americas Initiative. It assists Latin American and Caribbean nations with the investment reforms necessary to stimulate domestic investment and private capital flows to the region. Over $214 million has been programmed since 1994, generating $130 million in co-financing on 109 projects.

The MIF concentrates on three focal areas: 1) *technical assistance* for policy changes to liberalize the investment climate, including tax, privatization, and economic practices; 2) *human resources* required to increase investment flows and expand the private sector, including training of government personnel, and retraining of redundant employees of privatized firms; and 3) *enterprise development* for market-based financing and technical support to harness the region's informal economy through support for small and micro-enterprises.

INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

Budget Authority Request: **$1,035 million**

Budget Request

The FY98 request for $1,034,500,000 will fully fund our $800 million scheduled commitment to the eleventh replenishment of the International Development Association (IDA 11) and our remaining $234.5 million of arrears to the IDA-10 replenishment .

Institutional Mandate

IDA was established in 1960 as an affiliate of the International Bank for Reconstruction and Development (IBRD) to lend to the poorest and least creditworthy developing countries on concessional terms. The IBRD and IDA share the same staff and administrative structure. IDA provides policy advice, investment lending and technical assistance, in support of human resource development, basic infrastructure building, and market-oriented policy reform.. It also plays a key role in coordinating bilateral and multilateral donor efforts in the poorest countries.

IDA eligibility is limited to countries with a per capita income below $905 with limited or no ability to borrow on market terms and a record of using IDA resources effectively. Seventy-nine countries -- accounting for 55 percent of the world's population -- are currently eligible for IDA. Twenty countries have "graduated" from IDA, and China is in the process of doing so. China lending is being phased out in anticipation of its officially graduation from IDA at the end of the current replenishment in FY99. Three of IDA's graduates, Botswana, Korea and Turkey, are now IDA donors.

IDA is by far the largest provider of development resources to the world's poorest countries, lending $6.9 billion in FY96. Of this amount it provided $2.7 billion (40 percent of its resources) to Sub-Saharan Africa, $1.8 billion (26 percent) to South Asia, $1.2 billion (17 percent) to East Asia, $500 million (7 percent) to the former communist bloc, $400 million (6 percent) to Latin America and $350 million (5 percent) to the Middle East. IDA funding is provided as loans not grants, and therefore must be fully repaid. Credit repayments, which are a growing total of IDA funding, were $560 million.

Current IDA Funding Situation

IDA funds come largely from the contributions of thirty-five donor countries negotiated in general replenishments and, increasingly, from repayments of past IDA credits. These are supplemented by transfers of IBRD net income. The U.S. share of IDA is 20.82 percent down from 42 percent when IDA was established.

The tenth replenishment of IDA (IDA-10) was negotiated to fund new IDA credits over the three-year period FY94-FY96. At the end of this period, U.S. arrears to IDA totaled $934.5 million.
The U.S. budget situation precluded us from both clearing arrears and beginning contributions to a new IDA replenishment. This resulted in a one year gap in new U.S. funding for IDA.

Other donors did not want to disrupt IDA's operations by leaving a one year gap in new funding and agreed to establish a one year Interim Trust Fund (ITF) to fund approximately $3.3 billion of FY97 IDA projects. This will bridge to a two year IDA replenishment agreement providing $7.6 billion, of which the U.S. share is $800 million in both FY98 and FY99. This funding framework, when combined with other sources of IDA funding, will provide up to $22 billion for concessional lending over the FY97-FY99 period.

Procurement on ITF is limited firms from contributing countries. Since the US is not contributing U.S. companies do not have access to procurement on ITF projects. The procurement restrictions do not affect projects funded by "regular" IDA resources. Consequently, $18.7 billion --85 percent --of the $22 billion in IDA lending over the next three years is open to U.S. procurement.

The Administration opposed inclusion of procurement restrictions in the ITF agreement and has made extensive efforts to convince other donor countries to remove them. These efforts have been made more difficult by the rules of the ITF itself which requires a double majority -- both half the funds and half the donors -- to effect a change in the Fund. While some donors are sympathetic to U.S. concerns and recognize the problems procurement restrictions create IDA's future that the current situation represents, others feel very strongly that the principles of burden sharing and pay-to-play dictate that U.S. companies be excluded from ITF procurement.

The new IDA-11 replenishment represents a major reduction in U.S. financial support for the institution. The U.S. pledge of $800 million per year for two years is 40 percent less than the prior annual commitment to IDA-10 of $1.25 billion negotiated by the previous Administration. The overall level of IDA concessional lending will average over $7 billion per year despite the U.S. reduction in funding, with World Bank net income, carryover of unused IDA-10 resources, and IDA repayments making up for lower donor contributions.

Creating Growing Markets

Building new markets in the developing world is critical to U.S. economic interests as long as our domestic growth continues to rely heavily on exports. Forty percent of our economic growth over the last five years has come in the export sector. With exports to developing countries now 42 percent of total exports and growing at twice the pace of those to industrialized countries, we need to nurture stable, growing trading partners

to ensure our future prosperity. IDA graduates purchased $61 billion in U.S. exports in 1995, up from $47 billion in 1994. Current IDA borrowers purchased $21 billion in U.S. exports in 1995.

The goal of IDA concessional lending is to help poor countries create the social and economic conditions needed to achieve sustainable, private-sector led growth. Private investment is and will continue to be the largest source of development financing, but private investment flows are very concentrated -- 80 percent flow to just 12 developing countries. The majority of IDA borrowers have little access to international capital to fund their growth. Moreover, IDA programs are essential to transforming poor economies into outward-oriented markets attractive to investment.
Even without significant access to private capital, economic growth among IDA borrowers has been accelerating. Overall growth in IDA-only countries (excluding countries who qualify for both hard and soft loans) increased from 2 percent in the 1990-1991 period to 5 percent in 1994-1995. The same holds true for IDA's African borrowers where growth increased from 1 percent to 4 percent over the same period.

IDA uses a carrot and stick approach to help borrowers enact the kind of fundamental, yet painful reforms that are prerequisites for growth. First, IDA increasingly conditions its lending on implementation of specific economic reform programs, rewarding those that reform and denying loans to those who don't. Countries with relatively better macroeconomic policies and reform records received 84 percent of IDA funding in the IDA-10 period. Those with the worst records received only 2 percent. IDA loans are often released in "tranches", with new money conditioned on continuing progress on reforms.

IDA further helps countries shift from a state dominated economy to competitive private sector markets by supporting privatization and policy reform programs underway in most borrowing countries. Some 25-30 percent of IDA lending supports the design and implementation of basic policy reform in such areas as finance, the judiciary, privatization, industry, energy, and agriculture. A better policy environment is critical for the proper functioning of private markets and for creating an attractive investment environment.

IDA also helps with economic transition by providing adjustment advice and technical assistance. IDA officials engage in in-depth public expenditure reviews with borrowers to help them redirect public spending to areas where it will have the greatest impact on economic development and poverty alleviation. Military spending, for example, declined significantly in IDA borrowing countries between 1990 and 1995, from 3.1 percent of GDP to 1.9 percent. The largest reductions were in the former eastern bloc countries (7.4 percent to 3.1 percent) and in Africa (2.7 percent to 1.3 percent). While these trends are encouraging, military spending still represents a significant drain on poor countries that diverts precious resources from more productive uses.

Developing Human Capital

Human Capital Development -- education, health, nutrition, child development, improving the status of women -- are essential precursors to sustainable growth. Though investments in human capital cannot take the place of true economic reform (countries such as Vietnam and the Phillippines have high literacy rates but, until recently, have suffered slow growth due to poor economic policies), they are a key part of any development program. They are also investments that tend to be under-funded if left to the private markets or poor country governments. The World Bank has increased its lending for social development fivefold since the early 80's. IDA lending in this area is now 36 percent of total lending, making the Bank, primarily through IDA, by far the world's largest provider of human capital resources.

In education, IDA lending increasingly concentrates on early childhood development, primary schooling, and girls' education, where the social returns on investment are highest.

- Over the last three years, primary education and pre-primary education have accounted for 3/4ths of total IDA education funding, or about $600 out of $800 million. Projects have also helped to reform higher education in some countries as a way to free up more money for primary education.

- Targeting educational projects to women and girls -- a primary focus of IDA social development projects -- increases social benefits even more. Studies have shown that an additional year of education for a mother decreases the infant mortality rate for her children by 9 percent. Women also form the backbone of the informal economy in many countries, so any increases in their productivity can add significantly to growth. Overall, the World Bank plans to spend $900 million per year on girls' education in the next five years.

In health, IDA funding is tackling the crippling diseases that are the result of poverty, ignorance and lack of access to care and information.

- The World Bank is the single largest source of funding for HIV/AIDS prevention and control in developing countries. IDA has invested $450 million in this effort to tackle a problem with devastating social and economic consequences for Africa and Asia.

- For diseases such as Riverblindness (Onchocerciasis) which afflicts 20 million Africans, and threatens another 80 million with unbearable itching, disfigurement and blindness, IDA has organized an international effort. With donations of medicine from Merck & Co., the program has so far prevented over 1.5 million cases of the disease, opened up previously unhabitable land to cultivation, and improved productivity for tens of millions of people.

IDA funding for health and nutrition programs doubled from FY92 to FY96 to $400 million.

Institutional Reforms

Beneficiary participation, transparency and administrative efficiency are examples of areas where the U.S. has successfully pushed for reforms which are now improving the quality of Bank projects and making the institution more accountable.

Forty-five percent of approved projects in the last three years explicitly sought participation from beneficiaries and outside organizations through such mechanisms as focus groups, joint assessment sessions, and the formation of local implementation committees. The Bank also has created a special fund to support participation initiatives. In some cases -- a major rural development project in Egypt and an irrigation project in Nepal -- participation led to a complete redesign of the project. More often participation has improved the quality and targeting of Bank projects. The trend toward beneficiary participation is expected to continue and to increasingly become the norm for privatization, mining and energy projects.

A precursor for participation and for better donor oversight of Bank activities is increased transparency and better public access to documents. As a result of persistent U.S. pressure, the Bank has generally adopted information policies whose basic tenant is the presumption of disclosure. The Bank makes available Project Information Documents , Environmental Assessments, Staff Appraisal Reports, and a number of Operations Evaluations Reports, most of them through the Internet. The Bank still does not distribute many internal documents, citing sensitive borrower information. While in most cases this confidentiality is justified, the Bank can still make progress in providing public information. U.S. engagement and leadership in the organization will be critical to making sure that the trend toward greater openness continues.

The other component of the Bank's increased accountability is the emergence of strong and independent evaluation bodies within the organizations. The Bank's Operations Evaluation Department (OED) routinely produces candid and critical evaluations of Bank projects and practices. While it may seem counter-intuitive that reports highlighting Bank problems are a sign of progress, it is significant that internal mechanisms now have the latitude to make tough public evaluations of their institutions. These empowered evaluation bodies will make it easier to evaluate the effectiveness of recent reforms on new project performance.

In response to demands from donors led by the U.S., the World Bank has taken significant steps to reduce costs and operate more efficiently. The administrative budget has been cut 10 percent in real terms over the last two years. Headquarters staff will be cut by 6 percent in between FY95 and FY99 with significant numbers moved to field offices. Unjustifiable expenses such as first class travel have been eliminated.

With U.S. pressure and continued active leadership from President Wolfensohn on this issue, the reform agenda should stay on track.

Project Examples

Mozambique: With the end of its long civil war, Mozambique has embarked on an IDA supported program of demobilization and reconstruction designed to 1) achieve a stable macroeconomic position, 2) invest in human capital and 3) promote potential growth sectors. To achieve the first goal, IDA lending is supporting initiatives such as fiscal reform, customs reform, and bank privatization. To address human capital needs, it is sponsoring a $100 million health sector program which includes AIDS control nad nutrition. Finally, IDA is helping to build the infrastructure that is vital for developing agricultural export industries and tourism. IDA will lend over $200 million to build transportation links between the interior and coastal ports and on energy projects.

Bolivia: IDA's lending program for Bolivia centers on shifting state dominance in major industries -- mining, hydrocarbons, telecommunications, power -- to the private sector. IDA adjustment and technical assistance lending of $115 million is supporting privatization of the country's six largest public enterprises with a significant number of shares being transferred directly to the people via the pension system. IDA will also provide funds for basic education, including a program to give more resources and power to local communities.

Albania: Following the fall of communism in 1990, Albania's GDP fell by almost 50 percent to a per capita level of only $290. With the collapse of agricultural production, the country became heavily dependent on food aid. With adjustment assistance and guidance from IDA and the IMF, Albania rapidly privatized all land, and freed trade and prices, and tightened fiscal and monetary policies. Having stabilized the economy, IDA lending is now concentrated on basic infrastructure development -- agro-processing, roads, power transmission -- which are essential to attracting investment and building a productive private agriculture market. Because of Albania's limited administrative capacity projects are being kept relatively small to ensure that they can be properly implemented.

India: Despite making major economic strides and attracting foreign private capital to certain industrial sectors, much of India remains desperately poor. India is a "blend" country which gets both IBRD and IDA loans. IDA loans over the last three years have focused on health programs -- for example targeting tuberculosis and malaria; environmental programs -- dealing with the problems of pollution and displacement resulting from development of the coal sector; education -- raising literacy and primary school attendance for women and girls; and agriculture -- reducing government regulation over pricing and trade and eliminating subsidies. IDA lending to India has averaged about $1 billion per year over the last three years.

Vietnam: The country has achieved growth in the 9-10 percent range in recent years and appears to be on a path to join the list of Asian success stories. This growth however hides large income discrepancies between urban and rural areas and major infrastructure problems which prevent the spread of the benefits of economic growth. To address these problems, IDA lending has concentrated on rural transport, power and irrigation primarily to rural areas. IDA is also a major force in Vietnam's ongoing transition to a full market economy. IDA is using its leverage to curb the advantages maintained by state owned enterprises (special access to land, licenses and quotas) which crowd out private enterprise, and is encouraging privatization.

INTERNATIONAL MONETARY FUND
ENHANCED STRUCTURAL ADJUSTMENT FACILITY (ESAF)

Budget Authority Request: **$7 million**

Institutional Mandate

The Enhanced Structural Adjustment Facility (ESAF) was created as a Trust of the International Monetary Fund in December 1987, to enable the International Monetary Fund (IMF) to support comprehensive market-oriented reform in low-income countries requiring concessional financing for protracted balance of payments imbalances. The facility was extended and enlarged in December 1993 to roughly double its original size. Eligible borrowers must be prepared to undertake multi-year economic reform programs that are closely monitored by the IMF to ensure that reforms are put in place.

The initial loan capital of the ESAF totaled approximately about $7.4 billion, provided mostly by loans to ESAF from industrial and some developing country members of the IMF. A Subsidy Account, amounting initially to $3.1 billion and funded principally by bilateral contributions, has been used to subsidize the ESAF concessional rate of lending (currently 0.5 percent). The target for total loan resources under the expanded ESAF is roughly $14.5 billion, with total subsidy account commitments reaching about roughly $6 billion.

ESAF Operations

ESAF brings together the various components of successful adjustment under one coherent framework. This framework includes both macroeconomic stabilization -- such as reductions in budget deficits -- and free-market reforms designed to unleash the private sector and to catalyze complementary bilateral and multilateral assistance that encourage sustainable development.

ESAF adjustment programs are developed in close collaboration with the World Bank and lay out structural measures, and the expected path of macroeconomic policies. Policy objectives typically include reducing budget deficits, cutting inflation, privatizing, downsizing government bureaucracies, opening up trade regimes to foreign competition, deregulating and improving governance. Loans are disbursed over a 3-year period, subject to IMF Executive Board approval of each disbursement. They are repayable in 10 equal semi-annual installments beginning 5.5 years and ending ten years after the date of disbursement.

U.S. Funding for ESAF

The U.S. contributes to the ESAF Subsidy Account only. A U.S. contribution of $150 million for the initial ESAF Subsidy Account was fully authorized and appropriated FY90 and FY91. In January 1994, the Administration committed to provide an additional $100 million for the increased Subsidy Account of an enlarged ESAF. This was a relatively modest pledge (compared, for example, to the French and Japanese commitments of about $355 million each). This new amount would be tapped begining in FY 1997, to accommodate the projected needs for subsidy finance. So far $25 million of the $100 million has been authorized and appropriated.

The $7 million request for FY98 would reduce the outstanding unfunded commitment from $75 million to $68 million and would help to assure that other donors to the increased Subsidy Account disburse the full amounts of their respective commitments, most of which have already been approved by their home governments.

The U.S. pledge of $100 million amounts to less than 2 percent of the projected total amount of the Subsidy Account and each dollor of our outstanding $75 million pledge would be matched by about $80 from other sources.

Promotion of Economic Development

Nearly 80 countries, representing over half the world's population, are eligible for ESAF lending. As of December 31, 1996, cumulative commitments for programs in over 40 countries totaled $11 billion. Sub-Saharan Africa countries account for roughly half of total ESAF programs and 71 percent of new program in FY96. The remaining 29 percent of 1996 loan commitments were to countries of the former Soviet Union to support economic reform and transition. ESAF lending catalyzes additional foreign assistance, Paris Club rescheduling, and private capital flows because of the high degree of conditionality associated with the loans. Conditioning loans on reforms contributes to the success of individual programs and to the overall financial soundness of the ESAF.

Promoting U.S. Interests

ESAF's success advances our policy interests by promoting sustainable development, economic growth, and political stability in the poorest countries.

ESAF programs:

- Reduce demands on U.S. bilateral resources for economic and military assistance by building on humanitarian aid and supporting stabilization and growth in former hot spots (e.g., Ethiopia, Haiti and programs under consideration for Bosnia and Macedonia)

- Promote market-oriented reforms and privatization in former Soviet states which open new markets for U.S. commercial and financial interests (e.g., Armenia, Azerbaijan, Georgia).

- Foster good governance (and democratization) through economic liberalization and market-oriented reforms that emphasize fiscal consolidation, transparency and accountability, and undercut incentives and opportunities for corruption (e.g., in tax administration and customs collection).

- Stimulate the economic conditions that create alternatives to mass immigration and to production and trafficking in illegal goods (e.g., Haiti, Bolivia).

- Provide a lifeline for successful reforms and improved economic growth rates in Africa (e.g., Cote D'Ivoire, Uganda, Senegal).

- Provide the vehicle for the IMF participation in the multilateral initiative to reduce the debt burden of the most heavily indebted poor countries (HIPC). This intitiative will cut dependency and permit future economic growth and development on an increasingly self-sustaining basis.

INTERNATIONAL MONETARY FUND
NEW ARRANGEMENTS TO BORROW (NAB)

Budget Authority Request:

The dollar equivalent of SDR 2.462 billion Special Drawing Rights (approximately $3.6 billion in Budget Authority but with no outlay effect).

NAB Operations

At the 1995 Halifax Summit, the G-7 Heads of State and Government proposed doubling the borrowed resources already available to the International Monetary Fund (IMF) under the existing General Arrangements to Borrow (GAB) in response to the considerable changes that had occurred in the world economy since the 1983 GAB increase. The NAB will comprise lines of credit from an anticipated 25 potential participants amounting to SDR 34 billion ($49 billion) which will be available to the IMF in the event of an international financial crisis if ordinary IMF resources need to be supplemented. It is closely modeled on the GAB, which was established in 1962 by G-10 countries (U.S., U.K., Canada, Germany, France, Italy, Japan, the Netherlands, Belgium, Sweden, and later Switzerland) and its purpose is virtually the same.

The SDR 17 billion ($25 billion) GAB has enjoyed broad bipartisan support for over three decades. It was expanded under pressure from the Reagan Administration in 1983 as an initial response to the onset of the international debt crisis. The NAB will not replace the GAB, which remains in effect, but the NAB will be the facility of principal recourse.

As for the GAB, the IMF Managing Director may request activation of the NAB only if supplementary resources are needed to deal with financing problems that could threaten the stability of the international monetary system. Activation of the NAB requires a separate decision of 80 percent of the shares of NAB participants eligible to vote in addition to approval by the IMF Executive Board.

U.S. Contribution to the NAB

The U.S. share is expected to be the dollar equivalent of SDR 2.462 billion (approximately $3.6 billion)in addition to the dollar equivalent of SDR 4.25 billion previously appropriated for the GAB and which could also be used for the NAB. The United States will have a 19.74 percent share of the NAB, and will retain its 25 percent share of the GAB.

In accordance with U.S. budget treatment recommended in 1968 and amended by Congress in 1980, U.S. participation in the NAB will require Congressional authorization and appropriations. However, as is the case for the GAB, any transfer of dollars to the IMF under the NAB *will not be scored as an outlay and will not increase*

the deficit, as the United States receives in exchange another monetary asset in the form of a liquid, interest-bearing claim on the IMF which is backed by the IMF's strong financial position, including its significant holdings of gold.

Following the precedent of the Budget Enforcement Act of 1990, the Administration will propose to provide, via a suitable legislative vehicle, an adjustment to the discretionary spending limitation for the budget authority for such an appropriation.

Promotion of Stability in the International Financial System

Dramatic changes in the international financial system in the past 15 years have brought considerable benefits to the international economy but at the same time have increased its vulnerability to financial shocks.

- Global nominal GDP at market exchange rates and international trade have more than doubled.

- The volume of transactions in international capital markets has increased nearly 700 percent.

- Total net capital flows to developing countries and countries in transition more than quadrupled between 1990 and the end of 1995.

The increase in emergency multilateral resources for dealing with crises proposed in the NAB is one of several initiatives endorsed by the G-7 countries at the 1995 Halifax and 1996 Lyon Economic Summits for strengthening the ability to prevent, mitigate or cope with severe disruptions in the financial system. They have been supported by the larger international community, and key international institutions and organizations. Other initiatives include:

- Stronger IMF surveillance of economic policies, prudential supervision of national financial systems, and standards for the public disclosure of monetary and economic data help to improve early warning systems.

- Intensifying cooperation among banking supervisors and financial regulators and developing a strategy to strengthen financial supervision in emerging economies improve safeguards against systemic risk.

- Identifying market-based measures that could reduce the need for large infusions of official financial assistance to countries facing severe international financing problems and help to resolve sovereign liquidity crises in an orderly way.

Promotion of U.S. Interests

- The NAB augments existing resources and is modeled on an existing mechanism for dealing with potential systemic financial crises that threaten our interests.

- The NAB provides better burden sharing among the international community for helping to maintain the stability of the international monetary system, but still maintains substantial control over use of the mechanism.

    - The U.S. share of the NAB (19.74 percent) will be less than the U.S. share of the 35 year old GAB (25 percent).

    - There will be 14 non-G10 participants in the NAB, consisting mainly of emerging market economies.

- U.S. ability to block unjustified activation is strengthened in the NAB.

    - An 80 percent weighted majority is required to activate the NAB, compared to a 60 percent weighted majority and two-thirds of the number of members needed to activate the GAB.

    - The United States with one other participant would be able to block activation. In cases where not all participants are eligible to vote, the U.S. might be able to veto activation unilaterally.

- The U.S. participation in the NAB, like the U.S. participation in the GAB, is not scored as a budget outlay and will not increase the deficit.

    - Under long-standing budget treatment, any amount appropriated for the NAB will not be scored as a budget outlay because, in exchange for each transfer of dollars to the IMF, the U.S. would receive a liquid interest-bearing asset in the form of a claim on the IMF.

- The United States maintains control over establishment of the NAB. The prospective participants with the five largest shares (including the U.S.) must be among the majority of the 85 percent (of shares) required to establish the NAB.

NORTH AMERICAN DEVELOPMENT BANK

Budget Request: $56.5 million

Congress approved funding of $56 million for the North American Development Bank (NADBank) in FY 1997, and the FY 1998 request is for $56.5 million in paid-in capital, as well as authorization for $318.75 million in callable capital. This would funding complete the capitalization of the Bank required in the Agreement between the United States and Mexico.

Mandate

The North American Development Bank is an international financial institution capitalized and governed by the United States and Mexico to finance environmental infrastructure projects along the U.S./Mexico border, as well as community adjustment and investment throughout both nations. For decades communities along both sides of the U.S.-Mexico border have been plagued by the problems of raw sewage dumped in boundary waters, unsafe drinking water, and inadequate municipal waste disposal. In response to this international problem, the United States and Mexico agreed to address these problems through the creation of the NADBank and its sister institution the Border Environment Cooperation Commission (BECC). Both institutions were authorized in the NAFTA legislation.

The NADBank, in concert with the BECC, represents a new model for international cooperation at the local level. The fundamental goal of the NADBank and the BECC is to preserve, protect, and enhance the environment in a sustainable manner in order to improve the quality of life in the U.S./Mexico border region. The BECC, with strong representation from border states, communities, and the public, is working with communities to develop and coordinate these projects, with priorities for wastewater treatment, drinking water, and municipal solid waste projects. As a result, the border region's environmental priorities will be set at the local and state level. Estimated costs over the next decade for border environmental projects dealing with wastewater treatment, drinking water, and municipal solid waste range from $6.4 to $8 billion.

U.S. Interests

The NADBank offers significant, direct benefits for U.S. citizens. Texas, New Mexico, California, and Arizona in particular will benefit from the NADBank because it is designed to finance environmental infrastructure projects in the border region. It will operate as the lead bank in putting together project financing packages, using its lending and guarantees to encourage private sector financing and risk-sharing in environmental clean-up. The charter and capital structure of the Bank anticipate that the Bank will undertake private sector risk and allows it to lend to private sector entities, as well as state and local governments.

In addition to the Bank's environmental operations, the U.S. community adjustment window of the NADBank will operate nationwide to offer financing directly and through existing federal credit programs to assist businesses and communities adversely affected by NAFTA. Ten percent of the U.S. share of NADBank paid-in capital is devoted to this program. The NADBank office for the U.S. community adjustment and investment program opened in Los Angeles in February 1996, and U.S. federal agencies are working closely with the office to establish this program to assist adversely-affected communities in the United States.

The final tranche of NADBank capital will be critical for the Bank to realize its full potential to clean up the border region and assist in community adjustment. NADBank leverages scarce federal budget resources into substantial project financing. Once fully capitalized, U.S. appropriations of $225 million will be leveraged into $2-3 billion in financing for border environmental infrastructure projects and community adjustment that will provide significant benefits for U.S. citizens and firms. With more than 50 additional projects with total costs in excess of $1.5 billion already in the BECC and NADBank pipeline, the demand for NADBank environmental financing is expected to increase significantly during the next 1-2 years.

Promotion of U.S. Economic Development

The NADBank is now fully operational. The Bank has begun lending on both sides of the border with the approval of its first four projects during 1996. In Mexico, the Bank has approved a $750,000 water supply and wastewater treatment facility for the small community of Naco, Sonora; and a $1.1 million wastewater treatment plant for the Fraccionadora Industrial del Norte, S.A. (FINSA) industrial park in Matamoros, Tamaulipas. In the United States, the Bank approved a $4.1 million improvement in the water supply and wastewater system for the small community of Mercedes, Texas; and a $24.8 million water treatment facility for the City of Brawley, California.

These projects highlight the capacity of the Bank to put together innovative financing packages that are tailored to the specific needs of the project. The Bank has assisted very small communities (Naco, Mercedes) on both sides of the border, helped an unrated U.S. community gain access to U.S. financial markets for the first time (Brawley), packaged grant resources from a variety of sources on both sides of the border to make projects affordable (Naco, Mercedes), enlisted the support of the private sector companies and financial institutions in the border clean-up effort (FINSA), and addressed serious transboundary environmental problems (Naco, FINSA).

The Bank is also establishing a $2 million technical assistance program to help communities on both sides of the border achieve effective and efficient operation of their water, sewage, and solid waste management services. Many communities seeking financial assistance from the NADBank need technical assistance to improve the institutional and financial capabilities of their systems in order to ensure the long-term viability of their projects they sponsor.

INTERNATIONAL ORGANIZATIONS AND PROGRAMS

INTERNATIONAL ORGANIZATIONS AND PROGRAMS

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IO&P	285.000	333.450	365.000

OVERALL U.S. OBJECTIVES:

This account, though relatively small, leverages resources from our multilateral partners nearly ten-fold for a broad range of programs that affect the daily lives of the American people. Promoting democracy and market reforms are essential foreign policy objectives if we are to deter totalitarian regimes, stimulate economic development and improve the quality of life around the globe. In these times of fiscal restraint, the United States cannot afford to work alone to address circumstances that give rise to world tensions.

Prevention of nuclear weapons proliferation remains one of our highest priorities. Environmental programs in this account ensure that the necessary framework for international cooperation exists to protect us from ozone layer depletion, global warming and the irresponsible use of our natural resources.

As the United States enters into a critical phase to pay down arrears of some $1 billion to international organizations and restore U.S. prestige and influence in exchange for much needed reforms, adequate voluntary funding takes on even greater importance. Increased integration and coordination of UN development assistance activities can be achieved only if the United States provides adequate resources.

U.S. reform initiatives at the OAS have borne fruit, with the consolidation of two technical assistance councils into one and a greater focus on U.S. priorities. Attention is now aimed at reducing personnel and increasing evaluations and procedures to foster greater efficiencies.

Other examples of U.S. interests in agencies funded from the International Organizations and Programs (IO&P) account follow:

- UNDP's Administrator, Gus Speth, a prominent American, is refocusing UNDP's resources on people-based sustainable development programs central to poverty alleviation, job creation, the advancement of women and the environment. Speth also is emphasizing accountability and transparency by making organizational

changes that focus on program evaluation, and personnel, financial and performance accountability.

- UNICEF's small emergency unit plays a key role in many international relief efforts, including Bosnia and Rwanda. Working in close coordination with the UN Department of Humanitarian Affairs and the UN High Commissioner for Refugees, among others, UNICEF's expertise is utilized in assessing the needs of children in addition to providing medical supplies and water/sanitation.

- In strengthening the U.S. nonproliferation policy, we value highly IAEA's safeguards system which ensures that the peaceful use of atomic energy is not used to further any military purpose. We also value IAEA's role in facilitating the exchange of equipment, materials and scientific and technological information for the peaceful uses of nuclear energy.

- UNFPA has primary responsibility within the UN system for providing population assistance to developing countries and countries with economies in transition. Its worldwide programs have contributed to a sharp decline in the fertility rate in developing countries - from around six children per woman to less than four - in only 25 years, thereby helping to improve political and economic stability.

- The Korean Peninsula Energy Development Organization (KEDO) is responsible for managing the financing and construction of two light water reactors in North Korea and for providing annual shipments of heavy fuel oil to the DPRK until completion of the first light water reactor. It is an outgrowth of the Agreed Framework between the United States and the Democratic People's Republic of Korea (DPRK) which serves as the primary means for ensuring the complete dismantlement of the DPRK's nuclear weapons capability. Maintaining peace and security on the Korean peninsula is one of our top foreign policy objectives.

- Through its global reach, the Multilateral Fund for the Protection of the Ozone Layer supplements U.S. efforts to phase out the use of ozone depleting substances in other countries in order to protect the health of U.S. citizens from destruction of the earth's stratospheric ozone layer. The Fund also creates enormous opportunities for U.S. businesses, which are leaders in the ozone protection technologies, to broaden their markets abroad.

- The catalytic role of UNEP in overseeing the upcoming negotiations on a global agreement to deal with the use of persistent toxic chemicals and pesticides is one of numerous U.S. interests in the organization. While these substances have long been banned in the United States, their persistent use in other countries poses a health risk to U.S. citizens.

JUSTIFICATION:

The FY 1998 request of $365 million for the international organizations and programs (IO&P) account is significantly higher than the FY 1997 appropriated level of $169.95 million. However, in FY 1997, UNICEF, IAEA and KEDO, which together comprise nearly fifty percent of the account total, were shifted into other foreign operations accounts. On a comparable basis, the FY 1998 request is a modest 9 percent higher than the FY 1997 appropriated level.

The request includes $294.1 million for programs that promote sustainable development, $66 million for promoting peace programs and $4.9 million for programs that build democracy and promote human rights, including funding for the UN Voluntary Fund for Victims of Torture. Similar to FY 1997, nearly 90 percent of the sustainable development resources are for four important programs: UNDP, UNICEF, UNFPA and the Montreal Protocol Multilateral Fund. The request for UNICEF is higher than last year's request of $90 million in recognition of the importance the United States attaches to the organization's child-centered programs. No new initiatives are included in the request.

Other *increases* include:

$23.65 million for the UN Development Program. UNDP's increase is an effort to restore some of the ground lost in 1996 when the U.S. contribution was reduced by more than one-half. The United States has had a strong voice in the new directions taken by the organization, and has been able to promote development strategies that are effective and consistent with U.S. goals. We expect this effort to continue under UNDP Administrator Speth who is working assiduously to unify a fragmented UN system behind the goal of "sustainable human development." As a central funding and coordinating agency for UN technical assistance, a strong and effective UNDP field network permits each of the UN agencies to make optimum use of their own resources and expertise.

$5 million for the UN Population Fund (UNFPA). UNFPA is at the center of international efforts to mobilize additional resources for family planning and reproductive health programs. It is the leading multilateral organization providing critically important voluntary family planning services in more than 140 countries throughout the developing world. UNFPA assistance has filled gaps through support of much needed programs where the United States does not have bilateral programs.

$5 million for the Korean Peninsula Energy Development Organization (KEDO). In funding administrative expenses, the provision of heavy fuel oil to the DPRK and the light water reactor project, these additional resources are essential to carrying out the U.S.-DPRK Agreed Framework. Inadequate funding would create enormous problems in maintaining the integrity of KEDO and in securing financial and political support from the international community.

$1.775 million for the Climate Stabilization Fund. The international scientific consensus is that human activities are contributing to global climate change with likely impacts on U.S. coastal communities, agriculture, the insurance industry and other sectors. The UN Framework Convention on Climate Change (UNFCCC) and the Intergovernmental Panel on Climate Change (IPCC) represent the front line of the global defense against this threat, considered by many to be the single most serious environmental threat facing our planet. In the case of the UNFCCC, additional resources are needed to make up for the loss of resources which will no longer be provided by the UN regular budget and to pay for additional costs associated with negotiations which would lead to strengthening existing commitments.

$500,000 for the Montreal Protocol Multilateral Fund. The United States is currently facing such daunting challenges as the implementation of phaseout programs for CFC consumption and production in China, India and Russia and combating CFC smuggling. To address these vexing problems adequately, the United States needs to ensure that agreed upon phaseouts in use and manufacture of ozone-depleting substances proceed on schedule and with adequate funding.

INTERNATIONAL ORGANIZATIONS AND PROGRAMS
FY 1998 BUDGET REQUEST

(Dollars in thousands)

	FY 96 Actual	FY 97Estimate	FY 98 Request
BUILDING DEMOCRACY	**2,500**	**4,900**	**4,900**
UN Vol Fund for Techn'l Coop in Field of Human Rights	0	900	900
UN Vol Fund for Victims of Torture	1,500	1,500	1,500
OAS Fund for Strengthening Democracy	1,000	2,500	2,500
PROMOTING SUSTAINABLE DEVELOPMENT	**224,500**	**267,550**	**294,100**
Broad-Based Economic Growth	156,450	185,950	206,100
UN Development Program (UNDP)	52,000	76,350	100,000
UN Development Fund for Women (UNIFEM)	1,000	1,000	1,000
UN Children's Fund (UNICEF)	100,000	100,000[1]	100,000
World Food Program	3,000	3,000	2,000
Afghanistan Emergency Trust Fund	250	500	500
International Fund for Agricultural Development (IFAD)	0	5,000[2]	2,500
UN Fellowship Program	100	0	0
ICAO Aviation Security Fund	100	100	100
Stabilization of World Population Growth	22,750	25,000	30,000
UN Population Fund (UNFPA)	22,750	25,000	30,000
Protection of Global Environment	37,300	50,100	51,500
UN Environment Program (UNEP)	8,000	11,000	11,000
Montreal Protocol Multilateral Fund	22,000	27,500	28,000
Habitat	250	0	0
Int'l Conservation Progs. (CITES, ITTO, IUCN, Ramsar)	2,050	4,050	3,750
Climate Stabilization Fund (IPCC, UNFCCC)	2,500	3,225	5,000
Int'l Contributions for Scientific, Educ. & Cultural Activities	1,200	2,325	2,250
World Meteorological Org/Voluntary Cooperation Program	1,300	2,000	1,500
Support for Democratic Participation	8,000	6,500	6,500
OAS Development Assistance Programs	8,000	6,500	6,500
PROMOTING PEACE	**58,000**	**61,000**	**66,000**
Non-Proliferation and Disarmament	58,000	61,000	66,000
Int'l Atomic Energy Agency (IAEA) Voluntary Programs	36,000	36,000[3]	36,000
Korean Peninsula Energy Development Org. (KEDO)	22,000	25,000[4]	30,000
GRAND TOTALS	**285,000**	**333,450[5]**	**365,000**

[1] For FY 1997, funding for UNICEF, IAEA and KEDO has been appropriated in other accounts but is shown here for comparison.
[2] Of which $2.5 million has been transferred into IO & P.
[3] For FY 1997, funding for UNICEF, IAEA and KEDO has been appropriated in other accounts, but is shown here for comparison.
[4] For FY 1997, funding for UNICEF, IAEA and KEDO has been appropriated in other accounts, but is shown here for comparison.
[5] IO & P appropriation totals $169.95 million.

UN HUMAN RIGHTS CENTER
VOLUNTARY FUND FOR TECHNICAL COOPERATION
IN THE FIELD OF HUMAN RIGHTS

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IO&P	-	0.900	0.900

OVERALL U.S. OBJECTIVES:

The UN Voluntary Fund for Technical Cooperation in the Field of Human Rights (the Fund) is one of the primary funding mechanisms for the UN Advisory Services and Technical Assistance program (the program), which provides human rights assistance to governments at their request. The Fund provides the resources necessary to implement UN-related international conventions and other human rights instruments. Program components include, inter alia: building and strengthening national and regional institutions and infrastructures for human rights; promoting democracy, development, and human rights; strengthening the rule of law and democratic institutions; providing assistance for the conduct of free and fair elections; and improving the administration of justice and independence of the judiciary.

The UN Secretary General formally created the Fund in 1987. The board of trustees, established in 1993, oversees the Fund and develops its long-term policy guidelines. Funding priorities are influenced by the UN Human Rights Commission (UNHRC) and the UN General Assembly. At U.S. initiative, several UNHRC special rapporteurs are now authorized to recommend programs for funding consideration. The High Commissioner for Human Rights (HCHR) has made the Advisory Services program a priority and holds overall responsibility for the Fund's direction.

The Fund's goals and objectives are consistent with U.S. objectives of promoting democracy and human rights. The UN can use the Fund to undertake projects which, in some instances, are too sensitive for the United States to implement bilaterally. In addition, the Fund often complements other bilateral, regional, and NGO programs. Many NGOs involved in both human rights and democratization programs support U.S. contributions to the Fund.

STRATEGY:

The United States has been among the Fund's largest single contributors in recent years, inspiring other governments to do likewise and fulfilling a major U.S. policy goal. The Fund is a critical tool in the advancement of human rights improvements in countries which voluntarily ask for such assistance. Contributions have climbed to more than $7 million annually (1995), led by the U.S. and other western nations. Maintaining the U.S. contribution at its current level would indicate to other Western nations and to Fund recipients that the Fund is worthy of support. A total of 29 of the UN's 185 members made voluntary contributions to the Fund in 1995, up from only 18 in 1994.

A secure tradition of voluntary funding, anchored by the U.S. contribution, would ensure availability of such assistance to those nations that seek help in strengthening their own democratic institutions and protecting the human rights of their citizens. Many of these nations are newly independent, and are struggling to nurture the democratic traditions of donor nations. Reliable funding would also strengthen the effectiveness of the UN High Commissioner for Human Rights as overseer of the UN Center for Human Rights, as well as reiterate the commitment of the U.S. to an efficient and responsive human rights mechanism.

PERFORMANCE INDICATORS:

The Advisory Services program's level of activity and requests for assistance continued to grow in 1996. By the end of 1995, more than 200 projects had been implemented throughout the world by the Fund, including 36 projects begun in 1995 alone.

- For example, using resources provided by the Fund, as well as by the UN operating budget and other UN agencies, the program conducted country-wide needs assessments for Bhutan, Bolivia, El Salvador, Moldova, Nepal, Palestine, Panama, Papua New Guinea, Paraguay, South Africa and Togo.
- The program provided support for national human rights centers in Latvia, Namibia, Paraguay, and Slovakia, and provided legislative reform assistance to Cambodia and Latvia.
- The program also organized law enforcement projects for police in Cambodia, Equatorial Guinea, Mongolia, and the Former Yugoslav Republic of Macedonia, while continuing its assistance to police projects in Argentina and Egypt.
- Finally, a number of programs begun in earlier years continued through 1996, including a military personnel training program, along with multi-year projects in such countries as Albania and Sao Tome and Principe.

UNITED NATIONS VOLUNTARY FUND FOR VICTIMS OF TORTURE

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IO&P	1.500	1.500	1.500

OVERALL U.S. OBJECTIVES:

The use of torture presents a formidable obstacle to establishing and developing democratic governmental institutions. Assisting torture victims helps establish and reinforce a climate of respect for democracy and the rule of law, two important U.S. foreign policy goals which enjoy strong bipartisan support. The United Nations Voluntary Fund for Victims of Torture (UNVFVT), established by the UN General Assembly in 1981, provides worldwide humanitarian assistance to torture victims and to their families, almost all in developing countries. Such assistance is primarily medical and psychological.

All grants are awarded by the five-member UNVFVT Board of Trustees, which reports directly to the UN Secretary General. The Board's mandate requires that all aid be distributed through "established channels of humanitarian assistance," such as hospitals, research and training centers, or overseas doctors' projects. In order to protect torture victims from retaliation and provide the privacy necessary to heal both physical and psychological wounds, the Fund does not publicize names or cases.

STRATEGY:

The U.S. has been the Fund's largest single contributor in recent years, encouraging other governments to increase their own smaller contributions, in a concerted effort to bolster the voluntary nature of the Fund. Several vocal NGOs, dissatisfied with the comparatively small size of the annual budget of the Fund, have suggested transferring the Fund to the regular UN budget, a move that the United States strongly opposes for budgetary reasons. Maintaining the U.S. contribution at its current level would indicate to other Western nations that the Fund is worthy of support. Only 26 of the UN's 185 members contributed to the Fund in 1996.

The U.S. has been at the head of efforts to end torture internationally. U.S. contributions to the Torture Fund underscore our commitment to the rights of the individual and to the essential importance of protecting these rights.

PERFORMANCE INDICATORS:

- From 1983 to 1996, the Fund has supported more than 100 organizations and financed more than 500 requests for assistance in about 60 countries.
- The UNVFVT also supports local treatment centers.
- In the fall of 1993, for example, the Finnish Center for Torture Survivors, which also receives funding from the Finnish Government, opened its doors to treat the estimated 1,500 to 2,500 torture survivors in Finland.
- Centers for the Treatment of Victims of Torture also exist in Santiago, Prague, and Tallinn, along with one U.S. center in Minneapolis.

ORGANIZATION OF AMERICAN STATES
PROGRAMS FOR STRENGTHENING DEMOCRACY

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IO&P	1.000	2.500	2.500

OVERALL U.S. OBJECTIVES:

Two major units of the Organization of American States are dedicated to building democracy and promoting human rights: the Unit for the Promotion of Democracy (UPD) and the Inter-American Commission on Human Rights (IACHR). Both complement U.S. bilateral programs and priorities.

The UPD promotes free and fair elections by organizing observer missions and providing technical assistance to electoral bodies. The UPD also administers programs to strengthen government institutions. The UPD has begun projects to foster national reconciliation in states experiencing internal conflict. This work complements the democracy programs the United States carries out bilaterally. Because of occasional sensitivities regarding a U.S. role, countries sometimes prefer to receive assistance from the OAS, rather than the U.S. Government or a U.S.-based non-governmental organization (NGO).

An excellent example of how the OAS can complement U.S. bilateral efforts occurred following the fraud-ridden elections in the Dominican Republic in 1994. While the GODR publicly bristled at U.S. expressions of concern over the fairness of the elections, the OAS was able to gain access to senior Dominican leaders and help negotiate an agreement to hold new elections.

The OAS has a unique capacity to carry out large-scale programs, such as the nationwide monitoring of human rights in Haiti through the OAS-UN International Civilian Mission. The OAS' CIAV (International Commission for Support and Verification) program in Nicaragua, which began in 1989, has helped reinsert former combatants into society and protected human rights in conflictive areas. Other organizations involved in democracy promotion have neither the resources nor personnel to carry out such large-scale, long-term programs.

Without voluntary contributions, the UPD would be unable to carry out many of its large-scale programs. The UPD carries out a range of activities requested by individual member states with its regular budget; but USG resources help direct

the UPD toward activities of greater importance to the United States. The U.S. Mission to the OAS works closely with the director of the UPD and her staff to design the U.S.-funded programs and develop budgets.

The IACHR is the sole Western Hemisphere body responsible for monitoring and reporting on the status of human rights in OAS member states. Special U.S. contributions fund the commission's on-site investigations of countries with serious human rights problems and the publication of country reports.

STRATEGY:

The U.S. Mission to the OAS deals with the UPD in effect as if it were an NGO receiving a USG grant. The U.S. Mission to the OAS works closely with the UPD to design the U.S.-funded programs and develop budgets. No other member states, aside from the country where the program will be held, weigh in.

Once a program begins, embassy officers usually monitor it on the ground and often meet frequently with the OAS staff based abroad. The OAS Mission also requires interim reports to keep abreast of the progress of the programs.

Other Donors: The U.S. contribution of $1.0 million for FY 1996 is estimated to represent 39 percent of total voluntary contributions of $3.55 million. Other major contributors to UPD and IACHR included Suriname ($.87 million, 24 percent); Sweden ($0.7 million, 20 percent); Japan ($0.34 million, 9.5 percent); Denmark ($0.3 million, 8.4 percent); the Netherlands ($0.19 million, 5 percent); and the United Kingdom ($0.1 million, 3 percent).

PERFORMANCE INDICATORS:

Measuring the success or lack thereof of democracy programs is not always easy. For some programs, it is possible to develop specific indicators. For example, if a program is designed to increase voter registration, one can cite the number of registered voters. Even in such a case, though, it is often not easy to establish a causal link between a single program and a particular outcome.

Programs to protect human rights can be evaluated based on the number of reported human rights abuses. Programs to reinsert combatants and their families can be measured in the number of persons served, the number of homes built or the amount of land distributed.

Some programs, such as those designed to train legislators or educate citizens about their political system, take time to bear fruit. Such challenges require a long-term commitment by the United States and OAS. Success will not be evident from one year to the next. Evidence of a more effective legislative branch, for example, can take years to be manifest, given the fragile state of democratic legislatures in Latin America.

UNITED NATIONS DEVELOPMENT PROGRAM

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IO&P	52.000	76.350	100.000

OVERALL U.S. OBJECTIVES:

The United Nations Development Program (UNDP) is the world's largest multilateral source of grant technical assistance for developing countries and is financed by voluntary contributions from member states. UNDP is the central coordinating and funding mechanism for technical assistance implemented by agencies of the UN system. Established in 1966 through the merger of two earlier UN programs, UNDP provides grant assistance to developing countries, with increasing emphasis on assistance to the least developed countries and on building national capacity to manage development activities.

UNDP's priorities -- poverty alleviation, job creation, the advancement of women, and environmental regeneration -- are fully consistent with U.S. foreign policy goals and emphasize economic reform, privatization, job creation, democracy and peace building. These programs promote open economies and stable, democratic societies receptive to U.S. trade and investment.

As the leading contributor to UNDP every year from its inception through 1995, the U.S. has been able to reserve the position of Administrator of UNDP for an American and to continuously occupy a seat on the organization's Executive Board. Consequently, the U.S. has had a strong voice in the direction taken by the organization and has been able to promote development strategies that are effective and consistent with U.S. goals.

STRATEGY:

Under its current Administrator, James "Gus" Speth, UNDP is working to unify a fragmented UN system behind the goal of "sustainable human development". We have endorsed his efforts to provide greater focus to UNDP activities by supporting Executive Board approval last year of a new framework for programming resources based on performance rather than entitlement.

Our strategy is to promote continued realization of reform goals at UNDP. For example, over a six-year period beginning in 1992, UNDP is reducing its administrative budget in real terms by 12 percent, regular staff at headquarters by 31 percent and total regular staff by 15 percent. Documentation submitted to the Executive Board has been reduced by 75 percent. The use of outside auditors for programs in Asia and Africa has improved accountability.

Program focus has been tightened as the number of projects worldwide declined by 25 percent. UNDP has also strengthened the role of resident representatives as coordinators of UN assistance.

At Executive Board sessions, the United States will seek to ensure the completion of the initiatives mentioned above with the objectives of:

- extending the use of outside auditors to regions other than Africa and Asia;
- transforming the corporate plan into a precise statement of measurable goals;
- implementing a new system based on output measurements to evaluate programs and facilities;
- and increasing the efficiency of Executive Board meetings by limiting debate.

The achievement of these objectives, however, depends upon maintaining a high level of contributions in order to preserve the strong U.S. influence over UNDP.

PERFORMANCE INDICATORS:

- Completion of downsizing exercise
- Approval by Executive Board of all Country Cooperation Frameworks
- Successful implementation of new programming system based on competition for resources
- Increased use of mechanisms to strengthen accountability

UNITED NATIONS DEVELOPMENT FUND FOR WOMEN (UNIFEM)

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IO&P	1.000	1.000	1.000

OVERALL U.S. OBJECTIVES:

UNIFEM's overall goal is to improve significantly the status of, and opportunities for, women in the least developed countries through greater participation in the economic and social development processes. Its resources act as a catalyst 1) to ensure the involvement of women in mainstream development activities, particularly at the pre-investment stage; and 2) to support innovative and experimental activities benefiting women in line with national and regional priorities.

UNIFEM's mandate is totally consistent with U.S. global priorities, namely that investment in women is a key to sustainable development. Social investments in women -- in their health, education, and economic access -- yield the highest return to society. The more education a woman has, the more likely she is to be economically productive and able to engage in public life. Such women begin childbearing later in life and have smaller families. They are healthier mothers and have healthier children. And they are more likely to educate their own children, passing the advantages they have gained on to the next generation.

In 1973, the U.S. Foreign Assistance Act was amended to require that U.S. bilateral development assistance programs be administered so as to give particular attention to those programs, projects, and activities, which tend to integrate women into the national economies of their countries, thus improving their status and assisting the total development effort. This requirement, which is known as the "Percy Amendment", gives Congressional endorsement to the increasing concern that women participate fully in the tasks and benefits of economic growth.

UNIFEM is the only UN voluntary fund whose primary concern is the integration of women into the national economies of their countries. Thus, it achieves for multilateral assistance programs what the Percy Amendment achieves for U.S. bilateral assistance programs. UNIFEM plays a unique role in showing how increased access by women to sources of business finance, technology, and related services can be a powerful and effective tool for private sector development.

STRATEGY:

UNIFEM is a separate trust fund supervised by the UNDP Administrator and under the general direction of the UNDP/UNFPA Executive Board. Through our participation in the work of the Executive Board, the U.S. encourages UNIFEM to: focus on areas in which it has a comparative advantage (e.g. working with NGOs to foster capacity building and network development); and define goals that it can accomplish within its budgetary constraints with maximum impact and sustainability and benefiting the largest number of beneficiaries.

Other Donors: For FY 1996, UNIFEM received pledges of $12.16 million to its general resources. The U.S. pledge of $1 million is the 6th highest. It is preceded by Netherlands ($2.9 million), Norway ($1.4 million), Canada ($1.1 million), Germany (1.08 million), and Japan ($1.0 million).

UNIFEM has 12 professional employees (three are U.S. citizens), and eight general services employees (two are U.S. citizens).

PERFORMANCE INDICATORS:

- Focus upon those areas where UNIFEM has a comparative advantage, e.g. network building and network development; concentrate on building women's NGOs' organizational capacity and financial viability.
- Continued strengthening of UNIFEM's organizational and financial controls.
- Increase in the quality of projects that have a catalytic impact upon the status of women.
- Setting of clear criteria for supporting projects with the potential to leverage large changes in the status quo rather than the delivery of benefits directly to targeted individual women. To this end, projects should be identified with the purpose of advocacy, brokerage - especially with governments and civil society - and constituency building.

UNITED NATIONS CHILDREN'S FUND (UNICEF)

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IO&P	100.000	100.000	100.000

OVERALL U.S. OBJECTIVES:

The United Nations General Assembly created the United Nations Children's Fund (UNICEF) in 1946 as an emergency program to aid impoverished children left in the wake of World War II. Since then, UNICEF has evolved into a long-term development fund aimed at improving the welfare of children and mothers. UNICEF provides goods and services to help meet basic needs in maternal and child health care, sanitation, clean water, nutrition, primary education and social services. In coordination with the UN Department of Humanitarian Affairs, the agency provides emergency assistance to countries destabilized by civil strife or natural disasters. Through a highly effective and decentralized field network, UNICEF operates programs in 145 countries.

The UNICEF Executive Board continues to emphasize three program objectives for UNICEF operations that complement UNICEF's overall goal of sustainable child survival and development: 1) strengthening programs for children through national capacity-building; 2) supporting the delivery of social services; and 3) empowering children and women through development of knowledge and skills, and ensuring that women participate in decision-making in civil society. All UNICEF programs relate directly to the welfare of children and mothers, and have a widespread impact on the well-being of the world's neediest, most vulnerable population groups. UNICEF programs involve local communities and strive to use equipment and materials which can be locally obtained and maintained. Their projects are coordinated with activities of other donors, including USAID. Ensuring continued effective program delivery is a key objective of U.S. participation on the Executive Board.

UNICEF has a small emergency unit that plays a key role in many international relief efforts, including Bosnia and Rwanda. It works in close coordination with the UN Department of Humanitarian Affairs and the UN High Commissioner for Refugees, among other agencies, on humanitarian assistance in new emergencies, and traditionally holds sectoral responsibility for medical supplies, child needs and water/sanitation work. Enhancing child survival in emergency situations is another key outcome of UNICEF's efforts. UNICEF reports expenditures of

$203 million on emergency efforts during 1995, and emergency program expenditures are expected to continue at high levels in the next few years.

UNICEF's Executive Director has always been an American. Since her appointment in 1995, UNICEF's current Executive Director, Carol Bellamy, has given top priority to implementing the far-reaching recommendations of a recent UNICEF Management Study by Booz-Allen and Hamilton. The U.S. is keenly interested in furthering the management reforms already taking place at UNICEF. Examples include: administrative overhead as a percentage of total expenditures was reduced by 5 percent in 1995; seventeen positions at headquarters were cut and a lower average grade for positions was achieved; a memorandum-of-understanding (MOU) has been signed with UNHCR to improve emergency preparedness and action; Executive Board meetings are conducted more efficiently and have been shortened with resultant cost savings.

STRATEGY:

The United States has always been a strong supporter of UNICEF, consistent with the humanitarian ideals of the American people, who have supported UNICEF generously through private donations over the years. Moreover, UNICEF's development work complements USAID's Child Survival Program. There is a close and continuous dialogue between the U.S. and UNICEF on technical matters of common interest, and strong cooperation in field activities.

Our strategy is to promote continued improvement in project delivery at UNICEF and to support ongoing management reform, known as the Management Excellence Program. Several initiatives are taking place under this program. Formerly separate headquarters and regional office budgets were integrated for the first time this year, giving a clearer picture of the organization's finances for planning and accounting purposes. The inclusion of field offices in next year's budget will make it fully integrated. UNICEF is also streamlining the process of developing five-year plans for each of the 145 countries where it operates, resulting in more efficient planning and Executive Board review. Certain headquarters units are being consolidated to provide for greater efficiency and effectiveness. An upgrade of information systems both at headquarters and in field offices is underway in order to improve financial and supply management. Management teams have been established at various levels to ensure that reforms are carried out and to foster additional ideas and future reforms. MOU's, like that signed recently with UNHCR, are under discussion with WFP and WHO to improve emergency preparedness.

Other donors: The U.S. contribution of $100 million for FY 1996 represents 28 percent of $354 million in total government contributions to UNICEF general resources. Other major donors are Sweden ($40 million, 11 percent), Norway ($39 million, 11 percent), Denmark ($31 million, 9 percent), Japan ($29 million,

8 percent), Netherlands ($26 million, 7 percent), United Kingdom ($13 million, 4 percent), Switzerland ($13 million, 4 percent), Italy ($12 million, 3 percent), Canada ($11 million, 3 percent), Finland ($10 million, 3 percent), Germany ($6 million, 2 percent), Australia ($3 million, 1 percent); Spain, Belgium, Austria, Ireland, France (about $2 million each, under 1 percent each).

PERFORMANCE INDICATORS:

- Reduction in child mortality rates in program countries;
- Improvement in key health indicators (e.g., reduction/eradication of disease, improved nutrition);
- Improved sanitation for children and mothers;
- Better education for children (e.g., primary school enrollment, literacy rates);
- Effectiveness in emergency situations--lives saved and relief provided;
- Implementation of key aspects of proposed management reform;
- Completion of budget integration;
- Completion of headquarters streamlining;
- Installation of upgraded information systems; and
- Completion of MOU's with WFP and WHO.

WORLD FOOD PROGRAM (WFP)

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IO&P	3.000	3.000	2.000

OVERALL U.S. OBJECTIVES:

As the principal vehicle for food aid within the UN system, the World Food Program (WFP) uses commodities and cash donated by member countries for social, economic and environmental development and humanitarian relief. Established in 1963 under the joint sponsorship of the UN's Economic and Social Commission and the Food and Agriculture Organization, WFP operates almost exclusively from voluntary contributions by member states, who have also encouraged acceptance of minor private contributions. Commodities are distributed 1) to support development projects which promote food security (and occasionally political stability) through targeted interventions, 2) for protracted refugee and displaced persons projects, and 3) as emergency assistance in situations of natural and man-made disasters. WFP is also one of the largest sources of funding for environment-related activities in developing countries, spending about a million dollars per day on projects for reforestation and soil conservation, and activities to promote environmentally sustainable agricultural production.

U.S. reliance on WFP has increased dramatically this decade, driven by radically-increased global demand for emergency assistance. Under the leadership of its American Executive Director Catherine Bertini, WFP has coped well with emergencies on an unprecedented scale, improved the quality of its development portfolio, and progressed in the areas of post-emergency rehabilitation and disaster preparedness/prevention. The U.S. also works through WFP to provide multilateral food aid for development projects and relief operations.

STRATEGY:

WFP's food-for-work projects mobilize poor people's labor to create employment and income, and to build the infrastructure necessary for sustained development. Nutrition programs assist school feeding, pre-school toddlers, and pregnant and lactating mothers. WFP has also targeted food aid to those most adversely affected by reductions in food subsidies as a result of structural adjustment

programs. Such development projects long constituted two-thirds of WFP's overall program.

About two-thirds of WFP's resources are used to provide humanitarian food aid in burgeoning emergency and enduring refugee situations, especially in sub-Saharan Africa and central Asia. Under a memorandum of understanding with UNHCR, WFP is responsible for provision of food to refugees in and near conflict areas such as Rwanda, Burundi, Northern Iraq, the Horn of Africa, Chechnya and states formerly part of Yugoslavia and the Soviet Union. New agreements with prominent NGOs further facilitate the task of emergency coordination.

The United States has both encouraged and been impressed by WFP reform efforts. Increased tonnage of food have been moved without a proportionate increase in staff or overhead costs. WFP's administrative budget has been straightlined despite the 1992-1994 doubling in emergency assistance. Our next priorities include completion of a financial system upgrade. WFP is being encouraged to acquire and install new financial and commodity tracking systems. The increased accountability which results will have a salutary effect on donors, who may continue to have confidence in this efficient channel for food aid. WFP's strength lies in its ability to marshal enormous resources from many donors for timely delivery to a burgeoning crisis. Though somewhat removed from its original charter, this capacity has impressed the U.S. and should stand as WFP's primary emphasis. On the development side, WFP worked in 83 countries last year, sometimes on projects so small that overhead costs outpaced resource expenditures. Recognizing this tenuous investment, WFP plans to phase out from many countries. At a time of declining resources, WFP must emphasize the poorest of the poor.

From accounting upgrades to new regimes for audit and inspection, WFP has been very responsive to U.S. reform suggestions and counts on this small, unrestricted IO&P contribution to cover its administrative costs.

Overall, the United States contributes almost a third of WFP's $1.6 billion commodity and cash budget. Other large donors are the EU and Nordics, Japan, Australia, and Canada. Its $100 million administrative overhead is one of the lowest in the UN system and at 6 percent, compares very favorably with most charities.

PERFORMANCE INDICATORS:

- Millions of emergency victims who have not perished;
- Refugee mobility reduced by in situ feeding;
- Number of nations who are graduating from WFP development assistance while becoming valuable markets;

- Low overhead assuring high percentage of dollars working on the ground;
- Increased school attendance by young females in traditional cultures;
- Establishment of farm-related enterprises which graduate to commercial viability;
- Development success which offsets or obviates the need for emergency assistance. Measurable diminution in malnourishment within many long-standing recipient nations; and
- Measurable reforestation and economic benefit derived therefrom.

AFGHANISTAN EMERGENCY TRUST FUND (AETF)

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IO&P	0.250	0.500	0.500

OVERALL U.S. OBJECTIVES:

The U.S. Government supports efforts to relieve the suffering of the Afghan people through the return of peace to Afghanistan accompanied by the establishment of a broad-based, representative government. This in turn will allow the return of close to three million Afghan refugees and internally displaced to their homes, the reconstruction of Afghanistan's war-torn economy and infrastructure, and the opening up of Afghan routes to trade between central and south Asia. The United States supports the activities of the UN, particularly the UN Special Mission to Afghanistan, as offering the best hope for achieving these goals. The UN's appointment of a new Special Envoy, Dr. Norbert Holl, in July 1996 and the assignment of additional mission advisors has given new energy to this effort, and visits by two Congressional Delegations to meet with Afghan leaders in August 1996 is a signal of continuing U.S. interest in its success.

While the peace effort is paramount, the United States also supports interim efforts to help the Afghans, particularly the refugees and internally displaced. These efforts are coordinated by the UN Office for the Coordination of Humanitarian Assistance to Afghanistan (UNOCHA), created in 1988 to coordinate the work of UN agencies involved in Afghan relief and reconstruction, and thereby ensure adequate, cost-effective, and non-duplicative UN programs in Afghanistan. AETF is UNOCHA's funding mechanism. Specific U.S. objectives include:

- U.S. participation in this program is important because the program will help mitigate the effects of the civil war in Afghanistan, which include regional instability, drug trafficking and terrorist training. The United States, as a leader in the fight against communism in Afghanistan, is looked to for leadership in the effort to end the Afghans' war-time suffering.

- Outcomes to be achieved are: 1) reduction in the numbers of refugees and internally displaced persons; 2) more humane living conditions for civilians in Afghanistan and those who remain as refugees through improved infrastructure

(water supply, sanitation, health, education, agriculture, etc.); and 3) effective use of donor funds and coordination of assistance activities for Afghans.

STRATEGY:

The United States plans to achieve its objectives multilaterally by making clear its support for UN humanitarian activities and encouraging other donors to contribute to them.

Our financial commitment will serve as an example of the kinds of contributions that need to be made to help the Afghans. Our diplomatic/personnel resources will make clear that this is a matter of USG policy toward Afghanistan.

A successful strategy will involve continued allocation of USG resources at least at the current level until the war is concluded and security has been re-established in Afghanistan. This is likely to take several years.

Achievement of these objectives is subject to the cooperation or acquiescence of other players in Afghan politics, both internal and external; this is why a multilateral effort, ideally led by the UN, is critical. For example, Iran is an important neighbor of Afghanistan with whom the U.S. does not deal, but the UN does, and can thereby facilitate the orderly return of the 1.3 million Afghan refugees still in Iran.

The IO&P contribution to AETF is one of its few unearmarked donations. As such, it is highly valued because it can be allocated by UNOCHA to purposes where the need is greatest and which might otherwise be neglected.

Other donors: Of the total UNOCHA FY 1996 appeal of $124 million, only $56.0 million, or 45 percent was funded. While in previous years UNOCHA has operated with only half of its appeal request, the current level of donations is below what it has been and below what is needed. Other major donors are the Japan and the European Community and its member nations.

PERFORMANCE INDICATORS:

- Continued support for Afghan humanitarian efforts by other donors: no significant decrease in donor contributions. This is likely to be difficult to achieve, inasmuch as donor contributions have already been declining, reflecting some measure of "donor fatigue" in light of the many years of the Afghan civil war.
- Continued effective management of Afghan humanitarian relief: programs continue to maintain health and education standards for Afghan refugees; low ratio of administrative to program costs.

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD)

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IO&P	-	5.000[6]	2.500

OVERALL U.S. OBJECTIVES:

The International Fund for Agricultural Development (IFAD) is the UN specialized agency and multilateral lending institution whose single mandate is alleviating rural poverty in developing countries. By financing loan and grant projects designed to increase food production and security levels, IFAD has contributed to improving the capacity of the poor to produce food as well as to increase their incomes. Since its inception in 1977, seventy percent of IFAD's projects have benefited African and Asian countries while the remaining thirty percent has been divided among Latin America, the Near East/North Africa and Central and Eastern Europe. In 1996, IFAD's total commitments of $440 million included 32 loans ($410 million) and 60 grants ($50 million).

Support for IFAD reflects the U.S. commitment to increasing food security among those most at risk. It is also an investment in crisis prevention. IFAD seeks to make poor rural people more capable of withstanding natural and man-made disasters -- the sudden shocks that can disrupt development and can lead to large demands for humanitarian assistance from donors.

In the past, IFAD's most notable features were its exclusive focus on rural poverty, when other development financing institutions were addressing other priorities, and the significant contributions that OPEC countries made to financing the institution. Today, poverty alleviation is once more a high priority among the larger multilateral lenders, and OPEC's role in IFAD financing has been considerably reduced. As a result, IFAD is evolving to better carry out its mandate in this new setting. U.S. financing for IFAD, and our participation in its Fourth Replenishment, are meant to support this evolution.

IFAD's principles for assisting the rural poor have now become a part of the standard development policy of most major bilateral and multilateral donors. But while larger institutions have absorbed the ideas, and have more money to spend,

[6] Of which $2.5 million has been transferred to IO & P from the USAID Development Assistance program, as provided by the FY 1997 appropriations act.

the majority do not have IFAD's depth of experience in rural poverty. Based on the reputation its projects enjoy, IFAD has been able to mobilize increased resources and knowledge in a dynamic coalition of IFIs, UN agencies, NGOs the private sector, governments and the poor themselves. IFAD is therefore in the process of re-engineering itself as a "Knowledge Organization" to make its experiences more widely available.

Financial support for IFAD has also undergone marked change. OPEC donors, once contributing more than forty percent of IFAD's funding, will contribute less than 15 percent of the financing for the Fourth Replenishment. At the same time, IFAD generates considerable resources for new projects from its loan repayments and investment earnings. Following the Fourth Replenishment, the United States does not plan to participate in future replenishments.

STRATEGY:

In October 1995, IFAD began implementing a phased re-engineering. As part of this effort, IFAD is taking a more strategic approach to the types of projects it funds. This means that, on average,:

- 25 percent of projects will be small and highly experimental, often in partnership with NGOs ;
- 35 percent will build previous experiments into full scale IFAD projects;
- 15 percent will combine IFAD-tested projects with increased financing levels from larger institutions, such as the World Bank/IDA; and
- 25 percent will cofinance projects originated by other agencies. IFAD is also focusing on a select group of "subsectors" where it has proven expertise. These include:
  - Research and extension;
  - Environmentally-sound, small-scale irrigation and livestock management;
  - Micro-enterprises;
  - Expanding marketing opportunities and access to financial services.

Although IFAD has made good progress in implementing the changes that the United States and other members have requested, room for improvement remains. In particular, allocation of projects among countries and regions should be more strategy-driven. Also, the replenishment system should be replaced with a system better suited to an institution that relies most heavily on OECD donors.

In August, 1996 the United States informed IFAD that it was prepared to pledge $30 million to the Fourth Replenishment. The cost of fulfilling the U.S. pledge will be shared equally between IO&P and bilateral development assistance. Terms of the Fourth Replenishment were agreed in November 1996. It is anticipated that the Fourth Replenishment will be endorsed by the February 1997 Governing

Council and that the United States will pay an initial installment of $5 million in FY 1997. The FY 1998 request represents the IO&P share of the second payment toward the U.S. pledge.

The Fourth Replenishment will total $472 million of which OECD donors will provide $345 million, OPEC donors will provide $70 million, and developing countries will provide $57 million. The U.S. contribution of $30 million represents 6.4 percent of the total.

Other major donors to the Fourth Replenishment will be: Japan, $38 million; Belgium, $37 million; Germany, $36 million; Denmark, $27 million; and Kuwait, $25 million.

PERFORMANCE INDICATORS:

- Increase in beneficiary income attributable to IFAD projects;
- Increase in nutrition levels among beneficiaries attributable to production/income gains from IFAD projects;
- Percentage of project funding directly benefiting beneficiaries (versus amount going to recipient government agencies and overhead).

INTERNATIONAL CIVIL AVIATION ORGANIZATION (ICAO) AVIATION SECURITY (AVSEC) TRUST FUND

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IO&P	0.100	0.100	0.100

OVERALL U.S. OBJECTIVES:

The AVSEC Trust Fund supports ICAO efforts to strengthen aviation security, and prevent terrorism and unlawful interference with civil aviation and its facilities. U.S. objectives are to achieve maximum implementation of ICAO Standards and Recommended Practices (SARPS) in aviation security, and the attainment by states of self-sufficiency in basic aviation security and training.

The AVSEC fund was established following the destruction in December 1988 of Pan Am flight 103 over Scotland. At that time, the United States took the lead among those calling on ICAO to strengthen its aviation security role and in establishing the AVSEC fund. The destruction of UTA flight 771 over Niger in September 1989, further emphasized the urgency of the situation. With the destruction of TWA 800 near Long Island, the U.S. is urging that ICAO accelerate the establishment of additional heightened security measures at airports.

As the world's leading aviation power, the United States has played a prominent role in strengthening the fund's aviation security activities. The improvement of security for international air travel is of great importance to the United States. As the operator of nearly half of the world's air traffic, the United States is especially vulnerable to illegal acts directed against civil aviation. The AVSEC fund provides assistance to countries to meet basic ICAO standards in the area of aviation security. Such assistance can make a crucial difference, especially in countries with poorly developed security systems, many of which are extremely vulnerable to interference with civil aviation and its facilities.

STRATEGY:

Since its inception in 1990, the AVSEC has been highly successful in rendering assistance to states in the implementation of ICAO SARPS on aviation security. Upon request the program provides assessments, advice, and specialized training of security personnel. Workshops and training activities have been undertaken to meet deficiencies in programs and procedures. Of 119 countries that have requested assistance, 86 have been visited to date.

In 1998, evaluation visits to countries that have requested assistance, instructional seminars, and follow-up missions are planned. ICAO will also provide model training courses for aviation security personnel to enable states to achieve self-sufficiency in basic aviation security implementation and training.

Other Donors: In 1996, contributions were also received from Australia, Belgium, France, and the UK France, Canada, and the UK also provided professional staff posts for the program. Pledges to AVSEC of more than $5 million have been made from 17 countries since its inception in 1990.

PERFORMANCE INDICATORS:

- Evaluation visits to countries requesting assistance and follow-up missions
- Workshops and training activities that target specific deficiencies in programs and procedures
- Maximum implementation of ICAO Standards and Recommended Practices on aviation security
- Self-sufficiency of states in basic aviation security and training

UNITED NATIONS POPULATION FUND (UNFPA)

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IO&P	22.750	25.000	30.000

OVERALL U.S. OBJECTIVES:

International population policy is a critical element of the USG's comprehensive strategy for sustainable development, which integrates goals for population and health with those of protecting the environment, building democracy, and encouraging broad-based economic growth. Slower population growth promotes internal stability and social and economic progress in other countries and serves the U.S. long-term foreign policy strategy to foster economic development abroad in order to improve trade opportunities for Americans and to reduce the potential for future global crises.

The U.S. implements its population policy through both bilateral and multilateral programs. In the bilateral context, USAID is the primary agency responsible for assisting developing countries with comprehensive population and development programs. However, as USAID funding declines, multilateral programs will grow in importance.

The United Nations Population Fund (UNFPA) is the largest multilateral donor organization in the population sector and has primary responsibility within the UN system for providing population assistance to developing countries and countries with economies in transition. UNFPA assistance directly complements bilateral assistance provided by the U.S. and other governments.

Since 1995, as a direct result of the International Conference on Population and Development (ICPD) held in Cairo in 1994, UNFPA concentrates its funding in three core areas:

- Reproductive health and family planning;
- Population policy; and
- Advocacy.

Within each program area, UNFPA supports research, training, awareness creation and information dissemination. Gender concerns and women's empowerment are integral components of all UNFPA programming. Likewise,

the Program of Action of the ICPD mirrors U.S. population policy in its emphasis on reducing infant and maternal mortality, preventing transmission of sexually transmitted diseases including HIV/AIDS, improving the economic, social and political status of women, supporting the family, narrowing educational gaps between boys and girls, increasing men's responsibilities in reproductive health and child rearing, and discouraging wasteful resource consumption.

The overall objective of the USG is to implement the program agreed upon in Cairo. This includes the establishment of national population policy programs in each country, the conversion of family planning into reproductive health programs and the attainment of self-sufficiency by recipient countries. The Administration has determined that population assistance is an important means to achieve political and economic stability in the developing world. UNFPA is the leading multilateral organization

Providing critically needed voluntary family planning services throughout the developing world. UNFPA's worldwide programs have contributed to a sharp decline in the fertility rate in developing countries -- from around six children per woman to less than four in only 25 years.

STRATEGY:

The U.S. will use its position as an important contributor and our seat on the UNDP/UNFPA Executive Board to ensure that our contribution is spent in a manner which promotes coherent follow-up to the Cairo Program of Action and sustainable population growth worldwide consistent with U.S. goals. U.S. strategy toward UNFPA, however, is closely linked to the size of our contribution to UNDP whose Executive Board also oversees UNFPA. Through working with UNFPA, it is expected that developing nations will implement the Cairo program of action and increase the effectiveness with which they use assistance funds.

Other Donors: Pledges for 1996 include: Netherlands ($46.5 million); Germany ($32 million); Switzerland ($7.8 million); Australia ($3 million); and Belgium) $2.4 million).

PERFORMANCE INDICATORS:

- Wider adoption of national programs consistent with ICPD goals;
- Significant increases in the population served by UNFPA program;
- Broadening of reproductive health services in countries with UNFPA programs; and
- Increases in the amount of resources dedicated by countries to population stabilization.

UNITED NATIONS ENVIRONMENT PROGRAM

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IO&P	8.000	11.000	11.000

OVERALL U.S. OBJECTIVES:

UNEP is the United Nations' principal multilateral environment organization. It deals with environmental issues on a global scale. The U.S. recognizes that our ability to advance our national interests around the globe is linked to management of the earth's natural resources. Environmental problems that transcend borders directly threaten the health and job prospects of Americans. Addressing natural resource issues in other countries is critical to achieving the necessary political and economic stability the U.S. requires for its long-term prosperity and peace.

The U.S. government is committed to a full integration of environmental concerns into U.S. foreign policy, and views UNEP as a principal avenue for advancing its interests in a multilateral context. UNEP provides an important forum for catalyzing and coordinating international responses to global environmental problems. The U.S. government is also committed to the promotion of sustainable development as a precept in its foreign assistance programs. UNEP can provide experienced guidance by identifying environmentally sound development practices. UNEP also supports the collection, assessment and dissemination of environmental information to governments and the private sector. This supports the ability of decision-makers to base international policy decisions on accurate scientific research. UNEP also facilitates the use of and response to this information by providing governments with advice and training upon request in environmental assessment, management, legislation and regulation.

UN General Assembly Resolution 2297 (XXVII) established UNEP in 1973 to implement the institutional recommendations of the 1972 UN Conference on the Human Environment. UNEP's creation stemmed from a U.S. initiative, and the United States has been the leading contributor -- both financially and technically -- to the Program since its inception. UNEP's mission is "to provide leadership and encourage partnership in caring for the environment by inspiring, informing and enabling nations and people to improve their quality of life without compromising that of future generations."

The UN Conference on Environment and Development (UNCED), held in Rio de Janeiro in June 1992, reaffirmed UNEP's role as the principal UN environment body. Since the Rio conference, UNEP has worked hard to maintain its role as an international environmental catalyst, an effort hindered by a number of factors that have curtailed the organization's effectiveness. Nevertheless, UNEP is still uniquely placed to stimulate, facilitate and coordinate actions at all levels -- national, regional, and international -- in response to emerging environmental issues.

Continued U.S. leadership in UNEP is crucial if UNEP is to fulfill its role as the world's "environmental conscience." UNEP's role in monitoring and assessing global environmental trends and providing the clarion call for action is essential if the negative consequences of rapid economic growth, urbanization and overpopulation are to be countered. Specifically, UNEP provides the U.S. with a global forum to discuss international environmental issues and provides a platform from which to launch cooperative efforts, like the Montreal Protocol on Ozone-Depleting Substances. In addition, U.S. involvement in UNEP allows the United States to protect and promote the economic and trade interests of U.S. industry that are directly affected by evolving international environmental standards.

UNEP's concentration on five broad priority areas overlaps with those issues that the U.S. has identified as important for U.S. foreign policy. UNEP works on: land resource degradation, including desertification, deforestation and loss of biodiversity; oceans and coastal areas, especially regional seas, toxic chemicals and hazardous wastes; fresh water supply and quality; and atmospheric issues, especially ozone depletion, climate change and acid rain. The U.S. has worked with UNEP to sponsor international negotiations on chemical safety and land-based sources of marine pollution. UNEP's programs often reflect U.S. interests. During a review exercise in 1996, many of UNEP's priorities mirrored those of the United States. As a multilateral agency, UNEP has been able to achieve successes in areas the U.S. could not have achieved through bilateral relations. The U.S. has five objectives for UNEP's work:

- Identify emerging global environmental problems.
- Develop and build consensus for action on key environmental issues.
- Manage the convention secretariats for international environmental agreements more efficiently, (e.g. Convention on International Trade in Endangered Species, etc.)
- Develop a stronger science capability.
- Improve developing governments' capabilities to foster policies and measures to ensure meaningful environmental protection.

STRATEGY:

UNEP is essential for achieving several important U.S. objectives. First, UNEP will oversee the upcoming negotiations on a global agreement to deal with the use of persistent toxic chemicals and pesticides - such as DDT and PCBs - which are transported long distances through the atmosphere and oceans, affecting populations far from their region of use. While the U.S. banned the use of these substances long ago, their use in other countries poses a continuing health risk to U.S. citizens. The U.S. intends to seek a mandate for UNEP-sponsored negotiations on an agreement to minimize or eliminate the use of such substances globally.

UNEP likewise has the lead in international efforts to implement the results of 1995's U.S.-hosted Washington Conference on Land-Based Sources of Marine Pollution. Because land-based sources represent the greatest source of pollution in the marine environment, the U.S. has placed a high priority on international action in this area. Other critical issues for the U.S. in UNEP include efforts to monitor and assess the state of the global environment, to ensure that the secretariats of international environmental agreements operate efficiently, and to promote regional programs to deal with regional environmental problems.

To maintain the organization's activities of greatest interest to the United States, we plan to direct some of the U.S. financial contribution to support UNEP programs, etc. These include UNEP's work to reach agreements in the field of toxic chemicals and pesticides, its implementation of the Global Plan of Action on Land-Based Sources of Marine Pollution, and support specific for the secretariats of international environmental agreements.

The U.S. will also work diplomatically to build consensus for realistic prioritization of activities, development of a flexible governance structure, reforms in financial management (building on UNEP's current efforts), expansion of UNEP's scientific base, and continued regionalization of UNEP functions, in particular to UNEP offices in Geneva, New York, Mexico, and Bangkok.

The U.S. Permanent Representative to UNEP in Nairobi will continue to play an important role. S/He will need to provide insight into UNEP's management, make policy recommendations, and influence UNEP's approach to its program of work. U.S. diplomatic personnel in Geneva and New York will also be required to advance consensus on UNEP reforms. In-kind contributions to UNEP's work from various U.S. government technical agencies will also be part of the strategy.

Other donors: The U.S. contribution of $8 million in FY 1996 is estimated to be one-seventh of the required budget of $54 million. Other major contributors thus far include the United Kingdom-$5.6 million, Germany-$6.3 million, Switzerland-$3.1 million, Sweden-$2.9 million, Denmark-$2.3 million, Norway-$2.3 million.

A number of developing countries have increased their contributions or made contributions for the first time. This seems to indicate an growing awareness of the importance of a global environmental agency.

PERFORMANCE INDICATORS:

- On-going international negotiations and discussions on major environmental problems sponsored by UNEP, in particular in the field of toxic chemicals, pesticides and marine pollution;
- Identification of emerging environmental trends and increased coverage in the news media; improved coordination of UNEP's existing environmental monitoring and assessment system;
- Efficient support by UNEP for international environmental agreements and secretariats;
- Financial systems in place with real-time, accurate information for managers;
- Establishment of an independent satellite communication system (Mercure) for UNEP and reliable internet/data linkages; and
- The continued expansion of environmental legal frameworks in developing countries.

MULTILATERAL FUND FOR THE PROTECTION OF THE OZONE LAYER

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IO&P	22.000	27.500	28.000

OVERALL U.S. OBJECTIVES:

Human-caused depletion of the stratospheric ozone layer has been weakening the Earth's shield against ultraviolet (UV) radiation, thus raising the likelihood of increased rates of skin cancer, producing a probable suppression of human immune systems and posing a threat to plant and aquatic organisms.

The United States was the principal architect behind the multilateral effort to protect the ozone layer, a problem which knows no national boundaries. The 1985 Vienna Convention for the Protection of the Ozone Layer and its 1987 Montreal Protocol on Substances that Deplete the Ozone Layer were concluded in order to reverse the damage attendant to human-caused emissions of ozone-depleting substances (ODS). The Protocol supplements and buttresses the considerable efforts the United States has taken domestically to phase out ODS. Our efforts would be undermined were other countries to increase their use of these substances.

The Fund has also provided excellent opportunities for U.S. industries to export technologies. The United States is the leader in ozone protection technologies, especially dominating in the halons and mobile air conditioner recycling sectors. Thus, the United States can expect to capture a disproportionate amount of the sales/technology transfer opportunities created by Multilateral Fund projects, with the revenue to U.S. companies exceeding total U.S. contributions to the Fund.

The work program of the Multilateral Fund must proceed on schedule to avoid substantial adverse health impacts on Americans. The Fund's inability to initiate ODS reduction projects at the earliest possible moment will increase peak chlorine loading levels, stretch out the time over which degradation of the ozone layer will occur and undercut or negate U.S. domestic efforts. Analyses also show that in almost all countries early project implementation will mean less eventual demand on Fund (and U.S.) resources.

Our objectives for FY 1998 in ozone depletion include assuring continued adequate funding for the Multilateral Fund; getting the developing world to accelerate its current commitments to phase out chlorofluorocarbons, halons, etc., and consider taking on added ones with respect to methyl bromide, another major ozone depleter; and making progress to reduce widespread CFC smuggling.

STRATEGY:

In adopting the Protocol, the developed and developing world acknowledged that a partnership was required to phase out ODS. Thus the Parties to the accord agreed in principle to support developing countries by financing the incremental (extra) costs attendant to their phaseout of ODS. At their Second Meeting in London in 1990, the Protocol Parties set up an interim Multilateral Fund to assist developing countries whose annual per capita consumption of ODS was less than 0.3 kilograms. The Fund was established on a permanent basis by the Fourth Meeting of the Parties in Copenhagen in late 1992.

The U.S. faces such challenging issues as the implementation of phaseout programs for CFC consumption and production in China, India, and Russia, combating CFC smuggling, and continued adequate funding of the Multilateral Fund. We intend to continue working in coordination with other developed and developing countries to ensure that agreed upon phaseouts in use and manufacture of ODS proceed on schedule. As a permanent developed country member of the Executive Committee, we are well placed to influence major policy decisions governing the operation of the Fund and its allocations for individual projects. We also work through the annual meeting of the Parties to influence decisions which prescribe the actions to be taken by developed and developing countries.

On the smuggling front, the U.S. is using its intelligence capabilities to track illegal shipments of CFCs and other ODS from other countries into the U.S. and elsewhere around the world. We are establishing lines of communication with other concerned nations to develop more systematic ways of addressing this growing threat to the Montreal Protocol regime and to the environment itself. We plan to use the Gore-Chernomyrdin process as well as other bilateral initiatives to better coordinate our efforts in this and other areas.

PERFORMANCE INDICATORS:

- Successful implementation of the ODS phaseout schedule for developed and developing nations is indicator. In addition, marked reductions in CFC smuggling as measured by tons seized, illegal factories closed, and the number of deals transacted would also indicate achievement of our objectives.

INTERNATIONAL CONSERVATION

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IO&P	2.050	4.050	3.750

OVERALL U.S. OBJECTIVES:

The United States supports the following international conservation programs: the Convention on International Trade in Endangered Species (CITES), the World Conservation Union (IUCN), the International Tropical Timber Organization (ITTO), and the Ramsar Convention on Wetlands of International Importance (Ramsar). While each organization is unique, all are essential to conserving the world's wildlife and natural habitats. As the world continues to grapple with the effects of population growth and concomitant environmental degradation, modest U.S. expenditures to support these key organizations take on greater importance.

The United States, long a leader in conservation policy, is an influential participant in these four programs. An increased understanding of the critical interdependence of global natural systems has placed the sustainable use of natural resources at the top of the environmental agenda. Each of the four programs embraces the principle of sustainable development: A balance between preservation of resources and their responsible use for legitimate development needs.

CITES is a highly effective international convention that protects species in peril by restricting international trade in certain plants and animals. CITES, which was ratified in 1973, allows for trade in some species through a system of permits, enabling such activities as research and education and such commercial activities as big game hunting and alligator farming. Besides affording these tangible economic benefits, CITES is an important political forum in which U.S. environmental leadership is well-known, respected and influential. As a result, modest U.S. contributions are multiplied whenever CITES adopts and implements policies and activities that support U.S. conservation and sustainable use goals.

The IUCN is an alliance of governments, government agencies (including six U.S. agencies) and international and local NGOs. The organization's 800-plus members play key roles in facilitating, activating, and coordinating international environmental activities. In IUCN's various commissions, 6,000 volunteer experts, many of them scientists, confer on solutions to difficult environmental

issues. IUCN is decentralizing to improve its responsiveness to its many members.

The ITTO is the only international forum in which both producing and consuming countries participate in efforts to address all aspects of the tropical timber economy and the environmental aspects of forest management. ITTO's recognition of the timber market's dependency on sustainable harvesting links U.S. trade interests with U.S. priorities for sustainable forest management. The ITTO helps us advance our global environmental objective of stemming the rapid destruction of the world's tropical forests, which has contributed to soil erosion, siltation of waterways, loss of biodiversity and global warming.

The Ramsar Wetlands Convention pioneered the concept of sustainable use 25 years ago by realizing the importance of factoring in the human element in wetlands conservation. Since then, 92 nations have designated more than 775 wetlands of international importance. Using modern techniques in resource management planning, Ramsar assists member states in finding acceptable compromises between development needs and wetlands preservation.

These four organizations provide significant environmental and economic benefits to the U.S. CITES, IUCN, and Ramsar have domestic conservation activities that directly benefit U.S. taxpayers; Ramsar, for example, has designated sites in the United States, and uses U.S. technical and managerial expertise, providing employment for American scientists, resource managers, and others. All promote international environmental goals that further U.S. policy interests.

In addition to promoting sustainable forest management through the ITTO, the U.S. shares its experiences in forest management bilaterally with other countries. As part of the successful negotiation of a new

International Timber Agreement in January 1994, the U.S. committed itself to the "national goal of achieving sustainable management of U.S. forests by the year 2000."

STRATEGY:

CITES: As a major donor to the Convention, the U.S. enjoys strong influence. The U.S. has provided training in enforcement and other means of implementing the Convention. Domestic U.S. laws have been used to achieve these objectives (e.g., the Pell Amendment was successfully invoked to pressure Taiwan into enactment of stronger laws and enhancement of its enforcement efforts). The U.S. has also traditionally enjoyed good relations with the CITES Secretariat; as a member of the CITES Standing Committee (which meets between the meetings of the Conference of Parties (COP)), the Timber Working Group, and the Working

Group on the relation between UNEP and CITES, the U.S. has been very influential in development and implementation of international policy.

IUCN: The United States has developed an excellent working relationship with IUCN, especially since the reorganization of the U.S. IUCN office. This valuable relationship is significantly influencing IUCN activities around the world, resulting in more U.S. input and influence in IUCN's decision making process with regard to issues sensitive to the USG. IUCN has made it clear that it is interested in working cooperatively with the United States

We also hope to use IUCN as an avenue to improve our communication with the European nations (who are heavily invested in the organization) in the environmental policy realm.

ITTO: The U.S. focuses its voluntary contributions to the ITTO on projects specifically designed to help achieve ITTO's "Year 2000 Objective" -- having internationally traded tropical timber come from sustainable managed forests by the year 2000. These projects help tropical timber producing countries implement appropriate policies to conserve and sustainably use their forests, while generating significant global environmental benefits and assuring U.S. importers of a long-term supply of tropical wood.

Ramsar: We are the major supporter of the Ramsar Convention, and as such, we have considerable influence in its formulation of policy and an annual work plan. We successfully exercised this influence in March 1996, when a U.S. delegation participated in the Conference of the Parties held in Brisbane, Australia. Our main strategy has been to focus on training of wetlands managers in Latin America and the Caribbean. This is evidenced by Ramsar's "Wetlands for the Future" program, that became fully operational in 1996.

CITES: Modest U.S. contributions, supplemented by other donor countries, support the implementation of policies and activities consistent with U.S. conservation and sustainable use goals.

ITTO: By the end of 1995, contributions by member countries to ITTO's voluntary project account totaled $117 million. Of the major donors, Japan contributed $95.3 million; United States, $4.8 million; Switzerland, $3.7 million; United Kingdom, $3.0 million; Netherlands, $2.3 million; Denmark, $1.9 million. Other significant contributors included Sweden, Norway, Australia and France. The U.S. contributions have annually leveraged millions of dollars from other donors by co-financing studies and projects related to improving market transparency and forest management practices, as well as the market implications of timber certification, training, institution building, forest inventory and resource assessment.

IUCN: Given IUCN's huge membership, our contribution is relatively minor, but it is still probably the single largest of its kind, and thus is taken very seriously by IUCN. Considering the size of the organization, we are able to accrue more than our share of leverage with our contribution, in furtherance of our USG global environmental goals.

RAMSAR: The US is the major donor for Ramsar, and as such is thought of as a crucial actor in Ramsar planning.

PERFORMANCE INDICATORS:

CITES: CITES has been working for more than two decades to protect endangered wildlife and plant species. In that time, CITES has achieved notable successes, including:

- Establishment of management authorities in many countries, resulting in effective international monitoring and control of trade in endangered flora and fauna;
- Effective trade control of ivory, which has benefited elephant populations that had fallen into serious decline; and
- Improved cooperation and information exchange on trade in endangered species, such as elephants, tigers, rhinos, pandas, crocodilians, and exotic birds and plants.

As a result of the November 1994 COP, CITES is embarking on several new programs of great interest to the United States. The Timber Working Group, for example, is examining technical issues involved in implementing CITES for listed species of trees. In the coming years, CITES will also focus on shark trade, elephants, and improved trade restriction enforcement.

IUCN: The IUCN has been described as the mortar that keeps much of the international environmental community together. The IUCN provides technical and scientific advice to its many members and, through its links with other international organizations, to unaffiliated governments and organizations. Its central mission is to promote the conservation of biodiversity and the equitable, sustainable use of natural resources. The IUCN's ambitious program for FY 1998 is focused on the following broad themes: (1) conservation and sustainable development planning; (2) conservation of biodiversity; and (3) provision of direct conservation services. Recent IUCN achievements include assisting Russia in developing a sustainable forest management plan for the Komi region, and leading efforts to establish an NGO resource center on trade and sustainable development.

ITTO: The ITTO has adopted guidelines for sustainable management of natural tropical forests, plantation management, and the conservation of biodiversity in

production forests. It has also developed criteria and indicators for the sustainable management of tropical forests. Producer member countries apply these guidelines and criteria based on their specific conditions. Member countries also prepare progress reports on their efforts to achieve sustainable forest management, as part of ITTO's review of the Year 2000 Objective and on market statistics to improve transparency of the tropical timber market.

Ramsar: Ramsar, which celebrated its 25th anniversary in 1996, is a pioneering convention that has made remarkable progress worldwide in conserving wetlands. Initially envisioned as a means to protect habitat for migratory waterfowl, Ramsar now embraces the protection and sustainable use of all types of wetlands. Since Ramsar can also cover biologically diverse marine ecosystems, this new emphasis dovetails with a major Administration initiative on coral reefs. One-third of the U.S. contribution to Ramsar over the past two years has been used to establish the Western Hemisphere training fund, called "Wetlands for the Future," administered by Ramsar with assistance from the U.S. Fish and Wildlife Service.

CLIMATE STABILIZATION FUND
UN FRAMEWORK CONVENTION ON CLIMATE CHANGE (UNFCCC)

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IO&P	1.900	2.585	4.000

OVERALL U.S. OBJECTIVES:

The UN Framework Convention on Climate Change (UNFCCC), along with the Intergovernmental Panel on Climate Change (IPCC), represents the front line of the global defense against the threat of climate change, considered by many to be the single, most serious environmental threat facing our planet. The UNFCCC has united nearly 160 countries in a global response effort to achieve the ultimate objective of stabilizing concentrations of greenhouse gases in the atmosphere at a level that would prevent dangerous human interference with the climate system. Success depends on long-term commitment by all nations, including developing countries and the so-called "economies in transition" -- countries of Eastern Europe and the former Soviet Union.

In the current round of climate negotiations designed to address the years after 2000, the U.S. hopes to achieve a negotiated protocol or another legal instrument which contains legally binding targets and timetables and provisions for emissions trading and/or joint implementation to reduce greenhouse gas emissions in the most flexible manner possible. The Parties will likely agree upon this next step at their meeting in December 1997.

STRATEGY:

As the fourth nation and the first industrialized nation to ratify the Convention, the U.S. is committed to the current negotiating process established at the first meeting of the Convention's Conference of the Parties which took place in Berlin in April 1995. There, the Parties agreed that current commitments under the Convention are inadequate to meet the threat of climate change. They agreed to set up an ad hoc group (known as the Ad Hoc Group under the Berlin Mandate -- or AGBM) to begin negotiations aimed at strengthening existing commitments. The goal is to conclude negotiations as early as possible in 1997 and to adopt a protocol or another legal instrument at the Third Conference of the Parties.

We intend to use our extensive knowledge of the issues and the process within the AGBM structure and to work through established diplomatic channels to achieve our main objectives. The UNFCCC Secretariat has proven itself a competent organization in preparing for AGBM sessions and meetings of the other subsidiary bodies under the Convention, at which many technical and financial issues are considered and decisions are taken. We face a number of obstacles, however, in terms of other countries' approaches to this issue: at one end of the spectrum are small island states whose very existence could be threatened by a rising sea level, and at the other end are oil-producing nations that fear any measures taken will have adverse impacts on their livelihood. We will have to use all multilateral and bilateral tools at our disposal to convince others to adopt an approach in line with our proposals.

The FY 1998 budget request for the UNFCCC rises to $4.0 million in FY 1998 based on the expected UNFCCC administrative budget for the 1997-98 biennium, as well as further U.S. voluntary contributions to the projected needs of the two trust funds established by the Conference of the Parties to support participation in the Convention and meet extrabudgetary needs of the Secretariat. In FY 1998, we anticipate that the Parties to the Climate Convention will need to assume their own conference servicing expenses, and that these will cease to be paid from the UN regular budget. The U.S. share will likely be about $750,000. In addition, the Parties will need to increase the Convention budget to handle an exploding number of critical tasks, including negotiations to implement the "Kyoto Agreement," the first in-depth review of developing country communications, and the second of developed country communications. Under UNFCCC financial procedures, the U.S. indicative share of the administrative budget is 25 percent.

There are now over 160 Parties to the Convention, each of whom contributes to the UNFCCC administration based on an indicative scale. This indicative scale is identical to the Parties' percentage contributions to the regular budget of the United Nations.

PERFORMANCE INDICATORS:

In FY 1998, the U.S. will have achieved its desired outcome if the Parties to the UNFCCC at their Third Conference agree on a legal instrument which reflects U.S. objectives for further international action (see "Overall U.S. Objectives" section above). Such an agreement would be the culmination of two years of intensive diplomatic efforts, built upon previous years' work. After final agreement is reached, we will need to begin implementing the provisions, provided that, if required, the U.S. Senate gives its advice and consent, enabling the President to ratify the instrument.

INTERGOVERNMENTAL PANEL ON CLIMATE CHANGE (IPCC)

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IO&P	0.600	0.640	1.000

OVERALL U.S. OBJECTIVES:

The Intergovernmental Panel on Climate Change (IPCC), begun in 1988 as a joint effort of the World Meteorological Organization and the United Nations Environment Program, is the single, most authoritative, international scientific and technical assessment body with respect to climate change. The Panel's assessment efforts are crucial to establishing the scientific and technical underpinnings of domestic and international policy responses to combat the threat of global climate change, and its findings strongly influence policy debates within and between nations. Without the IPCC's assessments and the consensus it has established among the world's leading experts, reaching sound policy decisions within the UNFCCC and the U.S. government would be, at best, extremely problematic. As the UNFCCC continues its work, the relationship between the convention and the IPCC is expected to intensify as the IPCC is called upon increasingly for scientific and technical information and assessment advice.

The United States has strongly supported the work of the IPCC since its inception. Our leadership on scientific matters is well recognized by the other nations that participate in the IPCC. The United States needs to ensure that the IPCC adequately supports the Climate Convention process -- without adequate funding, the IPCC may not be able to deliver requested assessments which provide policy makers with sound scientific and technical guidance. The U.S. goal is to help guarantee the reputation of the IPCC and its assessments as the most comprehensive and authoritative source on the science of climate change. To that end, the United States will insist that the IPCC remains as rigorous as ever in completing the reports requested in a timely fashion, following established procedures.

STRATEGY:

In FY 1998, the United States intends to influence the launch of the Third Assessment Report, which has an expected completion date in the year 2000 or early in 2001. A large part of its success will depend on a smooth transition of leadership between the outgoing and incoming chair of the IPCC. The incoming

chair is a former U.S. Government official. Success also hinges on continued generous support from the USGCRP and the U.S. Government agencies that provide both technical experts and funding for assessments. The United States has served as Co-Chair of IPCC Working Group II on impacts, adaptation and mitigation. The United States will also seek to guide the formulation and review of special and technical reports requested of the IPCC by the UNFCCC and the IPCC Plenary.

In addition, the United States will participate in technical meetings and the IPCC plenary session in that time frame. The United States serves as the Chair of the IPCC's Ad Hoc Task Force on Long-Term Financing and is a member of the IPCC Bureau. All of these efforts will build upon the IPCC Second Assessment Report (SAR), completed in December 1995. The SAR will serve as the scientific and technical basis for continuing deliberations under the UNFCCC on next steps to combat the threat of climate change in the post-2000 era.

In FY 1998, the Intergovernmental Panel on Climate Change (IPCC) will initiate work on its Third Assessment Report, which will require a significant increase in its budget due to the broad range of complex issues to be assessed, the administrative structure needed and the personnel involved in the effort. The IPCC will also have a number of special and technical reports to complete. The United States will by then chair the IPCC and will need to lead international assessment efforts. The FY 1998 budget request for the IPCC is increased to $1.0 million based on the projected needs for the coming year.

All contributions to the IPCC budget are voluntary and no indicative scale has yet been agreed. The United States has sought to limit its contribution to no more than 25 percent of the annual agreed IPCC budget. Other donors contribute the remainder. A number of these countries, primarily OECD countries, contribute far more than their percentage shares of the United Nations regular budget.

PERFORMANCE INDICATORS:

- In FY 1998, the United States will have achieved its desired outcome based on several performance factors: whether the succession in leadership goes smoothly and the new Chair's vision for the Third Assessment Report (TAR) is agreed upon; whether, as a consequence, the TAR is launched successfully; and whether the requested technical and special reports are completed to our satisfaction in a timely manner.

INTERNATIONAL CONTRIBUTIONS FOR SCIENTIFIC, EDUCATIONAL & CULTURAL ACTIVITIES (ICSECA) INCLUDING THE WORLD HERITAGE CONVENTION

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IO&P	1.200	2.325	2.250

OVERALL U.S. OBJECTIVES:

The ICSECA account supports the World Heritage Convention and U.S. participation in UNESCO-related international scientific, educational and cultural activities considered essential to U.S. interests. Such participation enables the U.S. to take initiatives within selected UNESCO multilateral programs that serve the interests of the American educational, scientific, cultural and communications communities. (The U.S. withdrew from UNESCO in December 1984.) The programs proposed for funding seek to:

- Promote the advancement, transfer and sharing of scientific knowledge.
- Foster understanding and protection of the global environment.
- Support a free, independent and pluralistic press;
- Develop electronic networks of information exchange, storage and retrieval;
- Enable the U.S. to maintain influence and leadership in high-priority UNESCO activities such as the Intergovernmental Oceanographic Commission (IOC).

Several of the programs were U.S. creations within UNESCO that play an important role internationally but need continued U.S. intellectual and financial support to function effectively. The most important are the Intergovernmental Oceanographic Commission (IOC), the Man and the Biosphere Program (MAB), the International Hydrological Program (IHP), the International Geological Correlation Program (IGCP), and the Intergovernmental Program for the Development of Communications (IPDC).

The World Heritage Convention -- an extension to the international level of the National Park concept -- is a product of U.S. initiative and leadership. This conservation landmark is among the most effective international tools for the protection of ecosystems and in situ biological diversity. The United States was

the first of 146 nations to ratify it. Its objectives, and U.S. goals as a State Party, are to:

- Identify and list natural and cultural sites considered of exceptional interest and universal value; (in requesting inscription of sites, States commit themselves to protecting them and to monitor their status).
- Assist States Parties, at their invitation, to meet their commitment to protect sites through technical and financial aid made available through intergovernmental and NGO networks.

The Convention has no role or authority beyond listing sites and offering technical advice and assistance.

STRATEGY:

The need for understanding our own planet has motivated the scientific community to develop major international programs to provide policy makers with the best available scientific knowledge for setting strategies for sustainable human development. The ICSECA account facilitates flexible, collaborative partnerships between international governmental and nongovernmental organizations concerned with the advancement of science and technology, the understanding of global environmental problems and the improvement of the human condition.

Thus, ICSECA provides funds -- through a grant to the National Academy of Sciences (NAS) -- to the International Council of Scientific Unions (ICSU) in support of programs that address global environmental change, biodiversity, natural hazards reduction, and scientific capacity building. This grant also provides funds for a number of small catalytic subgrants in support of specific programs in microbiology, the chemical sciences, and the international social sciences that would have been supported by UNESCO were the U.S. still a member.

The ICSECA account also provides a voluntary contribution to the IOC that permits continued U.S. participation in a leadership capacity, to the U.S. MAB program for UNESCO-related international activities, to the U.S. Geological Survey for international hydrological programs, to the U.S. Commission on Libraries and Information Science (NCLIS) to promote electronic information storage and retrieval, and to UNESCO in support of a free, independent and pluralistic press and selected education programs in literacy and international understanding.

In the case of the World Heritage Convention, the U.S. will work through its seat on the 21 member World Heritage Committee, the convention's operating arm. The Committee recently adopted new U.S.-inspired operating guidelines, selection

criteria and a natural heritage training program. Training will address both marine and terrestrial site resource management, sustainable tourism management and community cooperation.

A funding increase of $50,000 to a total of $500,000 is necessary to maintain U.S. credibility and influence on the World Heritage Committee and to bolster our efforts to support effective decentralization and administrative flexibility for the World Heritage Center within the UNESCO structure. Such an increase would still leave the U.S. contribution approximately $100,000 below the target contribution figure of 1 percent of the U.S. annual payment to UNESCO were it a member.

PROJECT	**1998 PLAN**
NAS	600,000
IOC	600,000
World Heritage	500,000
MAB	300,000
Free Press	80,000
NCLIS	75,000
IHP	40,000
Literacy	55,000

A funding increase of $200,000 is requested in FY 1998 to support increased responsibilities of the IOC, including the high-priority Global Ocean Observing system, and to maintain U.S. presence and leadership on its Executive Council. Increases to the NAS and MAB bring them closer to FY 1995 levels. These increases and those to promote literacy and other education programs and a free, independent and pluralistic press are partially offset by reductions to NCLIS and the IHP.

PERFORMANCE INDICATORS:

- Strong influence in IOC policy formulation and program design maintained;
- Continued opportunities offered to the U.S. to participate in key UNESCO science programs (MAB, IHP, Bioethics);
- Free press infrastructures in Bosnia, Eastern Europe and selected developing countries strengthened;
- Enhanced capacity of UNESCO to provide access to electronic information technology to developing countries.

In the case of the World Heritage Convention, overall committee review of operational procedures on occasion of its 25th anniversary with a view toward strengthening the committee's ability to promote key conservation goals (e.g. in the Galapagos islands). Concrete evidence of decentralization of World Heritage activities and sufficient administrative flexibility for the center.

WORLD METEOROLOGICAL ORGANIZATION VOLUNTARY COOPERATION PROGRAM (WMO/VCP)

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IO&P	1.300	2.000	1.500

OVERALL U.S. OBJECTIVES:

Since its inception at U.S. behest in 1967, the World Meteorological Organization's Voluntary Cooperation Program (WMO/VCP) has provided training and equipment to help developing countries participate in WMO programs, particularly the World Weather Watch (WWW) which provides continuous, vital atmospheric and oceanic data and products. This weather data give the U.S. and other nations the basic information needed to forecast severe weather events and assist with critical information on natural and man-made disasters that affect life, safety, water use, and crop yields around the globe. The WWW program supports civil aviation, marine navigation, and basic global data needs for many U.S. agencies, including the Department of Defense.

STRATEGY:

For FY 1998, VCP programming will continue to support the costs associated with the ICAO/WMO World Area Forecast System (WAFS), a major six-year project to upgrade the existing antiquated meteorological telecommunications systems to a satellite-based system for the Americas and the Pacific Rim. This system will provide improved two-way communications with Meteorological Services of other countries, will increase the flow of critical data to the U.S., and will improve early warning capabilities in the Americas. Accurate and timely information helps save lives and lessen property damage. (Over $25 billion worth of damage and 24 lives were lost during Hurricane Andrew in 1993; these losses might have been reduced with earlier warnings and more time for pre-storm civil preparedness.) In addition to assisting the U.S. in tracking and forecasting tropical cyclones, the new linkages will underscore a key U.S. foreign policy goal: the need for free and unrestricted exchange of meteorological and related data and products internationally. VCP funds are also used for:

- Contributions of U.S.-manufactured meteorological and hydrological equipment to increase the ability of developing countries to provide weather

data observations. This, in turn, creates a market in the recipient countries for future purchases of U.S. spare parts and supplies.

- Training at the U.S. National Weather Center for developing country meteorologists in the application of regional weather information disseminated by the U.S. At the same time the U.S. Center can improve the information it disseminates by using the local expertise of the foreign meteorologists. For instance, an error in the U.S. NWS global forecast model was discovered by a visiting South American scientist. The return of trainees to their countries, in positions of influence, in turn leads to better cooperation and support for U.S. meteorological and hydrological interests.

VCP activities are coordinated with donor organizations such as ICAO, IMO, FAO, World Bank, the European Union, as well as regional and bilateral partners to avoid duplication and to take advantage of synergistic opportunities.

PERFORMANCE INDICATORS:

- The meteorological/hydrological data received from the Caribbean, Mexico, and Central and South American countries has a direct impact on the accuracy of the U.S. National Weather Service (NWS) warning and forecast models. Hurricane experts estimate that the accuracy of hurricane landfalls, storm surges and precipitation predictions would be degraded by 30 percent or more if "anchor data" from other countries were not available.

- NWS numerical modelers need the upper air and precipitation data from other countries to determine the probabilities of developments in tropical weather and its intensity. Those data from sources outside the U.S., often at higher frequencies than normal, are of critical importance to U.S. tropical warnings and forecasts.

- Once the ICAO/WMO WAFS is implemented, aircraft will be able to adjust their course in mid-flight to avoid strong head winds, resulting in an estimated $1 billion savings in fuel costs annually for U.S. airlines.

ORGANIZATION OF AMERICAN STATES DEVELOPMENT ASSISTANCE PROGRAM

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IO&P	8.000	6.500	6.500

OVERALL U.S. OBJECTIVES:

The basic U.S. objective of streamlining technical cooperation activities by consolidating the two prior OAS technical assistance councils into the Inter-American Council for Integral Development has been met. The focus of our objectives has shifted to ensuring that the accompanying restructuring of technical cooperation methodology, procedures and evaluations and reduction of personnel also reinforces greater efficiency.

The level of funding that the United States contributes for technical cooperation is used as a barometer of U.S. commitment to developing member states. Smaller economies count on the OAS for cooperation which larger organizations cannot provide. Support for U.S. political initiatives is given on an understood quid pro quo for our commitment to these programs.

The OAS continues to develop programs which take advantage of the "niches" where OAS can perform better than other assistance institutions while keeping the requirement that members states be current in their payments in order to benefit from these programs. The OAS has a comparative advantage over other institutions in the following areas:

- Identification with member governments of priority areas for policy reform (i.e. deregulation, privatization, trade and capital market liberalization, social development, education for work, environment) and the exchange of experiences in the implementation of such reforms;
- Utilization of existing OAS infrastructure to implement low-cost programs of training and educational improvement, particularly in small member states where larger assistance organizations are not able to carry out small-scale programs;
- Use of established networks for cooperative multinational programs in areas such as social and educational development, economic policy reform and environmental protection.

The new method of technical cooperation called "Partnership for Development" has shifted OAS programs from a donor-recipient mode to one in which all member states participate but only the smaller economies are direct financial beneficiaries. In keeping with the Summit of the Americas, new emphasis will be placed on programs in which member states share experience and expertise.

Projects presented must be within a new strategic framework of reduced priorities and have specific measurable and quantifiable goals. Apart from contributing to the voluntary fund, member states will also be required to provide further in-country amounts and proof that the project will continue once international funding is phased out.

The changes in cooperation methodology and increased financial responsibility for all member states will gain allies in developing project proposals containing the elements necessary for professional outside evaluation, a long-time goal of the United States. By the end of the process, cooperation programs will be a key instrument in implementing the mandates of the Summit of the Americas which are based on a partnership concept in which all nations contribute and share information, rather than an assistance based concept which assumes large transfers of resources and expertise on a one-way basis.

STRATEGY:

The restructuring of the technical cooperation program has sufficient advocates to allow the United States to lead and no longer push. OAS project decisions are taken by consensus and in committees where the United States plays a pivotal role.

The new technical cooperation methodology will allow the United States to involve domestic agencies in participating in projects and propose policies without being expected to finance them in the manner of bilateral programs. The increased involvement of experts from other technical agencies will substantially improve the quality and accountability of programs.

Other Donors: The U.S. contribution of $8.0 million for FY 1996 is estimated to represent 72 percent of total voluntary contributions of $11.1 million. Each member state must contribute to receive benefits. Other major contributors to OAS Development Assistance programs included the United Nations Environment Program ($.231 million, 2 percent); a consortium of Central American nations - ($.15 million, 1 percent); the European Economic Community ($.12 million, 1 percent); the Interamerican Development Bank ($.05 million, .5 percent); and other smaller donors.

PERFORMANCE INDICATORS:

- Outcome will be calculated through two sets of indicators. Information requirements and timelines for individual projects have been toughened. The OAS will conduct evaluations to ascertain whether the project has met its specific objectives, such as number of people or instructors trained, new microenterprises created, and jobs created. Project evaluations will provide input into the overall evaluation of whether the goals of the strategic plan were achieved and whether any mid-course corrections need to carried out.

INTERNATIONAL ATOMIC ENERGY AGENCY (IAEA)

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IO&P	36.000	36.000[7]	36.000

OVERALL U.S. OBJECTIVES:

The IAEA was created in 1957 largely at U.S. initiative and is entrusted with the dual responsibility to promote the peaceful uses of atomic energy and to ensure that assistance provided by it is not used to further any military purpose. In carrying out these objectives, the IAEA administers a unique system of international safeguards and provides a broad range of technical assistance in diverse technical areas, such as the medical, agricultural, and industrial application of nuclear energy, including nuclear safety, radiation protection, and waste management. Both the safeguards system and the technical assistance program support and strengthen the U.S. nonproliferation policy.

For the U.S., the most critical function of the IAEA is the application of safeguards to nuclear activities conducted on the basis of agreements concluded between the Agency and a member state and approved by the Board of Governors. Sovereign states allow the IAEA to conduct on-site inspections of nuclear facilities within the state territory. There is a move afoot to strengthen the effectiveness and improve the efficiency of the safeguards system especially its ability to detect undeclared nuclear activities. The goal of such inspections are to build assurances against the diversion of nuclear material.

The Treaty on the Non-Proliferation of Nuclear Weapons (NPT), which was extended indefinitely in May 1995, is the principal international instrument of the nonproliferation regime. Since 1970, when the NPT came into force, the IAEA has been responsible for administering the comprehensive safeguards required by it. Most IAEA member states have become parties to the NPT, but a few have not adhered to the treaty. As of August 21, 1996, only 6 countries worldwide remain outside the NPT.

Safeguards are our principal but not exclusive concern with the IAEA. Technical assistance is another fundamental premise of U.S. nonproliferation policy and is also embodied in Article IV of the NPT -- it is the commitment to facilitate the

[7] For FY 1997 funding was transferred into another account.

exchange of equipment, materials, and scientific and technological information for the peaceful uses of nuclear energy. The vast majority of IAEA member states view technical assistance as the most rewarding benefit received from their membership. In exchange, these countries accept safeguards and support strengthened nonproliferation assurances. Technical assistance also has an important humanitarian impact in recipient countries. Four key U.S. objectives with regard to the IAEA:

- Strengthening the effectiveness and improving the efficiency of the safeguards system particularly with regard to the detection of undeclared nuclear activities.
- Improving the management and implementation of the technical assistance program.
- Improving the basic level of safety and waste management practices in member states.
- Improved prioritization of Agency programs.

STRATEGY:

The U.S. voluntary contribution to the IAEA, also referred to as "the pledge," supports non-safeguards, safety, and safeguards-related activities. It is divided among fourteen categories.

NON-SAFEGUARDS-RELATED SUPPORT

1. Technical Assistance & Cooperation Fund (TCF)
2. Footnote A and Model Project Support
3. Training Courses and Technical Support
4. IAEA Fellowships
5. Cost-Free Experts

Unlike safeguards which are funded by assessments to the regular budget, technical assistance is financed primarily by voluntary contributions from Member States. The bulk of technical assistance received goes to support the Technical Cooperation Fund which gives project assistance to over 80 developing member states in the form of experts, training and equipment across a broad range of nuclear applications.

SAFETY-RELATED SUPPORT

6. Nuclear Safety
7. Radioactive Waste Management

IAEA safety-related activities, like safeguards, receive the bulk of their funding from the regular budget. The safety portion of the U.S. pledge goes to

complement bilateral and G-7 safety assistance programs in Eastern Europe and the NIS which represent regions with the most serious safety-related problems.

SAFEGUARDS-RELATED SUPPORT

8. Program of Technical Assistance to Safeguards (POTAS)
9. Safeguards Equipment
10. Support to Safeguards Planning and Operations
11. Safeguards on Excess Weapons Material
12. Physical Protection of Nuclear Material and Facilities
13. Environmental Sample Analysis
14. Other Safeguards & Non-Proliferation Activities (OS&NP)

The bulk of U.S. assistance for safeguards related activities is funded by the U.S. assessment to the IAEA's regular budget and is funded out of the Contributions to International Organizations (CIO) account of the Commerce, Justice, State appropriation. The portion of our voluntary contribution devoted to safeguards gives the USG the added flexibility needed to meet demands in strengthening safeguards, research and development, and procurement of new equipment.

NON-SAFEGUARDS-RELATED ACTIVITIES

	Category	**FY 1998**
1.	TCF	17,875
2.	Fships	1,000
3.	Ftn A	800
4.	ANL/INTLO	1,732
5.	CFEs	0
6.	Other/Bugs	93
	SUBTOTAL	21,500

SAFETY-RELATED ACTIVITIES

7.	Safety	500
8.	Waste Mgmt	50
	SUBTOTAL	550

SAFEGUARDS-RELATED ACTIVITIES

9.	POTAS	9,100
10.	OS&NP	700
11.	Equipment	2,650
12.	Planning	0
13.	EFM	500
14.	Envt'l Anlys	500
15.	Security	500
	SUBTOTAL	13,950
TOTAL		**36,000**

PERFORMANCE INDICATORS:

- Approval of the protocol to strengthen safeguards;
- Completion of a management action plan for TC containing strategic objectives;
- Increased cooperation among states on physical security measures to prevent smuggling; and
- Completion of the Conventions on Waste Management and Nuclear Liability.

KOREAN PENINSULA ENERGY DEVELOPMENT ORGANIZATION (KEDO)

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IO&P	22.000	25.000[8]	30.000

OVERALL U.S. OBJECTIVES:

The United States, Japan and the Republic of Korea (ROK) established KEDO on March 9, 1995, to implement the Agreed Framework agreement between the U.S. and the Democratic People's Republic of Korea (DPRK), signed on October 21, 1994.

KEDO is responsible for managing the financing and construction of two light water reactors (LWRs) in North Korea and for providing annual shipments of heavy oil (HFO) to the DPRK until completion of the first LWR.

KEDO is headquartered in New York City; it received international organization status by U.S. Executive Order on April 2, 1996. In addition to the U.S., Japan, and the ROK, seven other countries - Argentina, Australia, Canada, Chile, Finland, Indonesia, and New Zealand - have joined KEDO reflecting the organization's global character, composition and significance. Brazil, France and the European Union are in the process of joining the organization.

The KEDO Executive Board consists of representatives of the U.S., Japan and the ROK and will include representatives from the European Union in 1997; the U.S. representative serves as Chairman. KEDO's operations are managed by an Executive Director (a U.S. citizen) and two Deputy Directors (one Korean, one Japanese).

The implementation by KEDO of the Agreed Framework is vital to U.S. security interests in northeast Asia. The Agreed Framework is the primary means of ensuring: (1) the complete dismantlement of the DPRK's nuclear weapons capability; and (2) North Korea's full compliance with its nuclear nonproliferation obligations. KEDO therefore is a major contributor to the achievement of the U.S. goal of peace and security on the Korean peninsula.

[8] In FY 1997 funding was transferred to another account.

STRATEGY:

The U.S. will continue to be obligated to provide direct funding to KEDO while the ROK and Japan will continue to be responsible for providing major funding to KEDO. They will continue to play a central and significant role, respectively, in KEDO and the LWR project.

The U.S., with the assistance of Japan and the ROK, will continue to use diplomatic means to seek additional financial support for KEDO from the international community.

We also will continue to urge other countries to join KEDO. (Except for the three founding members, membership in KEDO carries no mandatory financial obligation. Member countries are expected to make a contribution to the organization, financial or otherwise.)

We will continue to use our participation in KEDO to promote and maintain peace and security on the Korean peninsula, primarily by ensuring full DPRK compliance with its nonproliferation obligations.

While we will continue to urge both North and South Korea to improve their bilateral relationship, we also will use KEDO to foster their bilateral contacts through the LWR project.

Participation in KEDO has provided the U.S. with an invaluable mechanism for engaging the DPRK on other issues of U.S. concern, such as missile proliferation, terrorism, and human rights. We should continue to use the contact with the DPRK provided by our participation in KEDO.

As of December 31, 1996, the U.S., Japan, the ROK and nineteen other countries including the European Union have contributed over $145.0 million to KEDO. (This amount does not include pledged contributions or an EU commitment to provide $20 million annually for five years). The U.S. contributed a total of $82.2 million for FY 95-97 for KEDO and its activities in support of the Agreed Framework. This includes $25.7 million for the safe storage of the DPRK's spent nuclear fuel. Thus far the ROK has contributed $10.5 and Japan $28.5 million, which includes a $19 million special contribution fund used as collateral for KEDO HFO-related loans.

PERFORMANCE INDICATORS:

- Five protocols to the LWR Supply Agreement (signed by KEDO and the DPRK in 1995) were negotiated in 1996 and signed by KEDO and the DPRK. These protocols define the terms and conditions under which construction of the LWR project will be carried out. Discussion on remaining protocols will be held between KEDO and the DPRK at a mutually agreed upon time and place. Site preparation work is expected to begin as soon as this spring. HFO deliveries are continuing.

III. REGIONAL AND COUNTRY PROGRAMS

REGIONAL AND COUNTRY PROGRAMS

The regional and country program overviews in Section III of the FY 1998 Congressional Presentation were prepared by interagency teams led by the Regional Assistant Secretaries of the Department of State. Each interagency team was represented by policy and program experts from various Function 150 agencies, including: U.S. Agency for International Development (USAID), U.S. Information Agency (USIA), the Arms Control and Disarmament Agency (ACDA), the Peace Corps, Export-Import Bank (Ex-IM), the Overseas Private Investment Corporation (OPIC), the Trade Development Agency (TDA), the Department of Defense, the Department of State, and the Department of Treasury.

The interagency teams developed the following regional and country papers to provide a comprehensive overview of the U.S. international affairs programs by geographic region. These papers present a geographic summary of program resources provided by the foreign operations appropriation. They are also intended to summarize U.S. program objectives, outline strategies designed to achieve them, and provide an initial set of performance indicators to evaluate program success.

Section III incorporates the following regional jurisdictions:

Sub-Saharan Africa
Angola, Benin, Botswana, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Cote d'Ivoire, Djibouti, Eritrea, Ethiopia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Rwanda, Sao Tome, Principe Senegal, Seychelles, Sierra Leone, South Africa, Swaziland, Tanzania, Togo, Uganda, Zambia, Zimbabwe

Latin America and the Caribbean
Argentina, Bahamas, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Eastern Caribbean, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Paraguay, Peru, Suriname, Trinidad, Tobago, Uruguay, Venezuela

East Asia and the Pacific
Cambodia, Indonesia, Laos, Malaysia, Mongolia, Papua New Guinea, Philippines, Singapore, Solomon Islands, South Korea, Thailand, Tonga, Western Samoa

Europe
Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Finland, Former Yugoslav Republic of Macedonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Turkey

The Near East
Algeria, Bahrain, Egypt, Israel, Jordan, Lebanon, Morocco, Oman, Tunisia, West Bank and Gaza, Yemen

New Independent States
Armenia, Azerbaijan, Belarus, Georgia, Kazakstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan

South Asia
Bangladesh, India, Maldives, Nepal, Pakistan, Sri Lanka

SUB-SAHARAN AFRICA

SUB-SAHARAN AFRICA

OVERVIEW:

Since the end of the Cold War, sub-Saharan Africa has made notable gains in democratic political reform and economic development, but the challenges are immense. U.S. leadership and resources remain pivotal for Africa as, in many countries, debt, poverty, corruption, military intervention and civil conflict threaten to undermine progress.

Most of Africa has experienced a significant political opening. In 1989, only five countries were ruled by democratically elected leaders. Today more than 23 sub-Saharan countries are considered to be transitioning democracies and nearly twenty more are undertaking some positive political liberalization reforms affecting various aspects of democratic governance. Civil society and the independent media have blossomed everywhere. Even where elected leaders have reverted to authoritarian behavior, civic groups and activists continue to demand greater reform.

Africa's economic problems are daunting, and per capita incomes are among the lowest in the world. However, the last decade has seen most Africa economies move from negative per capita economic growth to positive rates. Macro-economic reforms are producing positive results in a growing number of countries. The regional economy grew at a rate of 3.8 percent in 1995 -- the highest rate since 1990 and the first regional per capita increase (1.1 percent) since 1989. To achieve self-sustaining growth, Africa will have to retain a rate of per capita growth in excess of 3 percent per year.

Africans face the ongoing challenge of domestic military intervention in the political sphere. Coups have occurred in eight countries since June of 1993. Democratic rule was restored in Lesotho, Sao Tome, and the Comoros. Sierra Leone ended four years of military rule in 1996. However, the Gambia, Niger and Nigeria remain under military rule, and military mutinies in the Central African Republic and Guinea continue to be of concern. Elections in The Gambia and Niger to restore civilian rule were judged to be seriously flawed.

Resurgent conflicts in the Great Lakes region have captured international attention. But peace processes underway in Liberia, Angola and Sierra Leone offer hope that these countries will soon follow in the steps of Ethiopia, Mozambique, Namibia, South Africa and Uganda, and resolve their civil conflicts.

United States' Interests

Short-term U.S. geostrategic interests are no longer as much a part of U.S. Africa policy as they were during the Cold War. The region is key, however, to the successful attainment of longer-term U.S. interests:

- Promoting democracy and respect for human rights, as well as fostering economic development, reduces the likelihood of crises and conflicts that may result in costly peacekeeping or humanitarian relief efforts.

- For both humanitarian reasons and because of America's historic ties to Africa, the United States will seek to assist in the resolution of African political and military conflicts and humanitarian crises.

- Africa offers significant export/import potential for the United States, as a purchaser of goods and services, a site for investment, and a source of needed raw materials and other products.

- Global U.S. objectives related to population stabilization, protection of the environment, and disease prevention and care cannot be achieved without active and broad-based attention to these issues in Africa.

- The United States seeks a cooperative relationship with African nations and regional institutions as a means to secure African support in international fora and negotiations.

- African cooperation is needed in international efforts to combat narcotics trafficking, international crime, terrorism, and the proliferation of weapons of mass destruction.

- Increasing numbers of American citizens and business representatives travel to and work in Africa. Protecting U.S. citizens and market access is a major U.S. concern.

- While we continue to permit legal immigration and encourage increased African tourism to the United States, we have a responsibility to prevent illegal immigration from Africa to the United States.

OVERALL U.S. OBJECTIVES:

- Strengthen nascent democratic institutions in new democracies while supporting civic groups and the independent press.

- Encourage African governments to implement commitments made at the Fourth World Conference on Women in Beijing, including the advancement of women in education and participation in development and environment policies.

- Support peaceful transitions to democracy and economic recovery in Angola, Sierra Leone, Liberia, Zaire, and contingent upon positive developments, in Nigeria, Niger, Burundi and the Gambia.

- Foster broad-based, sustainable economic growth through bilateral U.S. assistance, and a focus on food security and U.S. contributions to international financial institutions.

- Promote increased trade and investment in the region through support for U.S. export and trade promotion agencies, assistance to and advocacy of U.S. firms.

- Continue to combat natural and man-made emergencies through the timely provision of humanitarian assistance.

- Expand regional defense cooperation in disaster response, crisis prevention, conflict resolution, peacekeeping operations, counter-narcotics, terrorism, demining, improved civil-military relations, and military professionalism.

- Enhance peacekeeping capabilities in selected countries.

- Support the peace process in the Great Lakes region.

- Provide training to professionalize police and police-related agencies.

- Provide training for prosecutors and the judiciary in order to clear judicial backlogs and to ensure justice and security in countries emerging from conflict.

- Provide training to combat terrorism and the narcotics trade.

- Reinforce efforts of multilateral institutions to manage refugee flows and assist governments in coping with the economic burden.

- Support sustainable economic development and management of natural resources management, including conservation and sustainable use of Africa's biodiversity.

- Maintain a diplomatic presence capable of implementing U.S. strategic objectives and protecting U.S. citizens and interests throughout the continent.

- Continue programs to combat infant mortality and the spread of HIV.

STRATEGY AND RESOURCES:

Democracy

Because accountable, transparent governance is key to crisis prevention and economic reform, the United States emphasizes funding for democracy-related activities in Africa. The U.S. strategy to promote democracy in Africa combines close inter-agency and donor coordination with the full spectrum of diplomatic tools and assistance programs. Political conditionality is applied to U.S. assistance. U.S. diplomats uphold internationally- accepted standards for fair elections and political rights. Small U.S. grants for human rights groups, associations, the independent media and women's groups fund African projects to promote democracy and human rights.

In countries with USAID missions, bilateral democracy programs promote long-term sustainable development by fostering democratic governance. USAID programs work to decentralize authority to lower levels of government, improve civil society in terms of capacity/performance, strengthen governance by public sector entities, and promote reform in economic policy. Economic Support Funds for building democracy will be used principally in countries which lack USAID missions and in which there is significant U.S. foreign policy interest to support nascent and on-going democratic transition efforts.

Sustainable Development

Long-term sustainable economic and social development is a major objective. Assistance for smallholder agriculture and small enterprises, complemented by investments in education, promotes broad-based economic growth with equity. USAID will increase its focus on food security. Economic growth is also enhanced by U.S. programs to stabilize population growth, improve health conditions especially for children, and protect the environment. For countries in crisis, emergency relief is structured to assist the post-crisis transition to sustainable development. U.S. assistance promotes participation of all citizens in the decision making process, thereby reinforcing the process of democratization which includes decentralization and accountability at all levels of government. U.S. support for regional and multilateral financial institutions must continue in order to sustain appropriate macroeconomic policies and economic restructuring efforts and to help countries manage debt burdens. These institutions leverage U.S. contributions through burden-sharing arrangements with other donors and provide financing to improve basic and social infrastructure.

Prosperity

The State Department and other U.S. agencies are working to increase trade and investment in Africa. U.S. firms are highly competitive in areas such as telecommunications, power, transportation and environmental protection. U.S. investment brings management and technical expertise along with equity capital,

reducing the need to borrow. While seeking to leverage the considerable capacities of the American private sector in accelerating the process of market-based reform and Africa's integration into the global market place, U.S. exports to the region jumped nearly 23 percent in 1995. (The last full-year for which statistics are available).

Peace

The U.S. strategy to promote peace in Africa encompasses improved donor coordination to multiply the impact of all forms of assistance. Among the key elements of assistance programs are the development of military professionalism, development of an understanding of the role the African military should play under civilian-run governments, and support for African conflict prevention and resolution capabilities for both governments and civil society organizations. With targeted assistance and training, competent and credible African peacekeeping forces must eventually replace costly external interventions. U.S. assistance to the OAU, to selected states participating in peacekeeping, and to emergent sub-regional organizations seeks to develop such forces. The U.S. International Military Education and Training program fosters respect for human rights and civilian rule while promoting professionalism among African militaries, including their ability to contribute to peacekeeping operations.

The Voluntary Peacekeeping Fund helps purchase goods and services in support of conflict resolution and peacekeeping activities. Economic Support Funds provide similar support as well as compensation for governments investing in peacekeeping activities, and permit implementation of the African Crisis Response Force initiative. The Enhanced International Peacekeeping Capabilities (EIPC) initiative will draw on FMF/EIPC regional funding and complementary resources, including IMET and Excess Defense Articles programs, military exercises and other programs, and potential international contributions from other sponsor countries.

The Department of State is working with the Department of Defense (DoD) and the Arms Control and Disarmament Agency to end illegal arms transfers and achieve ratification and universal adherence to the Nuclear Non-Proliferation Treaty and the Chemical and Biological Weapons Conventions. State combines forces with DoD, the Drug Enforcement Agency and our allies to discourage narcotics trafficking, money laundering and terrorism. State and DoD are also cooperating to maintain access to key military facilities.

Humanitarian Assistance

Africa continues to require humanitarian assistance, including emergency food aid and support for refugees, the internally displaced, and victims of natural disasters. The new Food Security in Africa Initiative will promote growth in the agricultural sector. This initiative is a ten-year plan, aimed at the chronically malnourished in Africa. It includes agricultural research and policy reform, soil conservation, improved use of

aquatic and forest resources, crop diversification, and the sale, distribution, and marketing of crops and agricultural inputs (e.g., fertilizer). U.S. diplomats, the State Department's Bureau of Population, Refugees and Migration, and USAID's Bureau for Humanitarian Response coordinate support for multilateral humanitarian efforts carried out by the UN High Commissioner for Refugees, other international organizations, and humanitarian NGOs. Continued support for regional solutions, such as the Greater Horn of Africa Initiative and an increase in the peacekeeping capabilities of standby African forces, may succeed in reducing the need for humanitarian assistance. The DoD assisted demining effort should reduce the adverse health and economic effects of mines on innocent populations.

AFRICAN CRISIS RESPONSE FORCE

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
FMF	-	3.00	5.000
PKO	-	8.00	15.000

OVERALL U.S. OBJECTIVES:

Despite the recent successful resolution of several lengthy conflicts on the African continent, continued violence stemming from economic scarcity and ethnic conflict will remain an African reality. Some of these conflicts threaten advances toward democracy, development and self-sustainment, and may endanger hard-earned regional stability. International response to previous crises has often been slow and ill suited to the rigors of the African environment. The United States seeks a partnership with Africa, Europe and others to improve and expand the capabilities of African militaries to respond in a more timely manner to humanitarian crises on the African continent and beyond. By making possible rapid humanitarian and peacekeeping deployments, an African crisis response capability will contribute to the resolution of conflicts, and help keep them from becoming sub-regional or regional disasters.

STRATEGY:

The African Crisis Response Force (ACRF) will consist of 5,000 to 10,000 African troops designated by African countries, equipped, trained and ready for rapid deployment in international peacekeeping and humanitarian operations. These forces will be constituted and deployed under UN authority and when appropriate in coordination with the Organization of African Unity (OAU) and appropriate sub-regional organizations. The United States, European and other donors will contribute to the training and equipping of the force. The United States' strategy to assist in the establishment and sustainment of the force will be to:

- Undertake diplomatic and military-to-military efforts to elicit a limited number of the most qualified force participants on the African continent, and supporters in the donor community.

- Undertake diplomatic and military-to-military efforts to elicit commitment and support by the United Nations, the OAU and sub-regional organizations.

- Assess the capabilities and needs of prospective troop contributions to establish their logistic and training needs.

- Assist in the development of appropriate force structure(s), doctrine and command relationships.

- Assist in the establishment and operation of training programs, and the design of deployment mechanisms.

PERFORMANCE INDICATORS:

- Increased capability to participate in United Nations, or regional peacekeeping operations;
- An improved capability for selected African countries to better respond to regional humanitarian crises; and
- A reduction in U.S. outlays for humanitarian relief in conflict-driven, crisis situations in Africa.

AFRICA REGIONAL DEMOCRACY FUND

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
ESF	12.000	9.00	15.00
DFA	52.900	66.300	-

OVERALL U.S. OBJECTIVES:

In sub-Saharan Africa, accountable, democratic governance and the rule of law are needed to achieve sustainable economic development goals over the long term. These goals include increased trade and investment, which depend upon good governance; crisis prevention, which is fostered by responsive, participatory, representational governance; and international cooperation on transnational issues, including terrorism, narcotics, human rights and the environment.

In 1998, nearly twenty nascent African democracies will require continued assistance. Nearly twenty additional states are at some stage of democratic transition. The United States remains committed to supporting democratic reforms throughout the region, including those countries that do not have a resident USAID mission. Africa Regional Democracy Funds will be applied based on consultations with our Embassies in Africa, and USAID personnel in the field. Programs will be undertaken using established USAID program mechanisms (where applicable) in pursuit of U.S. policy objectives. These objectives will be applied to individual countries based on progress made and threats to reforms, in accordance with broad U.S. policy objectives. Special attention will be paid the following priority areas:

- Effective, responsive and transparent government institutions, including the executive, legislative and judicial branches and independent election commissions;
- Active civil society that supports a democratic culture, and, in turn, promotes accountable governance and political decentralization;
- Police and security forces respect of citizens' rights; and
- Regular, credible elections that have the confidence of the electorate and enable a peaceful change of government.

STRATEGY:

The United States strategy to promote democracy in Africa combines diplomatic pressure, donor coordination, and aid conditionality with several kinds of program support in order to achieve maximum effectiveness in pursuit of each objective listed above.

The U.S. strategy to support African government institutions is implemented through bilateral USAID missions. Institutional development and capacity building comprise a significant portion of U.S. assistance to government entities. Economic Support Funds are being requested to provide assistance (using applicable USAID program mechanisms) to support programs of technical assistance undertaken by U.S. private and voluntary organizations (PVOs) in support of democratic transitions and elections assistance where there is no USAID presence.

The U.S. strategy to foster nascent civil society and the independent media in Africa is implemented through several programs, including the Democracy and Human Rights Fund small grants program, and USIA exchanges. These are short-term, high-impact, cost-effective programs. Bilateral USAID programs provide deeper institutional support and training. Economic Support Funds are requested for U.S. NGO support to African civic groups and regional NGO networks primarily in USAID non-presence countries in order to complement small grants or exchanges which cannot provide institutional support or extensive skills transfers.

The U.S. strategy to support the rule of law in Africa complements institutional support, described above, with support for human rights education and rights watchdog groups. Economic Support Funds are requested for U.S. PVOs or Department of Justice training on short-term police and judicial reform activities, principally in USAID non-presence countries. Pilot police training and judicial reform projects are proposed for Liberia and Angola, countries that are emerging from conflict where a secure environment will enhance reconciliation and economic recovery.

The U.S. strategy to promote regular, free and fair elections throughout Africa combines technical assistance for independent election commissions, parties and NGOs, donor coordination, aid conditionality, diplomacy, and small grants for local NGOs conducting civic education and monitoring elections. Economic Support Funds are requested to provide U.S. NGO technical assistance in these areas for countries lacking a USAID mission, or where USAID missions are unable to provide elections support.

Funding Africa Regional Democracy (ESF) at the $15 million level will permit us to assist twenty newly emerging democracies with the difficult processes of democracy building and consolidation.

PERFORMANCE INDICATORS:

- Government policy decisions that respect a country's constitution;
- Economic policies that support economic recovery and the transparent management of government resources;
- Judicial decisions which demonstrate fairness and independence from the executive;
- Effective budget oversight on the part of the legislature;
- Legislation which is responsive to and representative of constituent interests;
- Effective policy and rights advocacy by civic groups through the media;
- Independent media reporting which is professional and unbiased;
- Police and judicial institutions which respect and enforce the legal rights of all citizens; and
- Regular elections which offer a true choice for voters, a transparent process and the involvement of parties and civil society at all stages of the electoral process.

AFRICA REGIONAL PEACEKEEPING

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
PKO	12.000	2.000	10.00

OVERALL U.S. OBJECTIVES:

The Africa Peacekeeping-funded programs seek to increase peacekeeping and conflict resolution capabilities of Botswana, Congo, Eritrea, Ethiopia, Ghana, Kenya, Malawi, Mali, Namibia, Senegal, South Africa, Tanzania, Uganda, Zambia and Zimbabwe.

STRATEGY:

Improving each country's capability to participate in regional and international peacekeeping operations will increase stability, and eventually reduce the need for and cost of international peacekeeping activities. The program will provide prerequisite training assistance and materiel to selected countries preparing for regional or international peacekeeping operations, such as those under the auspices of the Organization of African Unity and/or the United Nations, or on a bilateral basis. Part of this increase would be to work with Southern African Development Community countries individually and as a group to strengthen SADC capabilities.

PERFORMANCE INDICATORS:

- Increased commitment of African States to participate in conflict resolution and peacekeeping activities;
- Increased effectiveness in actual operations; and
- Wider and more effective African participation in sub-regional, regional and/or United Nations peacekeeping operations.

EAST AFRICA REGIONAL ASSISTANCE

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
FMF	5.030	4.750	5.000

OVERALL U.S. OBJECTIVES:

Sudan remains a destabilizing factor in the Horn of Africa and the world because of its policies and actions, ranging from support of terrorism to disruption of humanitarian assistance. The United States will provide assistance to Ethiopia, Eritrea and Uganda, all Sudan's neighbors, to bolster their defense capabilities, and help them resist regional destabilization.

STRATEGY:

The Organization of African Unity (OAU) and the UN Security Council have both condemned the Government of Sudan for its involvement in the June 26, 1995, assassination attempt in Addis Ababa, Ethiopia, against Egyptian President Mubarak. Apart from its own extensive acquisition of offensive armaments, the Government of Sudan continues to sponsor or assist efforts intended to destabilize its neighbors. Sudan has been providing military support to rebel and guerrilla groups in neighboring countries: in Uganda (Lord's Resistance Army and the West Nile Bank Front); in Eritrea, where the Eritrean Islamic Jihad is responsible for numerous terrorist actions; and in Ethiopia, to groups opposed to the Government.

- This assistance is intended to help Sudan's neighbors, who have cooperated closely with the United States on numerous regional and international issues, and will address their priority needs for defensive security assistance.

- Apart from improving bilateral political relationships, this program will complement efforts by these countries to play a positive role in major regional initiatives, such as the African Crisis Response Force.

PERFORMANCE INDICATORS:

- East Africa Regional Assistance recipients better able to resist their neighbor's aggressive support of rebel elements in their own countries;
- Increased stability in affected regions; and
- Sudan's regional and international influence will be further contained.

ORGANIZATION OF AFRICAN UNITY (OAU)

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
PKO	3.000	3.000	3.000

OVERALL U.S. OBJECTIVES:

The Organization of African Unity (OAU) was established in 1963 to promote cooperation among African states, and has been fostering greater stability in Africa through resolution of ongoing conflicts and prevention of new ones. The United States' objective is to assist the OAU in achieving these goals.

STRATEGY:

Since the OAU established its Mechanism for Conflict Prevention, Management, and Resolution in 1993, the U.S. Government has supported the development of the Conflict Resolution Center's physical plant as well its operational capabilities. U.S. funds were used to build the center, which is currently being equipped to enhance the Mechanism's capacity to monitor crises, and prevent conflicts from escalating to violence. The center will significantly increase the OAU's limited capability to send observers (a 67-member mission helped stabilize Burundi's political situation in FY 95 and most of FY 96), by training and equipping a 100-man observer force to deploy on short notice to any part of the African continent. With the end of construction and the delivery of U.S.-provided equipment, the focus will shift to training of center staff and observers. The deployment of credible conflict resolution operations by the OAU and enhanced participation of OAU member states in UN peacekeeping operations will be among the benefits of the fully operational Conflict Resolution Center.

PERFORMANCE INDICATORS:

- Key measures of the OAU's improved conflict resolution and observer capabilities and effectiveness will be an initial increase in the number of deployments, and a more visible and significant role in the prevention and resolution of conflicts; and
- An eventual decrease in the number of crisis areas in sub-Saharan Africa.

ANGOLA

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	-	0.125	0.200
ESF	-	5.000	10.000
DA	10.999	11.500	12.800

OVERALL U.S. OBJECTIVES:

Angola is the United States' third largest trading partner and the second largest investment site in sub-Saharan Africa, as well as the source of seven percent of U.S. oil imports. Trade and investment opportunities will grow rapidly when lasting peace is achieved. Peace and economic recovery will also permit Angola to join the rest of the southern African region in a march toward democracy, stability, and free market development. Implementation of the 1994 Lusaka Protocol, which provides a comprehensive outline for military disengagement and formation of a unified government, is moving forward. There are now 6,600 UN peacekeepers (UNAVEM III) overseeing this process. UNITA has quartered the promised 62,000 troops and military integration began in December 1996; a government of national unity to be formed in February 1997.

The U.S. also has a humanitarian interest in helping the Angolan people re-build a country devastated by three decades of civil war which have caused 500,000 deaths, displaced three million, and created 30 - 70 thousand amputees. Peace and democratic stability will allow us to decrease and eventually end humanitarian assistance, which has exceeded $400 million in recent years.

The objective of democracy in Angola is pursued though active U.S. diplomatic involvement, both bilaterally and multilaterally, in implementation of the Lusaka Protocol. As the peace process moves forward, we are also providing program assistance for Angolans to help them draft a new constitution, establish a civil society and a free media, encourage women's political participation, and build independent, responsive and accountable government structures which integrate UNITA representatives at the national, regional and local levels. USIS will continue to seek funding from USAID's Office of Transition Initiatives for additional journalism training and civic education programs, and for an institutional capacity building program for a local journalism training school. The Embassy will also implement a rule of law project designed to support the development and application of human rights principles in Angolan law. Preparations for local, regional and national elections are expected to begin in 1998.

Economic Support Funds are being requested to continue democracy program activities as described above and expand them beyond pilot regions while including a new focus on election preparations. We anticipate that constitutional development will continue until the national election period, and that development of civil society and the independent media will remain a key focus as pilot programs now underway are expanded and duplicated in other regions. The integrated Government of National Unity and Reconciliation will continue to need help developing policy and institutions. A secure environment will enhance reconciliation and economic recovery, and, to this end, we will program Economic Support Funds for a U.S. Department of Justice pilot project which will train court officials and prepare prosecutors to clear the backlog of judicial caseloads while improving the competence of the police and encouraging respect for citizens' rights.

In support of the objective of securing the peace in Angola, we are fully engaged in assisting the demobilization and reintegration process. The United States now supports many programs to rebuild communities, assist former combatants and families to return to their homes and rebuild civic life, and form democratic institutions. USAID is requesting development assistance funds for these activities and for activities in support of the third objective, economic revitalization, which will involve helping Angolans restructure government financial institutions and create an environment for investment and free enterprise.

In addition to democracy activities, Economic Support Funds will also be used to complement and expand demining activities. Transfer of Excess Defense Articles such as vehicles, radios and engineering equipment will greatly enhance the Angolan demining program. International Military Education and Training (IMET) funding will be a significant unifying factor in the integration and training of the new Angolan Armed Forces. IMET will reinforce the concepts of respect for civil authority and human rights.

Angola will be eligible to receive grant Excess Defense Articles (EDA) in FY 1998 under Section 516 of the Foreign Assistance Act. Transfer of EDA such as vehicles and radios would greatly enhance the Angolan demining program.

PERFORMANCE INDICATORS:

Transition to Democracy

- A constitution which guarantees the rights of all citizens and balances power between the executive, judicial and legislative branches in order to maintain accountability and independence;
- Judicial decisions which demonstrate fairness and independence from the executive;
- Effective legislative budget oversight;

- Legislation which is responsive to and representative of constituent interests rather than executive pressure;
- Local governance which is responsive to and representative of community interests;
- Effective policy and human rights advocacy by civic groups through the media and reports and conferences for government officials at all levels;
- Increased participation by women in government and civil society;
- Independent media reporting which is professional and unbiased;
- A police force which respects and enforces the legal rights of all citizens;
- Elections which offer a true choice for voters, a transparent process and include involvement by parties and civil society at all stages; and
- An integrated military that supports democratic principles, such as respect for civilian authority, and respect the human rights of the civilian population.

Rehabilitation and Economic Development

- War-torn communities resettled and generating subsistence farming and income earning activities. Ex-combatants channeled to income generating activities and reintegrated into families and communities;
- UNITA-MPLA cooperation on formulating and implementing economic policy. GDP increase;
- Economic policies which enhance open markets, trade and investment; and
- Market routes, farmland and community land cleared of mines, or areas of danger fully mapped and fenced off.

BENIN

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.281	0.350	0.350
DA	9.716	13.800	16.200

OVERALL U.S. OBJECTIVES:

Benin, located on the West African coast, is in the forefront of African democracy. In 1991, in a peaceful transition marked by democratic elections, Benin moved from 17 years of Marxist-Leninist rule to become a democratic republic. Benin held a second free, democratic presidential election in March 1996, followed by a peaceful transition to the new government. A poor country whose economy consists mainly of subsistence agriculture, Benin's leading exports include cotton and small amounts of crude oil. Foreign aid is also an important source of revenue.

Benin was the first sub-Saharan country to hold a Joint Military Commission with the United States. The first meeting took place in January 1996 in Cotonou, and a second session was held in December 1996 in Washington. U.S. foreign policy objectives in Benin seek to:

- Promote economic development; and
- Enhance regional stability by assisting Benin develop a professional, nonpolitical, and cost-effective military force.

STRATEGY:

USAID programming is designed to consolidate Benin's economic and democratic transformation by strengthening the country's human resource base by improving the quality of, and expanding access to basic education; providing family health services, and strengthening civil society involvement in the conduct of public affairs. USIS will focus programs on the role of government and private media, political parties, and PVO/NGOs in a free election process.

The U.S. military will work with Benin through the Joint Military Commission to define objectives and to assist in identifying resources available to encourage a small, effective, apolitical force. The IMET program will provide the Beninese military training that will prepare it for more effective participation in regional and other

peacekeeping operations. IMET funding of professional military encourage a Beninese military that respects a proper civil-military relationship and participates in peacekeeping operations. Benin will be eligible in FY 1998 for grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. EDA would also assist Benin in its participation in regional peacekeeping activities, such as ECOMOG in Liberia.

PERFORMANCE INDICATORS:

- Decreased infant child and maternal mortality;
- Increased enrollment in primary education, particularly with regard to girls;
- Expanded use of family health services.
- Continued subordination of the military to civilian authority;
- Advancement of IMET-trained officers to positions of greater responsibility and influence;
- Development of a rational procedure for downsizing the military; and
- Benin's future participation in peacekeeping operations, as it did in Haiti.

BOTSWANA

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.454	0.450	0.500
DA	0.392	0.331	-

OVERALL U.S. OBJECTIVES:

Botswana is a landlocked, mineral-rich country in southern Africa with a stable, multiparty constitutional democracy. The openness of Botswana's political system has been a significant factor in the country's stability and impressive economic growth. United States relations with Botswana are excellent, and U.S. foreign policy objectives will:

- Support Botswana's stable democracy, encouraging broad-based and self-sustaining economic development, expanding U.S. business opportunities, and advocating Botswana's leadership in the region and multilaterally; and

- Continue close cooperation on military and security issues, including enhanced military capacity and political willingness to participate in regional and international peacekeeping operations.

STRATEGY:

The United States has buttressed democratic institutions through efforts to strengthen parliament, enhance the role of women, and promote an apolitical and professional military through the use of IMET. The bilateral USAID Mission closed in FY 95, and residual programs were shifted to the USAID Regional Center for Southern Africa (RCSA), located in Gaborone. The U.S. business presence in Botswana is increasing. USIS will conduct programs that will assist Botswana in its expanding role as a regional player in Southern Africa with specific attention given to peacekeeping and promotion of regional economic integration. The Botswana Defense Force (BDF) is highly regarded as an apolitical and professional institution. Close ties between the U.S. and Botswana militaries help reinforce the United States' bilateral relationship with a country that continues to be a model of democracy. The IMET program, in conjunction with other security assistance, joint exercises, and flag officer visits, promotes professionalism in the BDF, affinity and appreciation for the United States and its military, and potential support for U.S. policies. Botswana's army performed exceptionally well during UN peacekeeping operations in Mozambique and Somalia.

IMET training will help staff officers to improve the capability and effectiveness of BDF troops in similar peacekeeping missions. Botswana will be eligible in FY 1998 for grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Excess Defense Articles, such as individual issue items, radios and transportation assets, would provide needed support to Botswana for its participation in peacekeeping operations worldwide.

PERFORMANCE INDICATORS:

- A stable democratic government and increased U.S. business;
- Continued close U.S./Botswana military cooperation; and
- More capable and expanded participation in peacekeeping operations.

CAMEROON

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.083	0.100	0.125
DA	0.092	0.281	-

OVERALL U.S. OBJECTIVES:

Cameroon, a democracy in transition, will hold presidential and legislative elections in 1997. Two opposition parties will challenge President Biya, who has held power since 1984. Cameroon's economy has turned around and annual growth, led by agricultural and forestry exports, could reach 5 percent in 1997. U.S. foreign policy objectives in Cameroon seek to:

- Press for free, fair and transparent elections in 1997;
- Encourage continued improvement in Cameroon's human rights record;
- Reduce the government's role in the economy and stimulate private sector growth.

STRATEGY:

The U.S. strategy for democratization in Cameroon focuses on elections. In addition to diplomatic efforts to encourage free and fair elections, the African Regional ESF Democracy Fund would support several programs for election monitoring and oversight and development of indigenous non-governmental organizations (NGOs). The programs will improve the transparency of elections by training election officials and observers, and establish an independent election commission.

IMET programs will educate military organizations in their proper roles vis-à-vis civilian authorities and respect for human rights. IMET programs such as civil-military relations, defense resource management, and Naval Justice School courses will improve the military's understanding of democracy.

PERFORMANCE INDICATORS:

- Increased transparency in elections;
- Active electoral oversight by an independent election commission;

- Improved defense resource management;
- Decline in human rights abuses by military personnel in the government's program to reduce banditry in the far north; and
- A military supportive of democratic principles and respectful of human rights.

CAPE VERDE

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.064	0.100	0.100
DA	0.048	0.062	-

OVERALL OBJECTIVES:

In 1991 Cape Verde became the second African country to move peacefully to a constitutional democracy following a popular election won by an opposition party. The Cape Verdeans completed a second round of multiparty legislative and presidential elections in early 1996. The Cape Verdean government is currently following a economic restructuring plan moving toward open markets and has become a strong supporter of democracy. U.S. objectives are to:

- Support Cape Verdean democracy based on the rule of law, respect for human rights and open political dialogue;
- Encourage Cape Verdean regional peace efforts; and
- Assist Cape Verdeans to understand the role of the military in a democratic society.

STRATEGY:

The United States will undertake diplomatic initiatives in support of the ongoing democratization. Through IMET, the security assistance strategy will encourage the Cape Verdean military to continue to respect human rights and civilian authority, as well as strengthen its abilities to combat drug trafficking.

PERFORMANCE INDICATORS:

- Increased popular participation in the political process;
- Increased number of trainees in the IMET program and increased number of U.S. trained officers in positions of responsibility; and
- Participation in international peacekeeping.

CENTRAL AFRICAN REPUBLIC

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.110	0.150	0.150
DA	0.150	-	-

OVERALL U.S. OBJECTIVES:

Strategically located in the heart of the continent, the Central African Republic is a struggling democracy facing severe economic challenges and political instability. In May 1996, an army mutiny escalated to country-wide civil unrest necessitating the evacuation of American citizens. A subsequent mutiny in November 1996 ended in an internationally brokered cease-fire. On January 25, 1997, parties to the dispute signed an agreement to end hostilities and began political negotiations. Calm has been restored, and CAR's new coalition government has begun to rebuild.

U.S. development assistance addresses some of CAR's economic challenges. U.S. military assistance encourages the development of a disciplined and professional military as a means of strengthening the CAR's political stability.

STRATEGY:

U.S. development assistance to restore development momentum following the recent instability will be drawn from USAID's regional programs for Africa.

Using a well-received Naval Justice School human rights seminar as a cornerstone, the United States plans to resume IMET program activities in the CAR. The IMET program encourages respect for civil authority and promotes understanding of proper civilian-military relations in a democracy. IMET defense resources management courses help provide skills necessary for the effective allocation of defense resources. Assistance will help build a professional, apolitical and pro-democratic military that will maintain order while encouraging respect for human rights.

PERFORMANCE INDICATORS:

- Restoration of stability and basic economic activity; and
- IMET's effectiveness will be reflected in the improved behavior and increased professionalism of the CAR armed forces.

CHAD

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.000	0.025	0.050
DA	-	0.455	-

OVERALL U.S. OBJECTIVES:

Bordering Libya and Sudan, Chad is moving toward democratic government. The 1996 presidential elections were seriously flawed, but the Deby government is struggling to implement economic reform and demobilization, and has encouraged press freedom. International observers declared the first round of legislative elections, held in January 1977, to be free and fair. The United States seeks to:

- Assist in the difficult transition to democracy, and in reducing human rights violations.
- Participate in the development of Chad's sizable oil reserves.

STRATEGY:

USIS will work with local journalists and human rights activists to encourage a freer media and more efficient human rights monitoring. USAID's Sahel regional program will support increases in food security.

The IMET program encourages respect for civil authority and promotes understanding of proper civilian-military relations in a democracy, building a professional, apolitical military that will maintain order while ensuring respect for human rights. IMET defense resource management courses help provide skills necessary for the effective allocation of defense resources.

The U.S. demobilization seminar is a first step in a larger program involving the World Bank, France and other donors, designed to reintegrate Chadian soldiers into civil society.

PERFORMANCE INDICATORS:

- Improved food security;
- Emergence of an apolitical, professional and democratically-oriented military; and
- IMET's success will be measured by an increase in the prosecution of military personnel guilty of human rights abuse, and a decrease in the number of human rights abuse incidents involving military personnel.

COMOROS

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.064	0.075	0.075
DA	0.025	0.045	-

OVERALL U.S. OBJECTIVES:

The Federal Islamic Republic of the Comoros, a group of islands located off the northern tip of Madagascar in the southwest Indian Ocean, is a country in transition to democracy, still prone to coup attempts and frequent governmental reorganizations. The country's second multiparty presidential elections in five years were held in March 1996. President Mohamed Taki won in elections that were judged free and fair by international observers. However, he then dissolved the National Assembly, and has pledged to hold legislative elections in October 1996. Taki's election came six months after foreign mercenaries led several hundred Comorian soldiers in a coup attempt that ended when French military forces intervened and arrested the mercenaries. Comoros has an extremely poor agriculture-based economy and a high population growth rate. U.S. foreign policy in Comoros seeks to:

- Establish a bulwark against the potential influence of extreme fundamentalism, and
- Promote democracy and human rights.

STRATEGY:

Our strategy is to promote improved civil-military relations, emphasizing the proper role of the military in a democracy. Continued control of the military by civilian authorities is a prerequisite for the ongoing success of democracy in the Comoros.

- IMET courses will emphasize human rights and the apolitical role of the military in a democracy.

PERFORMANCE INDICATORS:

- Improved behavior and increased professionalism in the Comorian Defense Force.

CONGO

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.162	0.175	0.175
DA	0.865	0.865	-

OVERALL U.S. OBJECTIVES:

Congo is Africa's fourth largest producer of oil, most of which is exported to the United States. A socialist single-party state until 1990, Congo is in the process of economic and political transformation. President Lissouba was freely elected in 1992, but he presides over a coalition that came to power contested elections. Sporadic post-election civil unrest ended February 1994 when broad agreement was achieved on power-sharing and integration of paramilitary groups into the Congolese Armed Forces. Opposition leaders now serve as mayors in Congo's two major cities, Brazzaville and Pointe Noire, and paramilitary integration is underway. Presidential elections are scheduled to take place in July, 1997.

The Congolese military is evolving into a professional institution. However, the integration and dissolution of paramilitaries has been a slow and contentious process which erupted into violence briefly in February 1996. U.S. objectives include promoting professionalism in the Congolese military in support of Congo's political and economic reforms.

STRATEGY:

The United States is engaged in a broad range of activities to support political and economic reforms and has targeted specific programs towards government officials, opposition figures, and others responsible for organizing presidential elections. USAID's Central Africa Regional Program of the Environment (Carpe) is assisting the Congo in managing its forestry and other biodiversity assets in support of basic economic reform. By providing professional training and education in the role of the military in a democracy, the IMET program will help professionalize Congolese armed forces, which may discourage the return of political paramilitary violence. Some political paramilitaries have already been absorbed into the Congo army, and their influence has diminished significantly. The mission plans to use IMET funds in this election year to hold a Civil-Military Relations Mobile Education Team which will focus on the role of a military in a democracy. Congo will be eligible in FY 1998 for grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act.

Excess Defense Articles, such as transportation assets, some would help Congo better support international peacekeeping activities.

PERFORMANCE INDICATORS:

- Improved management of environment resources;
- Continued active role in international peacekeeping;
- Greater cohesion and professionalism of the military; and
- Strengthened democratic institutions, following free and fair elections in 1997.

COTE D'IVOIRE

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.151	0.150	0.150
DA	0.190	0.222	-

OVERALL U.S. OBJECTIVES:

Cote d'Ivoire's market-based economy is largely dependent on agriculture; this country is the world's leading producer of cocoa and a major producer of coffee. Cote d'Ivoire is an economic engine of West Africa, and since its independence in 1960 has been a excellent example of economic and political stability. Cote d'Ivoire enjoyed relative domestic peace in 1996, as the Ivorian Government continued to provide refuge to large numbers of Liberian refugees. It played an important intermediary role in trying to reconcile the new government of Sierra Leone with armed insurgents in that country. Following the death of founding father Felix Houphouet-Boigny in December 1993, successor President Bedie and the Ivorian government focused on preparations for presidential elections held in 1995. Although these elections witnessed several outbreaks of violence, the military refrained from actions against the population and also acted with restraint during the legislative elections. Peaceful elections were held in December 1996. U.S. policy objectives in Cote d'Ivoire are to:

- Encourage the regional leadership of Cote d'Ivoire in support of peace, stability, democracy, economic development, cooperation, and care of refugees.

STRATEGY:

The United States will encourage the Ivorian military to respect human rights and civilian authority. The IMET program is designed to provide appropriate training in democratic and human rights values, civil-military relations, defense resources management, military justice, and equal opportunity management. USIS will support the objectives through its various programs emphasizing economic development and conflict resolution.

The United States will also encourage involvement of Cote d'Ivoire in regional and other peacekeeping operations. The IMET program will enhance the ability of military personnel to participate in peacekeeping operations. Cote d'Ivoire will be eligible in FY 1998 for grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Excess Defense Articles such as transportation assets, radios and

individual items of military clothing and equipment would enhance Cote d'Ivoire's capacity to participate effectively in regional and other peacekeeping operations.

PERFORMANCE INDICATORS:

- Ivorian participation in future peacekeeping operations;
- Increased number of IMET trained officers in positions of responsibility; and
- Greater respect for human rights by the Ivorian military, including an end to the use of lethal force against the local civilian and Liberian refugee populations.

DJIBOUTI

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.150	0.100	0.100
DA	0.050	0.140	-

OVERALL U.S. OBJECTIVES:

Djibouti is located on the Horn of Africa and shares borders with Ethiopia, Eritrea, and Somalia -- all areas of recent conflicts and instability. Djibouti is about twenty miles across the Bab Al-Mandab straits from Yemen. U.S. foreign policy objectives in Djibouti seek to:

- Continue access to Djibouti's well-developed international airport and seaport that were used in past U.S. military operations in Somalia and the Arabian Gulf region.
- Promote regional stability in the Horn of Africa, including Djibouti, and improved civil-military relations among Djiboutians.
- Encourage demobilization of the military to reduce government expenditures and to comply with IMF loan conditions.

STRATEGY:

American access to the airport and seaport is easier to achieve if Djibouti is stable. The Djiboutian government is working on a program with the International Monetary Fund for the demobilization and reintegration of ex-combatants. This is expected to lead to the development of a professional, apolitical, and economically supportable military force. Our IMET program will help professionalize remaining military personnel. The Somali-dominated military is held in suspicion in the Afar districts of Djibouti. Through the IMET program and the armed forces involvement in public health and veterinary exercises, the American Embassy will continue to seek to narrow the gap between Djibouti's Afar and Somali clans. Djibouti will be eligible in FY 1998 for grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. The transfer of EDA such as vehicles, radios, field kitchens, and field hospitals would encourage and support the development of Djiboutian peacekeeping capabilities.

PERFORMANCE INDICATORS:

- Continued demobilization of troops;
- Continued participation by qualified Djiboutian military members in IMET training programs; and
- Reduced tensions between the and the Afar and the Somali clans.

ERITREA

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.261	0.375	0.400
DA	7.700	9.500	10.500

OVERALL U.S. OBJECTIVES:

Eritrea is a small country strategically located on the Red Sea across from Saudi Arabia and Yemen. The Government of the State of Eritrea (GSOE), formally established at Eritrea's independence in May 1993, is committed to close relations with the United States. It has substantial potential offshore petroleum reserves as well as a growing economic base and increasing trade with the United States. The United States has a strong interest in helping Eritrea pursue its plans to establish a market-based, democratic political/economic system and assisting its government in efforts to transform what originally was a guerrilla force into a smaller, better-trained, professional armed force. U.S. foreign policy objectives in Eritrea seek to:

- Implement market reform, and offering greater market access to U.S. firms assist Eritrea to consolidate democratic institutions;
- Assist Eritrea to develop a professional, apolitical military force with stable, cooperative military relations with the United States; and
- Increase Eritrea's support for, and ability to participate in, international peacekeeping operations.

STRATEGY:

The United States will contribute to the consolidation of Eritrea's governing structures through diplomatic, military and assistance programs. U.S. strategy will include:

- Developing professionalism in the officer corps and promote respect for civilian authority.
- Supporting development within the context of the Greater Horn of Africa Initiative through USAID activities. Programs include health and population assistance, agricultural production-enhancing projects, rural economic development, and increased governance capacity.

- Promoting a market-based, democratic political/economic system through effective use of USIS speaker, exchange and other programs.

- Helping Eritrea better defend its border with Sudan with East Africa Regional Assistance, coupled with an IMET program.

- Strengthening Eritrea's demining program with Excess Defense Articles such as vehicles, radios and engineering equipment.

- Strengthening Eritrean military professional abilities with Department of Defense joint exercises.

- Increasing Eritrean involvement in peacekeeping operations through the relationships fostered by cooperative training.

PERFORMANCE INDICATORS:

- Increased rural income through growth of rural enterprise;
- Improved access to primary health care services;
- Increased capacity for democratic governance;
- Increase in U.S. investment, and decrease in international donor assistance;
- Advancement of U.S.-trained officers to positions of responsibility;
- Improved professional performance by Eritrean forces; and
- Increased involvement in international peacekeeping activities.

ETHIOPIA

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.327	0.400	0.450
DA	28.724	37.300	47.585

OVERALL U.S. OBJECTIVES:

Ethiopia is the most populous country in the Horn of Africa and the second largest in terms of area. Its internal situation and international orientation have long been important elements in the stability of the region as a whole. The Government of the Federal Democratic Republic of Ethiopia (GFDRE) has a warm relationship with the United States and has committed itself to advancing democracy and market-based economic reform. Ethiopia is engaged in a long-term effort to transform its armed forces into a professional, better-organized, modern military. U.S. foreign policy objectives in Ethiopia are to:

- Promote basic food security.
- Assist Ethiopia to consolidate democratic institutions.
- Assist Ethiopia to develop a professional, apolitical military force with stable, cooperative military relations with the United States;
- Maintain Ethiopia's support for, and increase its ability to participate in, international peacekeeping operations.

STRATEGY:

USAID's program focuses on promoting food security and preventing conflict. Assistance will help ensure a minimum level of food availability, as a basic need and as a critical base for the government's and farmer's ability to focus on other essential aspects of long-term development. USAID will also continue to support the transition to democracy and strengthen the foundations of civic society. The United States will undertake initiatives in support of Ethiopia's democratization, employing diplomatic, military and assistance programs. U.S. strategy will seek to:

- Assist the development of Ethiopia's military and maintaining a cooperative military relationship with extensive use of IMET funding.

- Maintain Ethiopia's support for peacekeeping operations and improving its ability to participate in such activities as a means of increasing the professionalism of the Ethiopian military. That professionalism will be fostered by U.S. military training.

- Improve international, regional, and local conflict management and prevention techniques through the USIS exchange and speaker programs.

- Improve Ethiopia's defensive posture against destabilizing incursions from Sudan using resources from the East Africa Regional Assistance Program.

- Reinforce Ethiopia's demining capabilities with Excess Defense Articles (EDA), such as vehicles, radios and engineering equipment. Ethiopia will be eligible in FY 1998 for grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act.

PERFORMANCE INDICATORS:

- Increased production of domestically-produced food grain crops;
- Increased enrollment in primary education and expanded investment in the education system;
- Increased use of primary and preventive health care services;
- Strengthened political role of parliament and NGOs; independence of the judiciary; independence of media;
- Advancement of U.S.-trained officers to positions of responsibility;
- Improved professional performance by Ethiopian forces; and
- Increased ability of the Ethiopian military to participate in international peacekeeping operations.

GHANA

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.225	0.260	0.285
DA	33.199	36.000	38.400

OVERALL U.S. OBJECTIVES:

Moving toward the U.S. goal of democratization, Ghana completed a second round of legislative and presidential elections in 1996 and has improved its human rights record. The Ghanaian government is currently following an IMF-led economic recovery plan moving toward a competitive open market system. The Ghanaian military continues to define its role in a constitutional democracy and has participated in the ECOMOG peacekeeping operation in Liberia. U.S. objectives seek to:

- Support Ghanaian democracy based on rule of law, respect for human rights, open political dialogue and the apolitical role of the military.

- Encourage Ghana to expand its regional security role, including enhancement of its capabilities to contribute to regional and international peacekeeping operations.

STRATEGY:

USAID's strategy aims at promoting broad-base sustainable economic growth through increasing revenues from selected goods and services in trade and agriculture, increasing the effectiveness of the primary education system, improving family health, and enhancing participatory development and governance. The IMET program fits into our overall strategy by providing appropriate training in democratic and human rights values, civil-military relations, defense resources management, military justice, and equal opportunity management. This type of training should allow expanded Ghanaian participation in regional peacekeeping efforts. A well-equipped and well-trained military can serve as a regional example of what democracy can accomplish. U.S. initiatives will include providing in-country assistance in civil-military procedures.

Ghana will be eligible in FY 1998 for grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Excess Defense Articles such as vehicles, radios, and individual military equipment and clothing would help Ghana participate more effectively in international peacekeeping operations.

PERFORMANCE INDICATORS:

- Increased growth in non-traditional exports and increased output and investment in the agricultural sector;
- Improvement in literacy and math skills of primary school pupils;
- Improvement in family health indicators, particularly in terms of child survival;
- Strengthened political role for parliament and NGOs;
- More capable and expanded participation in peacekeeping operations;
- A well-equipped and well-trained military;
- Increased number of U.S.-trained officers in positions of responsibility; and
- Increased willingness to participate in joint exercises.

GUINEA

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.035	0.150	0.150
DA	11.569	12.500	14.000

OVERALL U.S. OBJECTIVES:

The overriding U.S. goals in Guinea are the promotion of democracy and assistance in the development of sustainable economic growth. We must further assist the armed forces to respect the rule of the civilian government and assume their proper role in a democratic society. We will encourage Guinea to continue to play a constructive role in resolution of the conflicts in neighboring Liberia and Sierra Leone.

STRATEGY:

Development Assistance to Guinea is intended to help ensure that the GOG continues on the path to democratization and economic liberalization. USAID will continue direct support to U.S. PVOs for civil society to improve governance, and reinforce a market-based economy. USIS will continue to engage and extend outreach programming with the government and private media, governing bodies, and NGOs to promote democratic institutions. We will support human rights organizations and publicize the importance of the GOG giving decent treatment to its citizens, particularly women. The United States will pursue strategies that will encourage the military to develop a professional, apolitical ethic, and to support the elected government. We will also encourage the Guinean government to restructure its armed forces to meet the country's legitimate security needs, and develop the ability to execute civic action projects for the country's well-being.

PERFORMANCE INDICATORS:

- Increased productivity in the agricultural sector;
- Increased enrollment in primary schools, especially increased female participation;
- Increased use of family planning/maternal child health, prevention of sexually transmitted diseases;
- Reduced degradation of Guinea's fragile watersheds;
- Expanded role of advocacy groups in the political process;
- Movement toward an independent, honest judicial system;

- Improved human rights practices, including sanctions against violators of existing (minimal) protection;
- Free and open debate in a national assembly which acts as a distinct institution of the GOG;
- Decentralized government that shares functions with local authorities, citizens' groups and the private sector; and
- A more disciplined military which respects the civilian government, can meet Guinea's security needs and can engage in civic programs to provide humanitarian assistance to the population.

GUINEA BISSAU

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.088	0.125	0.125
DA	4.392	4.100	2.500

OVERALL U.S. OBJECTIVES:

Guinea Bissau held its first multiparty elections in 1994 with municipal elections scheduled for 1997. Since this transition to democracy, bilateral relations have improved. Guinea Bissau, currently a member of the United Nations Security Council, has improved respect for human rights and its military is working to establish its role in a democratic society. U.S. objectives in Guinea Bissau seek to:

- Create and reinforce a professional military that is supportive of democracy and human rights.

- Encourage Guinea Bissau to support conflict resolution, including participation in international peacekeeping.

STRATEGY:

U.S. strategy continues to promote democracy and economic growth. USAID will continue to focus on promoting an increase in private sector trade and investment in Guinea Bissau through improved governance to promote sustainable broad-based economic growth. Through training and technical assistance, USAID continues to work to improve the basic understanding of both the private sector and the government of market-oriented economics. The security assistance strategy will encourage professional Guinea Bissau Armed Forces to continue to respect human rights and civilian authority. The proposed IMET program includes training for officers at U.S. facilities where they will be exposed to and trained in the military's role in a democratic society. U.S. security assistance programs will work to provide appropriate training in civil-military relations, defense resources management and military justice. Guinea Bissau will be eligible in FY 1998 for grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Excess Defense Articles (EDA), such as vehicles, radios, and individual military clothing and equipment, would enhance Guinea Bissau's demining capabilities.

PERFORMANCE INDICATORS:

- Increased economic growth and an expanding private sector;
- Increased number of military trained in U.S. military schools;
- Strengthened role in the political process of private sector interest groups and independent media;
- Reduced rates of depletion and increased levels of investment in forestry and fisheries resources;
- Increased number of U.S. trained officers in positions of responsibility; and
- Active participation in international peacekeeping activities.

KENYA

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.297	0.300	0.400
DA	10.832	19.500	20.000

OVERALL U.S. OBJECTIVES:

As a relatively stable country in a volatile region, Kenya is a reliable ally that remains critical to U.S. interests. Kenya is the principal point of access for U.S. military and relief operations in the strategic Horn of Africa. Regionally, the U.S. relies on Kenyan support in providing humanitarian relief to Sudan and Central Africa, and appreciates Kenya's efforts at mediation in regional conflicts and works closely with its Government and NGO's in developing the Greater Horn of Africa Initiative. The Kenyan military has participated in a number of international peacekeeping operations, including in El Salvador and in the former Yugoslavia. Kenya's continued stability depends on sustainable, broad-based economic growth, democratization, and respect for human rights. U.S. foreign policy in Kenya seeks to:

- Strengthen civic institutions and an independent media that will advance Kenya's transition to a multiparty democracy.
- Encourage legal and regulatory reforms to facilitate a more open political process and competitive political environment.
- Maintain access to Kenyan naval and air facilities.
- Encourage Kenya to continue to enhance its ability to participate in international peacekeeping operations.

STRATEGY:

The main goal of USAID in Kenya is broad-based sustainable economic growth contributing to crisis prevention in the greater Horn of Africa. Additionally, USAID pursues projects aimed at family planning, HIV/AIDS prevention, democratic reform, and increased food security. The United States also seeks to enhance regional stability by assisting Kenya in its effort to maintain a professional, apolitical military force that respects human rights and civilian authority.

The IMET assistance program seeks to maintain the Kenyan military as a well-trained, modern, professional military force, supportive of the ongoing transition to a free-market and multiparty democracy. Kenya will be eligible in FY 1998 for grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Excess Defense Articles such as vehicles, radios, and individual military clothing and equipment would enhance Kenya's capabilities to participate in international peacekeeping activities.

USIS will use its speaker and exchange programs to encourage the development of democratic institutions.

PERFORMANCE INDICATORS:

- Reduction in fertility;
- Reduced incidence of HIV/AIDS;
- Kenyan military's continued professionalism and apolitical stance;
- The advancement of U.S.-trained officers to positions of responsibility; and
- Continued Kenyan interest in and increased proficiency for international peacekeeping activities.

LESOTHO

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.072	0.075	0.075
DA	-	0.149	-

OVERALL U.S. OBJECTIVES:

Lesotho is a small, landlocked country surrounded entirely by South Africa. It has suffered from political instability since its independence from Britain. In 1994 the military launched an unsuccessful coup against the prime minister. Although the United States has good relations with Lesotho, U.S. economic interests are limited. Lesotho's internal instability could affect the stability of neighboring South Africa, a new democracy in which a large percentage of Basotho live. The United States supports Lesotho's increased democratization as a bulwark against such instability.

STRATEGY:

A successful transition to sustainable democratic rule in Lesotho requires redefining the army's role and training to increase professionalism and respect for civilian authority. Civilian control must be strengthened; a concept Lesotho's military officers understand in principle but fail to achieve in practice. USAID supports the overall strategy via its regional program for Southern Africa, focusing on basic economic development.

PERFORMANCE INDICATORS:

- Improved civil-military relations, manifested by greater civilian control over the military;
- Peaceful elections and government succession in 1997/1998 without military involvement; and

LIBERIA

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
DA	3.494	7.500	7.500

OVERALL U.S. OBJECTIVES:

Liberia is a multi-ethnic state driven by a seven-year civil war in which five armed factions have been competing for political power and control of economic resources. The war has caused a major humanitarian crisis and is a recurrent threat to West African regional security. The ECOWAS-sponsored Abuja Peace Accord (which provides for a cease-fire, disarmament and demobilization of combatants, and national elections) offers the best chance for peace. The U.S. has diplomatically and financially supported the ECOWAS peace process; continued U.S. engagement is essential for success. U.S. foreign policy objectives are to:

- Support the ECOWAS peace plan.
- Prevent an expansion of the humanitarian crisis.
- Promote a transition to democracy, transparent government and respect for human rights.
- Rebuild civil society and the economy.

STRATEGY:

The United States' support for the peace process includes non-lethal assistance to the West African peacekeeping force (ECOMOG) to help implement disarmament, and to use our influence to pressure the armed factions to comply with the Abuja Accord. We are promoting democratization and elections through a USAID program that will fund U.S.-based NGO's to work on elections, post-war democracy consolidation, and human rights. To alleviate widespread human suffering, we are providing emergency humanitarian assistance to the affected civilian population. USAID will fund public works, educational and vocational training projects, particularly special assistance for child ex-combatants, to advance the process of community reintegration and a return to a more self-sufficient life for civilians and ex-combatants.

PERFORMANCE INDICATORS:

- Observance of the cease-fire and significant disarmament and demobilization of factional fighters;
- Establishment of a democratically elected civilian government, respect for human rights and the rule of law; and
- Rebuilding of communities and the return of internally displaced, refugees and ex-combatants to these communities.

MADAGASCAR

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.102	0.100	0.100
DA	15.937	16.250	16.500

OVERALL U.S. OBJECTIVES:

Madagascar, a large island off the coast of East Africa, completed a transition from over 15 years of socialist dictatorship to a multiparty democracy in 1993, but democratic institutions and civil society are still weak. Its economy, which depends on cash crops such as vanilla and coffee for foreign exchange, is based largely on agriculture but has potential in tourism and mining. U.S. foreign policy objectives in Madagascar are to:

- Promote democracy through consolidated economic reforms put in place so that stability is ensured.

- Protect of Madagascar's biologically-diverse flora and fauna, a top global conservation priority.

STRATEGY:

USAID assistance supports Madagascar's efforts to redress its poverty through accelerated economic growth, while addressing two other long term challenges - natural resource degradation and high population growth rates.

Our strategy for consolidating democracy includes enhancing the professionalism of the Malagasy military force by providing, through IMET, courses that reinforce respect for human rights and the rule of law, and provide guidance in the administration of military justice systems and the role of the military in a democratic society. The sometimes-violent political turbulence during the transition to democracy in 1991-92 underscored the need for the armed forces to continue to adhere to their apolitical role.

- A policy of encouraging the military to become an institution for nation-building and civic action assumes added importance because of the need to rebuild the economic infrastructure which was devastated by years of socialist rule.

- USIS will continue to work closely with the Embassy and USAID in conducting programming aimed at consolidation of democratic institutions, strengthening NGOs involved in civic education, human rights and election observations, and working with the press to help foster independent and responsible media.

PERFORMANCE INDICATORS:

- Smaller, healthier families;
- Reduction of natural resource depletion;
- Vigorous private sector growth;
- Advancement of U.S.-trained officers to positions of command;
- Malagasy military activities that support civilian authority; and
- A reduction in the yearly rate of deforestation and implementation of resources leading increased protection of endangered species.

MALAWI

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.154	0.225	0.225
DA	29.399	33.562	37.400

OVERALL U.S. OBJECTIVES:

Malawi is a multiparty constitutional democracy with a popularly elected president, a unicameral legislature, and an independent judiciary. While Malawi has made considerable progress in building democratic institutions and reforming its economy, the continued active engagement of the U.S. and the international community will be necessary to consolidate political and economic reform. The U.S. and Malawi enjoy close relations; Malawi generally supports U.S. positions on international issues. U.S. foreign policy objectives seek to:

- Promote stable democracy and human rights, accountable and transparent government, and equitable economic opportunities.

- Promote constructive Malawian participation in regional political, military, economic, and environmental affairs.

STRATEGY:

Our strategy for promoting a stable, democratic, and economically viable Malawi includes using USIS and USAID program to encourage Malawi to institute democratic practices, combat corruption, respect the rule of law and the independence of the judiciary, strengthen the role of the legislature, and expand press freedom. Through development assistance and a large Peace Corps presence, we are helping the GOM articulate and implement free market economic policies, privatize state-owned firms, increase rural incomes, promote the sustainable use of resources, encourage family planning, fight HIV/AIDS, strengthen the role of NGOs in the social sector, and improve the quality of primary education.

IMET training, joint exercises, and U.S. military attaché visits promote professionalism of the Malawian armed forces, an affinity for the United States and its military, and support for U.S. policies. Malawi has participated in UN peacekeeping in Rwanda and has evinced a willingness to contribute to other UN operations. Additional training and will help permit credible participation in regional peacekeeping.

Malawi will be eligible in FY 1998 for grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Excess Defense Articles such as vehicles, radios and individual military clothing and equipment would enhance Malawi's capabilities to participate effectively in international peacekeeping operations.

PERFORMANCE INDICATORS:

- Respect for human rights and the rule of law by an apolitical military;
- Effective participation in regional peacekeeping;
- Strengthened political role of parliament and NGOs. Continued independence of the judiciary. Effective measures to fight corruption; and
- Improved economic performance.

MALI

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.155	0.150	0.175
DA	28.041	30.050	36.000

OVERALL U.S. OBJECTIVES:

The U.S. Government supports Mali's democratic transition and will assist Mali as it strengthens democratic institutions and civil society, and promotes respect for human rights. We encourage more rapid progress toward sustainable economic development, structural adjustment, and economic liberalization. The United States wants Mali to develop a military better trained to accept civilian leadership and to assist in peaceful responses to security problems, particularly in the northern region of the country which has suffered from violence and instability.

STRATEGY:

In Mali, USAID is concentrating on education and training for youth under the age of 25, investing in major economic subsectors, and enhancing the ability of community organizations to work with the government and influence national policy.

A three-phase military justice course under the IMET program supported the implementation of Mali's first comprehensive military justice law. USAID conflict resolution funding will support the integration of 1500 former combatants of northern rebel groups into the national armed forces. As the peace accord remains in force, the United States will also have the opportunity to assist in the disarmament, demobilization and re-integration into civil society of ex-combatants from both sides of the conflict. USIS will continue to support the democratization process, encourage media independence, and promote economic liberalization through the full range of its activities.

Mali will be eligible in FY 1998 for grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Excess Defense Articles such as vehicles, radios and military clothing and equipment would increase Mali's capability to participate effectively in international peacekeeping activities.

PERFORMANCE INDICATORS:

- Improved access to and facilitated use of high tech information and communication services;
- Increased value-added production in specific economic subsectors;
- Effective participation by community organizations in the political process;
- A more disciplined and professional armed force able to deal with security problems;
- Participation in regional or international peacekeeping operations;
- A fully implemented military justice law; and
- Demobilization and integration into the national military and re-integration into civil society of combatants on both sides of the recent communal conflict in the North.

MAURITIUS

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	-	0.025	0.050
DA	-	0.085	-

OVERALL U.S. OBJECTIVES:

Mauritius, an Indian Ocean island country, is a model of successful third world political and economic development and is fostering democracy, economic reform, and respect for human rights in the region. It has been democratic since independence and underwent a peaceful change in its elected government in 1995. It has a vibrant economy, with almost full employment, based on textile and sugar exports as well as tourism. Mauritius claims sovereignty over the British Indian Ocean Territory, including Diego Garcia, the site of U.S. Naval Facility. While Mauritius has fully accepted the U.S. naval presence in the region, its government periodically attempts to raise the sovereignty issue in connection with other issues. Mauritius in recent years has also refused to permit U.S. Navy ships to visit its port. Mauritius is a member of the Non-Aligned Movement and plays a vocal role in international fora. U.S. foreign policy objectives in Mauritius will:

- Promote U.S. commercial interests.
- Seek to support for U.S. views on issues in multilateral fora.

STRATEGY:

Our strategy for moderating Mauritian views on the key issues of Diego Garcia and U.S. Navy ship visits is to promote a stable and cooperative military relationship between the United States and Mauritius. A small IMET program will build on previously provided U.S. Coast Guard search and rescue and maritime law training. It will improve Mauritian maritime skills, support interoperability with the U.S. Coast Guard, and help interdict the flow of narcotics into the country. USIS will continue to use its exchange, speaker, and other programs to promote democratic ideals and economic development. It will publicize visiting American trade delegations and continue to promote the embassy commercial section on the USIS Web pages.

PERFORMANCE INDICATORS:

- Increased trade activity;
- Increased Mauritian support in the UN and other fora; and
- A successful U.S. Navy ship visit to Mauritius.

MOZAMBIQUE

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.203	0.175	0.175
DA	31.909	31.000	39.200

OVERALL U.S. OBJECTIVES:

Mozambique is a peacekeeping success story. Following 16 years of devastating civil war, a two year peace process culminated with Mozambique's first democratic elections in October 1994. Since the elections, the country has made significant progress politically and economically. Mozambique will require continued assistance if it is to realize its opportunity for peace and prosperity. The United States' objectives seek to:

- Promote further economic reform that will increase development, attract investment, and reduce aid dependency.
- Maintain peace.
- Encourage further movement toward consolidating democracy and national reconciliation.

STRATEGY:

USAID's development strategy centers on the enhancement of human productivity through increasing rural household income in focus areas, strengthening the partnership of government and civil society in democratic governance, and increasing the use of essential maternal/child health and family planning services in focus areas.

As part of the peace process, nearly 80,000 soldiers were demobilized and a unified army (FADM) launched. Viable, integrated, non-political, professional armed forces, maintained at a level consistent with Mozambique's limited economic resources, is essential to national reconciliation and important to regional stability. USG strategy in this area includes:

- Reinforcing democracy by emphasizing respect for human rights and the role of the military in a democracy.

- Promoting continued integration of RENAMO officers and enlisted men into the ranks of the FADM.

- Enhancing government support for the FADM through more efficient budget management.

- Promoting military-to-military contacts.

The U.S. will follow up the successes of recent seminars and dialogues with the Mozambican Ministry of Defense and military to ensure that democratic values are institutionalized, integration of former rebels into the armed forces continues, and the Mozambican government better supports its military. IMET training and other contacts will promote professionalism in the military, an affinity for the U.S. and its military, and support for U.S. policies. Mozambique will be eligible in FY 1998 for grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Excess Defense Articles such as vehicles, radios, and individual military clothing and equipment would enhance Mozambique's demining capabilities.

USIS will continue to collaborate with State and USAID in efforts to strengthen the National Assembly, create an enabling environment for local elections in the short term, and promote civic education. Special emphasis will be given to voter education.

PERFORMANCE INDICATORS:

- Rural household income increased;
- Progress toward a depoliticized military;
- Greater role for RENAMO officers;
- Enhanced educational and training opportunities for RENAMO rank and file;
- Reduced expenditures on defense activities other than the FADM;
- Increased support to basic FADM needs; and
- Development of closer relations between the Mozambican and U.S. militaries.

NAMIBIA

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.194	0.200	0.200
DA	5.000	8.000	8.000

OVERALL U.S. OBJECTIVES:

Namibia is a large, arid country on the southwestern coast of Africa. It enjoys a well-developed infrastructure and a wealth of natural resources. Namibia's main exports are diamonds, uranium, and fish. Independent since 1990, Namibia is a stable and democratic state and has close relations with the United States. Namibia serves as a model of political and economic development for other African states. U.S. foreign policy objectives seek to:

- Promote democratic structures and a strong civic culture.
- Increase skills and opportunities for Namibians who suffered under apartheid.
- Achieve the sustainable development and use of Namibia's natural resources.
- Foster an investment climate hospitable to U.S. business.

STRATEGY:

The United States has engaged the Namibian government, private sector, and NGO community to further the achievement of our objectives. For example, we have repeatedly urged the government and private sector to reduce obstacles to U.S. investment. A major USAID program supports basic education (in which Peace Corps plays a prominent role) and is developing management skills. We have also endeavored to strengthen the legislature, develop community-based management of natural resources, and promote women's rights. Working closely with USAID, USIS has encouraged the development of democratic and civil institutions through its diverse exchange and speaker programs.

IMET training, combined with joint exercises and attaché or flag officer visits, helps promote professionalism, an affinity for the United States and its military, and support for U.S. policies. Namibia has contributed equipment and personnel to peacekeeping operations in Cambodia and Angola. Training is necessary to continue credible

participation in peacekeeping operations. Namibia will be eligible in FY 1998 for grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Excess Defense Articles such as vehicles, radios, and individual military clothing and equipment would support Namibia's demining program and enhance its capabilities to participate in international peacekeeping operations.

PERFORMANCE INDICATORS:

- Continued GON commitment to the rule of law and good governance;
- Strengthened political role of parliament and NGOs;
- More U.S. private investment;
- Continued apolitical military role; and
- Effective participation in regional peacekeeping.

NIGER

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
DA	3.280	3.300	3.500
IMET	0.011	0.225	-

OVERALL U.S. OBJECTIVES:

Until January 27, 1996, when a group of army officers overthrew the democratically-elected government, Niger was a multiparty parliamentary democracy. July 1996 presidential elections designed to restore a civilian government were seriously flawed and entrenched the coup leader. Subsequent legislative elections were boycotted by the opposition. It is in the U.S. interest that democracy be restored in Niger and that Niger again become a partner for progress and economic growth in the region. We have an interest in maintaining an environment in which a policy dialogue can continue. Specifically, the U.S. has an interest in the maintenance of regional peace and stability by supporting the 1995 Government of Niger-Tuareg peace accord, encouraging democracy and discouraging Islamic extremism; and mitigating the effects of famine which destabilizes the region.

STRATEGY:

In 1996, following the coup, the U.S. terminated assistance to the Government of Niger. The U.S. continues activities that promote a democratic and economically stable Niger which involve modest contributions to NGO's in the areas of democracy, human rights and health and continue American engagement with Niger's democratic majority.

PERFORMANCE INDICATORS:

- Restoration of a democratically-elected, civilian government;
- Respect for human rights; and
- Improved economic performance.

NIGERIA

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
DA	1.670	7.000	7.000

OVERALL U.S. OBJECTIVES:

U.S. relations with Nigeria have been strained since the annulment of the 1993 Presidential elections and the subsequent palace coup by General Sani Abacha. The apparent winner of the 1993 elections, Chief M.K.O. Abiola, has been detained since 1994. On October 1, 1995, Abacha announced a transition program which purports to return Nigeria to civilian, democratic rule by October 1, 1998. Since that time, there has been little meaningful progress toward democracy.

Nigeria's size, population, political, and economic influence make it a key country in the region. With a population of over 100 million, one in four Africans is Nigerian. U.S. business investments in the petroleum sector alone exceed $4 billion, with over $1 billion in U.S. exports. Nigerian drug trafficking organizations control courier networks which move large quantities of heroin from Asia to the United States. U.S. foreign policy objectives include:

- Promoting the credible return of civilian, democratic rule and respect for human rights.
- Seeking improved cooperation form the Nigerian government on combating narcotics trafficking and financial crimes.
- Encouraging a favorable investment climate for U.S. firms, most of which are in the petroleum sector.
- Encouraging Nigeria's participation in peacekeeping operations, including Liberia.

STRATEGY:

The United States pursues a dual-track strategy of dialogue and pressure to promote democracy and human rights in Nigeria. Dialogue is one key element of our effort to promote a credible transition to civilian, democratic rule and respect for human rights, and to advance our efforts on other bilateral issues, such as the Liberia peace process, counternarcotics efforts, and combating financial fraud. In addition, over the past three years, we have put in place a series of sanctions designed to pressure the Government of Nigeria to make progress in these areas. Following the execution of the "Ogoni-Nine" in

November 1995, the United States imposed additional punitive measures, and began consultations with the international community about appropriate next steps.

The United States has a $7 million assistance program in Nigeria; $3 million of which is for democratization and governance programs. The remainder funds child survival, maternal health, and HIV/AIDS prevention efforts. All of our assistance is administered exclusively through non-governmental organizations, and thereby helps to build civil society in the process.

For the past three years, the United States has denied certification to Nigeria for its failure to stem drug trafficking and extensive money laundering operations. As a result, in addition to cutting off most direct assistance to the Government of Nigeria under the Foreign Assistance Act, the United States withholds EX-IM and OPIC financing and votes against loans to Nigeria in the multilateral development banks.

Economic reforms coupled with a return to democracy will improve the business climate. Endemic corruption and scam operations continue to inhibit business development.

PERFORMANCE INDICATORS:

- Respect for fundamental human rights and the independence of the judiciary;
- Credible transition to civilian, democratic government, characterized by transparent, competitive, free and fair multiparty elections and electoral process;
- Effective measures to combat narcotics trafficking, money laundering and financial fraud;
- Effective participation in regional peacekeeping; and
- Economic reforms to improve economic performance.

RWANDA

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.243	0.300	0.300
DA	4.034	11.500	7.500

OVERALL U.S. OBJECTIVES:

Rwanda faces significant problems, including the repatriation of 1.8 million Rwandan refugees and an infrastructure destroyed by civil war and genocide. In FY 1996, the United States pledged over $5 million to rebuild the justice system and for UN human rights monitors. The United States is supported the War Crimes Tribunal with $4.55 million in funding and personnel in FY 1996.

The new Rwanda patriotic Army is the most effective fighting force in the region and contributes to overall stability. Therefore U.S. interests include: professionalizing the RPA, and training RPA officers to work in a multi-ethnic, pluralistic environment.

STRATEGY:

Given the fragile stability within Rwanda, priority transition-to-development objectives are to strengthen the institutions of justice and participate government and the rule of law, promote resettlement and reintegration of displaced populations, and increase access to basic social and family services.

The RPA is predominantly Tutsi, in a country which is predominantly Hutu. Several thousand Hutu soldiers of the former government have been integrated into the RPA, and more such recruitments are planned. Many RPA officers are not well trained. The Army would benefit from professional training in several fields, particularly defense resources management. Increased and successful integration of military personnel from both ethnic groups and improved use of resources will demonstrate IMET's effectiveness.

The RPA has admitted responsibility for civilian casualties when it over-reacted to guerrilla raids. Rwanda has a civilian government with a multiparty Parliament. RPA support for Rwanda's transition to an electoral democracy and respect for civilian control and human rights will be critical. IMET training on the proper role of the military in a democracy and respect for human rights will support the RPA's efforts to discipline its troops. The program will also encourage the GOR to develop a pluralistic

and professional Rwandan Army. Rwanda will be eligible in FY 1998 for grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Excess Defense Articles (EDA), such as vehicles, radios, engineer equipment and individual military equipment would support Rwanda's demining program, and help it better to protect its borders.

PERFORMANCE INDICATORS:

- Reintegrated communities;
- Improved systems for the administration of defense resources;
- Notable progress towards development of an apolitical, multi-ethnic professional military;
- Increased number of IMET-trained officers in key military positions;
- Military respect for human rights; and
- Respect for proper military-civilian roles.

SAO TOME AND PRINCIPE

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.075	0.075	0.075
DA	-	0.028	-

OVERALL U.S. OBJECTIVES:

Sao Tome and Principe, a two-island nation in the Gulf of Guinea, was one of the first countries in Africa to move from a single to a multiparty system. An August 1995 aborted coup brought Sao Tome's economic plight as the world's leader in per capita debt into brief notoriety and underscored the importance of assistance in the development of a professional, apolitical military. 1996 Presidential elections were judged free and fair by international observers, including a U.S. sponsored observer team. U.S. objectives include promoting professionalism and respect for civilian authority within the military.

STRATEGY:

The IMET training provided for Sao Tome's military emphasizes the fundamental principle of civilian control of the military and defense resources management. When U.S. assistance was suspended during the coup attempt, local observers stressed that IMET training was essential to build a military tradition of respect for civilian control. The U.S. strategy will be:

- To stress the apolitical role of the military in a democracy.

PERFORMANCE INDICATORS:

- Increased support within the Sao Tomean armed forces for Sao Tome's democratic process and improved management of resources, and a constructive role in a democratic society.

SENEGAL

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.637	0.650	0.675
DA	17.260	21.200	27.100

OVERALL U.S. OBJECTIVES:

Senegal is one of Africa's oldest democracies. Under the able leadership of President Abdou Diouf, elected in 1981, Senegal remains one of the most steadfast allies of the United States. U.S. objectives in Senegal are to:

- Encourage higher levels of political and civil stability with the expansion of democratic institutions.
- Encourage progress toward sustainable development.
- Continue GOS support of U.S. initiatives regionally and in international fora.
- Continue unimpeded access to Senegal's airport and port facilities.
- Enhance Senegal's capabilities to continue to participate in international peacekeeping operations.

STRATEGY:

USAID programs include population growth reduction, halting the deterioration of the environment, civic education to strengthen participation in the democratic process, and greater access for women to social services and employment opportunities.

U.S. security assistance will continue to focus on support for democracy and human rights, nation building and peacekeeping. We will also continue military-to-military contact and improve our understanding of Senegalese armed forces by hosting annual joint exercise such as MEDFLAGs, exercise related construction, National Guard Civic Action, etc. IMET funding will enhance the professionalism of the Senegalese military and its ability to participate in international peacekeeping operations.

We will organize and carry out construction of facilities to improve military training and professionalism. The United States will provide uniforms and logistical support

for peacekeeping and EDA equipment already delivered, and arrange further maintenance and operational assistance for the fisheries production fleet and other U.S.-sponsored programs and equipment. Senegal will be eligible in FY 1998 for grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA , such as vehicles, radios and equipment would enhance Senegal's capabilities to participate in international peacekeeping activities and border security.

USIS will promote the expansion of democratic institutions by providing the techniques and information necessary to promote legislative responsibility in the National Assembly, administrative reform of the judiciary, military justice and alternative dispute resolution. We will continue to work with community-based NGOs to promote communication between village electorate and local administrators. To encourage sustained development, USIS will work closely with USAID and the Embassy's economic and commercial sections to illustrate the benefit of economic liberalization.

.PERFORMANCE INDICATORS:

- Decreased family size;
- Increased farmland yield;
- Development and implementation of a procedure for downsizing the military;
- Improved military professionalism and civil responsibility;
- Continued unimpeded access to airport and port facilities;
- Continued military-to-military contact and improved understanding; and
- More capable and expanded participation in peacekeeping operations.

SEYCHELLES

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.031	0.075	0.075

OVERALL U.S. OBJECTIVES:

Seychelles is strategically located in the Indian Ocean midway between our U.S. Navy base at Diego Garcia and Mombasa, Kenya on the east coast of Africa. The Seychelles port of Victoria was a valuable port of call for U.S. Navy ships during the Gulf War and the Somalia crisis. President France Albert Rene has ruled Seychelles since taking power in a 1977 military coup; he emerged the winner in multiparty elections in 1993. The economy relies heavily on tourism. Seychelles has been a cooperative host to the U.S. Air Force Tracking Station, which employed approximately 53 Americans and 150 Seychelles, for over thirty years. With many U.S. programs ending because of budget constraints -- Peace Corps in September 1995 and the U.S. Embassy and U.S. Air Force Tracking Station in September 1996 -- remaining programs take on added importance as a tangible symbol of continuing U.S. interest in the Indian Ocean region. U.S. foreign policy objectives in Seychelles are to:

- Continue access by U.S. Navy ships to the Port of Victoria.
- Strengthen and consolidate democratic institutions.

STRATEGY:

Our strategy is to foster democratic civil-military relations and promote a stable and cooperative military relationship between the United States and Seychelles. The IMET program in Seychelles reinforces democratic values within the military by emphasizing civil-military relations and sponsoring the multi-event Navy Justice School series. A small IMET program is quite important to Seychelles, as it in the process of a major restructuring of its military to emphasize Coast Guard activities in its huge exclusive economic zone. IMET courses in Defense Resources Management (emphasizing procedures for determining, requesting, and allocating resources) build on previous U.S. Coast Guard training and cooperation.

PERFORMANCE INDICATORS:

- Seychelles military activities that support civilian authority;
- Improved naval and security operations in the exclusive economic zone;
- Continued U.S. Navy access to the port of Victoria; and
- Concrete steps by the military to improve management of limited resources.

SIERRA LEONE

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.134	0.115	0.115
DA	-	-	-
ESF	0.523	0.217	-

OVERALL U.S. OBJECTIVES:

Located in West Africa, Sierra Leone has abundant, unexploited natural resources, such as diamonds, rutile, and bauxite. Sierra Leone signed a historic peace agreement with the rebel Revolutionary United Front (RUF) on November 30, ending a five-year civil war. Ahmad Tejan Kabbah was sworn in as president on March 29, 1996, following Sierra Leone's first multiparty elections in 29 years. Kabbah's civilian government replaced the military regime headed by Brigadier Julius Maada Bio, who ousted Captain Valentine Strasser in a January 1996 palace coup. The United States supported Sierra Leone's successful structural adjustment program, and historically has maintained a small military education program. The United States also funds 70 percent of the cost of emergency relief for more than one million Sierra Leoneans displaced by the civil war. The United States has benefited, directly and indirectly, from Sierra Leone's significant contributions to Liberian and other peacekeeping missions. The Government of Sierra Leone provided essential assistance to the United States in the evacuation of almost 2,400 American and third country nationals from Liberia via Sierra Leone in early 1996. Overall U.S. objectives seek to:

- Support a stable, democratic government in Sierra Leone.
- Encourage the consolidation of the peace process and national reconciliation with the RUF.

STRATEGY:

The United States will undertake diplomatic initiatives in support of the ongoing peace process between the Government of Sierra Leone and the rebels, and may support an international neutral monitoring group to oversee implementation of the peace agreement in Sierra Leone.

- The U.S. will use IMET programs to support efforts aimed at achieving a smaller, professional, nonpolitical and disciplined military force capable of responding to legitimate national defense needs.

Sierra Leone will be eligible in FY 1998 for grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Excess Defense Articles (EDA), such as vehicles, radios, field kitchens, field hospitals and individual clothing and equipment, would increase Sierra Leone's capabilities to participate in peacekeeping operations, such as ECOMOG.

PERFORMANCE INDICATORS:

- Successful implementation of the peace agreement between the Government of Sierra Leone and the rebels; and
- The Government of Sierra Leone's design and implementation of a comprehensive downsizing, demobilization, and reintegration plan for its military forces, to include some former rebels.

SOMALIA

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
DA	3.750	4.000	4.000

OVERALL U.S. OBJECTIVES:

Somalia comprises the perimeter of the Horn of Africa, the easternmost part of the continent. It has been seven years since Somali faction leaders overthrew the government of dictator Siad Barre, yet the Somalis have failed to form a national government. Although several faction leaders claim to be "President", the international community has not recognized any government in Somalia. While there are some peaceful areas with grassroots local governing efforts underway, Somalia remains a sources of instability in the region. Somalia's neighbors, Kenya, Ethiopia and Djibouti, are hosts to large numbers of Somali refugees. U.S. foreign objectives include:

- Preventing another humanitarian crises.
- Preventing the spread of instability to neighboring states.

STRATEGY

Somalia has always been a chronic food deficit country and remains at risk of another humanitarian crisis. Therefore, to guard against another crisis that might again require massive international intervention, the United States monitors the food situation from the USAID Somalia office located in Nairobi. The American Embassy in Djibouti reports on northwest Somalia. The United States will provide humanitarian assistance when and where it is safe and possible to do so. By providing relief and limited rehabilitation assistance now, the United States hopes to alleviate and, more importantly, ensure that the international community is in position to respond quickly to any deterioration in humanitarian conditions. In addition to development assistance, the United States is contributing food assistance to Somalia under the PL 480 Title II, Food for Peace program.

The United States has an interest in preventing the instability in Somalia from spreading to neighboring Horn of Africa countries. The continued absence of a national government in Somalia also creates an opportunity for groups that may be hostile to western interests to operate. The United States uses a political officer based in the American Embassy in Nairobi as well as the staff of the American Embassy in Djibouti to monitor developments in Somalia.

PERFORMANCE INDICATORS

- Preventing severe food shortages from natural or man made disasters.
- Improved food crop production in stable areas.
- Continued reconciliation efforts among Somali clans and factions.
- Reduction in numbers of Somali refugees in neighboring countries.

SOUTH AFRICA

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.466	0.700	0.800
DA	117.539	86.500	70.000

OVERALL U.S. OBJECTIVES:

South Africa is a large and strategically-located nation at the tip of the African continent that controls the shipping lanes linking the Indian and Atlantic Oceans. South Africa is important to the United States because it is a symbol and model to the world of the possibility of resolving serious political, racial, and ethnic differences through negotiation and compromise; it is key to regional stability in southern Africa; and it is an important market for the United States.

South Africa has adopted responsible positions with regard to international peace and security, including complete denuclearization, and could play an important role in regional peacekeeping operations in Africa. South Africa played a key role in ensuring the indefinite extension of the Nuclear Nonproliferation Treaty (NPT), and its 1996 accession to full membership in the Conference on Disarmament will enable it to provide effective support for other important disarmament objectives. The South African Government is engaged in a massive force integration effort, bringing members of the former national military, the forces of the former "homelands," and the former liberation armies together in a new, unified force. U.S. objectives seek to:

- Strengthen democratic and political institutions.
- Focus on economic development assistance programs and political institutions, improving education, health, shelter and urban development, and supporting majority private enterprise development.
- Orchestrate a coordinated effort to increase U.S. trade and investment with South Africa.
- Encourage South African participation in and/or support for peacekeeping and conflict resolution in Africa.

- Assist South Africa in its struggle against the international criminal and illicit narcotics organizations which are threatening the foundations of new democratic institutions.

STRATEGY:

We will use our diplomatic presence in South Africa, as well as senior-level exchanges with South Africa in fora like the Binational Commission (BNC), to advance our economic, trade, political and security objectives. USAID's program will assist South Africans through the difficult, post-apartheid, transition years, improve human capacity and institutions, and increase access to capital for the majority of South Africans by focusing assistance on democracy and good governance, educational reform, health system reform, economic policy development capacity, private sector development and housing and urban development. USAID assistance is couched within a well-defined graduation strategy which recognizes South Africa's potential to meet its development challenges independent of international aid.

IMET funding, by providing professional military education for officers in the middle and upper ranks of the newly-integrated South African National Defense Forces (SANDF), supports our efforts to advance a number of U.S. objectives, including enhancing the U.S.-South Africa defense relationship, expanding South African military appreciation for how regional peacekeeping efforts contribute to stability in Africa, and deepening SANDF appreciation for the role of the military in a democratic society. South Africa will be eligible in FY 1998 for grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Excess Defense Articles (EDA), such as vehicles, radios and individual military clothing and equipment, would enhance South Africa's international peacekeeping capabilities. The United States is currently assisting South Africa in the areas of witness protection, money laundering, counternarcotics and law enforcement training. USIS will continue to encourage the development and strengthening of democratic and political institutions and conflict resolution through its speaker and exchange programs.

PERFORMANCE INDICATORS:

- Respect for human rights, equitable administration of justice, peaceful resolution of societal conflicts, participation of NGOs and other elements of civic society in policy development;
- Increased investment in education, improved literacy and math skills, strengthened capacity in higher education;
- Improved capacity of key government and NGOs to formulate, evaluate and implement economic policies to promote growth and equity;
- Increased access to shelter and urban services for the historically disadvantaged population;

- More equitable, sustainable primary health care delivery system accessible to all South Africans;
- Expansion of U.S.-South Africa defense relationship;
- Designation of appropriate SANDF peacekeeping role;
- Continued South African support for key disarmament;
- Completion of integration of former South Africa Defense Forces, former homelands forces and liberation forces into SANDF; and
- Participation in and/or support for peacekeeping and conflict resolution in Africa.

SWAZILAND

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.050	0.075	0.075
DA	-	0.240	-

OVERALL U.S. OBJECTIVES:

Swaziland is a small, landlocked country that shares borders with South Africa and Mozambique. Sugar, wood pulp, and soft drink concentrate are important exports, and light manufacturing for local and regional consumption is a primary domestic industry. The U.S. enjoys good relations with Swaziland despite its limited economic interests there. Swaziland is ruled by a system that combines a traditional African monarchy and traditional local councils with a parliament. U.S. foreign policy objectives in Swaziland are to:

- Support a peaceful transition to a more representative democracy.
- Support Swazi participation in international peacekeeping operations.

STRATEGY:

The United States supports training programs in democracy and governance to help resolve continuing labor unrest and to encourage a peaceful transition to representative constitutional rule. USIS programs will continue to promote the democratization process and encourage the development of an independent media. Elected officials, community groups, and media representatives will be exposed to the U.S. system of governing through exchange programs and contact with U.S. speakers. To help Swaziland participate in international peacekeeping we use U.S. military training programs aimed at solidifying the concept of military subordination to civilian control, and improving the professional development of a stable, apolitical Swazi military. The Government of Swaziland has indicated a willingness to provide troops for regional peacekeeping operations. These troops require training in the functional aspects of peacekeeping activities. We will provide professional development training programs to officers and non-commissioned officers.

PERFORMANCE INDICATORS:

- Creation of a more democratic political system;
- Decrease in labor unrest;
- Continued Swazi military non-involvement in politics; and
- Swazi participation in regional peacekeeping activities.

TANZANIA

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.126	0.225	0.225
DA	7.436	18.700	20.000

OVERALL U.S. OBJECTIVES:

Tanzania is an emerging democracy, having held its first multiparty elections in 1995. It hosts about 200,000 refugees from Burundi. A few thousand Rwandan refugees remain in Tanzania, but more than 400,000 repatriated in late 1996. Tanzania has been a leader in regional efforts to deal with deteriorating security in Burundi and, since the July 1996 coup, in supporting regional economic sanctions. The Tanzanian Government has liberalized agricultural policies and privatized some state-owned enterprises over the past ten years. U.S. foreign policy objectives in Tanzania are to:

- Promote stability in a volatile region.
- Encourage continued economic reforms.
- Encourage a constructive role in regional conflict resolution.

STRATEGY:

The USAID mission is concentrated on five strategic objectives. Programs focus on natural resources management, wildlife preservation, sustainment of democratic reform, private sector economic development, and rural economic development.

Our strategy for enhancing regional stability is to assist Tanzania with the development of a professional, apolitical and affordable military force. We have encouraged Tanzania to support and participate in international peacekeeping operations. In 1994, Tanzania provided 800 troops to the peacekeeping operation in Liberia for over a year. The troops gained a solid reputation for professionalism as peacekeepers, but Tanzania announced it could not afford to maintain participation without continued substantial financial support from the international community.

Training assistance will enhance professionalism by providing basic and advanced officer and non-commissioned officer professional development. IMET training will provide some of the skills needed for better defense resources management and more

effective peacekeeping operations. Tanzanian participation in future international peacekeeping operations will promote regional stability. Tanzania will be eligible in FY 1998 for grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Excess Defense Articles (EDA), such as vehicles, radios and individual military clothing and equipment, would help Tanzania improve its international peacekeeping capabilities.

PERFORMANCE INDICATORS:

- Increased private sector participation in the economy;
- Lower fertility rates;
- Decreased incidence of HIV/AIDS;
- TPDF military activities that support civilian authority;
- Effective and efficient Tanzanian participation in international peacekeeping operations; and
- Concrete steps by the military improving management of resources.

TOGO

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	-	0.025	0.040
DA	-	0.214	-

OVERALL U.S. OBJECTIVES:

Violent episodes in Togo's transition to democracy from 1991-1993 caused an economic downturn and widespread human rights abuses by security forces, which prompted all donors to suspend assistance. Only France has restored aid completely. In the past 12 months, Togo has made some modest progress toward eventual democracy but serious problems remain. U.S. foreign policy objectives in Togo seek to:

- Enhance stability in the region;
- Promote democratization and respect for human rights.
- Professionalize the Togolese military by instilling respect for human rights and the rule of law and support for the democratization process

STRATEGY:

To promote democratization and respect for human rights, USIS will work closely with the Embassy to conduct democratization programs which promote awareness of the rights and responsibilities of citizens, respect for rule of law, and the importance of elections to the democratic process.

IMET will provide training in military justice and the role of the military in a democratic society. IMET will emphasize the role the military in a civilian-controlled democratic society, to assist the process of downsizing, demobilization and to establish a greater ethnic balance in the Togolese military.

PERFORMANCE INDICATORS:

- Evidence that the Togolese military is respecting human rights toward the civilian population; and
- Evidence that the Togolese military is maintaining a responsible dialogue with civilian leaders and civilian authority.

UGANDA

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.189	0.300	0.350
DA	31.928	40.400	49.550

OVERALL U.S. OBJECTIVES:

Uganda held national elections in 1996 under a constitution approved the year before. Although additional steps are required to develop political pluralism, the government has made substantial progress in bringing stability, economic reform and growth, and freedom of expression to Uganda. The Government of Uganda (GOU) is committed to close relations with the U.S. and has been constructive on regional issues, including efforts to achieve reconciliation in Rwanda and Burundi and to contain Sudan-supported regional destabilization. Uganda also provided peacekeeping troops in Liberia. U.S. foreign policy objectives in Uganda seek to:

- Advance Uganda's economic development and transition to a market-based democracy, including the key conversion of its military from a guerrilla force to a smaller, more professional armed force.

- Assist in the downsizing of Uganda's armed forces through demobilization.

- Assist the Government of Uganda in developing the capacity to deal with insurgencies in the north of the country.

STRATEGY:

USAID will continue to build on its investments in economic growth, basic education, health, environmental management and democratic pluralism. Broad-based agriculture-led, market oriented economic growth is the linchpin of the program. Economic development and a market based democracy will be encouraged by USIS through its exchange and speaker programs.

The United States seeks to enhance regional stability by assisting Uganda in its ongoing effort to develop a professional, apolitical, and more technically proficient military force. The U.S. hopes to encourage Uganda's support for, and ability to participate in, international peacekeeping operations.

The proposed assistance program for Uganda is intended to advance the U.S. objective of helping Uganda to establish a well-trained, modern, professional military force supportive of civilian government. Uganda will be eligible in FY 1998 for grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Excess Defense Articles (EDA), such as vehicles, radios and individual military clothing and equipment and peacekeeping regional funds would help raise Uganda's capabilities to participate in international peacekeeping activities.

PERFORMANCE INDICATORS:

- Quality basic education for an increased percentage of Ugandan children;
- Rural household income increased;
- Conservation of critical ecosystems;
- Improved performance of the Ugandan military in combating a foreign-aided insurgency in the north;
- Advancement of U.S.-trained officers to positions of increased responsibility; and
- Increased Ugandan interest in involvement with international peacekeeping activities.

ZAMBIA

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.099	0.150	0.150
DA	11.719	16.600	17.600

OVERALL U.S. OBJECTIVES:

Zambia is a democratizing, free-market oriented state of 8 million people. It is richly endowed with mineral resources, including copper and cobalt. During 1995-96, Zambia's economic reform program continued, but the pace of democratic consolidation slowed considerably. Given massive external debt obligations and uncertain government performance on key political and economic reform questions, the continued active engagement of the U.S. and the international community will be necessary to consolidate progress achieved to date. U.S. foreign policy objectives in Zambia are to:

- Promote stable democracy and human rights, accountable and transparent government, and equitable economic growth.
- Improve economic and social conditions to lay the groundwork for sustainable growth.
- Increase opportunities for U.S. business.

STRATEGY:

Our strategy for promoting a stable, democratic, and economically viable Zambia rests on an active diplomatic posture, close coordination with the international donor community, and an assistance program that helps in the establishment of an open economy, principally through promoting the privatization of state-owned enterprises and the liberalization of the agricultural sector. USIS programs have effectively strengthened the judiciary and promoted its independence. USAID development assistance, including Peace Corps activities, also focuses on improving social conditions in such areas as child health, family planning, and HIV/AIDS.

IMET training, combined with other contacts such as joint exercises and Defense Attaché visits, helps promote professionalism in the military, inculcates democratic attitudes in a service that is already apolitical, and develops an affinity for the U.S. and

its military. Zambia has participated in UN peacekeeping in Mozambique, Rwanda, and Angola. In each case, international assistance was required for deployment. Additional training will improve Zambia's peacekeeping performance. Zambia will be eligible in FY 1998 for grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Excess Defense Articles (EDA), such as vehicles, radios and individual military clothing and equipment, would help enhance Zambia's capabilities to participate in international peacekeeping operations.

PERFORMANCE INDICATORS:

- Renewed progress in consolidating democracy and respect for human rights and the rule of law;
- Independence of the judiciary and effective measures to fight corruption;
- Improved health indicators (e.g., increased child survival, decreased incidence of HIV/AIDS, decrease in population growth rate);
- Privatization of large state firms and increased U.S. investment; and
- Continued apolitical military role and effective participation in regional peacekeeping.

ZIMBABWE

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.224	0.275	0.350
DA	14.556	16.900	15.300

OVERALL U.S. OBJECTIVES:

Independent since 1980, Zimbabwe is an economic and political force in southern Africa, supports U.S. policy in military and peacekeeping operations in the region and often takes a leadership role in mediating regional conflicts. While the government generally respects civil and human rights, and the judiciary has proved independent, some problems exist. For example, opposition parties remain weak and the media is subject to government control. The government has been slow to implement much needed economic reforms, leading to some difficulties with international lenders. U.S. policy objectives seek to:

- Encourage the continued institutionalization of democracy.
- Counter economic policy drift and encourage the GOZ to take the necessary tough steps on the economy.
- Encourage a greater leadership role in regional conflict resolution and peacekeeping activities, including enhancement of Zimbabwe's peacekeeping capabilities.

STRATEGY:

USAID's strategy for helping Zimbabwe achieve sustained growth focuses on broadened ownership in a growing economy, strengthened community-based environmental and natural resources management, family planning, and increased use of HIV/AIDS prevention methods.

The military is highly professional, accepts civilian control, and has been a source of stability in the region. Zimbabwe's military lacks adequate resources and infrastructure for deployed operations. Additional military assistance and training can sustain and enhance Zimbabwe's contributions to regional stability and its participation in peacekeeping operations. Our strategy involves:

- Assisting Zimbabwe to develop a professional, apolitical, and economically affordable military force;

- Encouraging Zimbabwe to support and participate in international peacekeeping operations and conflict resolution training; and

- Promoting military-to-military contacts.

Zimbabwe will be eligible in FY 1998 for grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Excess Defense Articles (EDA), such as vehicles, radios and individual military clothing and equipment, would help increase Zimbabwe's capabilities to participate in international peacekeeping operations.

USIS continues to encourage the development of an independent media and the strengthening of democratic institutions through its exchange and speaker programs.

PERFORMANCE INDICATORS:

- Strengthened potential for sustainable rural development;
- Improved natural resources management capacity;
- Improved capability and effectiveness of training/operations and participation in peacekeeping operations;
- Maintenance of the military's respect for civilian control;
- Leadership in international peacekeeping efforts and support for international conflict resolution;
- Enhanced efforts to provide training in peacekeeping and conflict resolution to other African militaries; and
- Continued close relations between U.S. and Zimbabwe militaries.

LATIN AMERICA AND THE CARIBBEAN

LATIN AMERICA AND THE CARIBBEAN

OVERVIEW:

Events in the Latin America and Caribbean (LAC) region -- far more than in the rest of the developing world -- have a direct and immediate impact on the United States and our interests. As hemispheric neighbors, the United States gains and loses directly from the economic, social, political, environmental health and security of the region. The maintenance, deepening and broadening of democracy remains a primary objective. The challenge before us is to work with the region to build equitable, sustainable communities where citizens are free to prosper. Among other benefits, this increases their ability to trade with the United States, provide profitable opportunities for U.S. investment and reduce the poverty that drives illegal immigration to the United States.

Democratic consolidation and economic prosperity in the Latin American and Caribbean nations will stimulate a "virtuous circle" on both sides of the border. The rule of law and respect for human rights strengthens civil society. Higher paying jobs in the LAC region increase local income, creating better consumers for U.S. products and technology and providing new opportunities for U.S. foreign investment. American exports to the LAC countries reached an estimated $91 billion in 1994, more than three times their level 10 years ago, and among developed nations the United States provides about 60 percent of all LAC imports. Additional opportunities to expand into new markets will be limited if people are too poor, unhealthy and insufficiently educated to afford American goods and services.

Over the past three decades, the LAC countries have made major progress in economic development, and in the social, political, environmental sectors and security of the region. The United States recognizes that modest assistance, particularly in comparison with what has been provided in the past, is necessary to protect, stabilize and build on these sometimes fragile accomplishments.

Democracy: Peaceful, democratic changes of government are now the norm in the region, but threats exist to this hard-won progress. Both Ecuador and the Dominican Republic this year saw freely-elected governments of opposition parties take office. By contrast, the political ramifications of the Mexican economic crisis of 1994-95, which erased several years of economic growth, underscored the relationship between economic progress and political stability. The recent civil-military crisis in Paraguay demonstrates that old habits of military intervention can too easily resurface in times of crisis. The failure of the military coup attempt revealed the Paraguayans' strong desire for democracy. The spontaneous condemnation of military actions by neighboring countries and the U.S. was a significant indicator of the consolidation of hemispheric democracy and fraternity.

U.S. investment in the promotion of stable democracies serves two purposes: U.S. national security and economic interest. Democratic institutions provide better mechanisms to deal with turmoil. Democratic institutions also create many shared values with the United States, such as protection of human rights, a free market economy, environmental protection, improved public health, and cooperation on counternarcotics trafficking.

U.S. Economic Prosperity and Regional Trade Integration: The health of the United States' domestic economy depends in part on the economic health of the other countries in the hemisphere. The LAC region is the fastest growing market for U.S. exports of goods and services, and also one of the largest. In 1994, the region accounted for more than 18 percent of U.S. exports. In 1995, however, as a result of the Mexican financial crisis, LAC accounted for 16.4 percent of U.S. exports. This percentage is expected to increase in 1996 and 1997 due to Mexico's much improved economic situation. These exports support more than 1.8 million jobs in the United States. Our economic interdependence can also be measured by U.S. direct investment, which totals $102 billion in the region, 19 percent of all our investments overseas and two-thirds of our investments in developing countries. U.S. economic growth and employment depend far more on the growth of LAC economies than on any other part of the developing world.

Many LAC countries support regional economic integration as a means of increasing economic growth, as illustrated by the recent agreements of Chile and Bolivia to associate with the Southern Cone Common Market (MERCOSUR) and the strong regional support for the Free Trade Area of the Americas (FTAA). Once established, as agreed to by the region's heads-of-states at the Summit of the Americas, the FTAA will form the world's largest free trade area by 2005, encompassing 34 countries. It will create enormous new markets and investment opportunities for the United States.

Poverty: Economic reform equals renewed growth. Once implemented, with the assistance of the United States, during the second half of the 1980s, LAC countries' income per capita grew by six percent in the four years, 1991-1994. The region's total GDP increased by an average of 3.4 percent a year during the same period. Net capital inflows averaged $55 billion a year during 1991-94, compared with an annual average of only $9 billion during 1983-90. However, increased economic growth is only half the story. Poverty rates remain high. The United Nations Economic Commission for Latin America and the Caribbean estimates that 196 million people in the LAC region (46 percent of the total population) were living in poverty in 1990, up from 136 million (41 percent) in 1980.

Environment: The environmental sector shows similar substantial but not yet consolidated gains. Although most LAC countries are now actively engaged in the protection of fragile ecosystems, the rain forests continue to shrink and spontaneous urban settlements with inadequate water and sanitation continue to expand. Continued environmental programs in the LAC region seek to protect the area's fertile soils,

extensive marine and freshwater systems, and more than half the globe's remaining tropical forests and biodiversity.

Illegal Immigration: Economic and political problems in the region have contributed to illegal migration of millions of individuals to the United States in search of personal security and economic survival. A recent study by the U.S. Department of Labor estimated that 92 percent of illegal immigrants in the United States in 1992 came from countries in this region. It is clear that the countries with the largest number of illegal U.S. immigrants are those undergoing political turmoil and economic crisis. Apart from Mexico, the largest number of illegal immigrants have come from El Salvador (169,000) and Guatemala (71,500), due to over a decade of civil war. Haiti, a country that has experienced tremendous political and economic upheaval, sent 60,000 undocumented Haitians to America's shores. Improvements in governance, and security, respect for human rights and increased job opportunities at home will significantly reduce the flow of undocumented migrants to the United States.

In summary, great progress has been made in reversing the catastrophic economic declines of the early 1980s, as well as in institutionalizing democracy throughout the region. Still, huge income disparities, inadequate health and educational services and fragile democratic institutions perpetuate conditions that could threaten these gains at great cost to the U.S. U.S. assistance to the region is now sharply lower, decreasing from about $1.7 billion in FY 1991 to under $700 million in FY 1997. U.S. support seeks to maintain developmental progress, especially among marginalized groups. The recent efforts at reform of the LAC countries have created an environment where well-targeted U.S. assistance can have high impact. By helping LAC countries achieve our shared vision, U.S. diplomatic efforts and foreign assistance promotes vital U.S. national interests.

PROGRAM PERFORMANCE AND PROPOSED DIRECTION

A. Democracy and Governance

LAC's democracy programs have concentrated on: 1) strengthening the rule of law and respect for human rights; 2) supporting elections and the political process; 3) strengthening and supporting a politically active civil society; 4) making government more responsive to its citizens; and, 5) developing stable and accountable institutions that transcend individual politicians and political parties.

Strategy

The United States will continue to promote legal reforms that enhance access, fairness, and timeliness of the judicial system. Alternative dispute resolution efforts provide effective options for resolving conflict. Non-governmental organizations and regional

institutions support human rights advocacy and investigation of abuses. Ombudsman offices and public defender programs reinforce respect for human rights. The United States works to build the internal capacity of countries to carry out free, fair and transparent elections. Governance programs improve the responsiveness of government and the legitimacy of public institutions that carry out key democratic functions and essential services.

Results

In ten nations, legal reform legislation is progressing significantly and, in at least four countries, oral adversarial procedures are replacing inquisitorial systems. Successful and internationally recognized municipal and national elections have been held in five countries. Eleven bilateral assistance missions support activities that have promoted decentralization and strengthened the capacity and responsiveness of local governments. Legislative strengthening programs, active in eight countries, have improved the capacity of legislatures to serve as a real balance of power to executives. U.S. programs have helped to engage military and civilian leaders in discussions regarding their appropriate roles within a democratic society. U.S. democracy programs have increased accountability and transparency, thereby reducing corruption.

Proposed Program

Democracy programs assure improved effectiveness, efficiency and access to the justice system. The USG will work with NGOs to build support for more responsive judicial systems and respect for human rights. U.S. electoral assistance will emphasize broadening political participation and institution building, with an increased emphasis on municipal elections. The United States will support broader civic education efforts, exchanges of information and technical assistance among key civil society NGOs, and the creation of a regional network to improve those contacts. Local government strengthening and decentralization will continue to be a major thrust of the Department of State's Bureau of Inter-American Affairs (ARA) programming along with efforts to improve the accountability and legitimacy of key government institutions.

B. Economic Growth

Despite healthy growth, wide disparities in income persist in LAC, leaving many people in dire poverty. These disparities have their roots in misguided public policies of the past, producing: 1) low quality basic education; 2) institutional obstacles that limit access by the poor to key resources; and 3) regional trade structures that limit growth and biases growth that does occur against the poor.

Strategy

Improved access and better quality education for the poor, women and marginalized groups will increase incomes. The United States supports programs to improve access

to credit, technology, land and markets, as well as improving the policy environment for micro-producers and entrepreneurs. There is emerging consensus in the LAC region, as reflected by the 1994 Summit of the Americas, favoring regional integration and free trade. This provides a unique opportunity for the countries of the region to utilize their comparative advantage in labor intensive production and improve the economic condition of the poor.

Results

In Haiti, Ecuador and Nicaragua, the U.S. supported the development of educational policy analyses that are now the basis for national debate on the direction and quality of education. The Ministry of Education in El Salvador is adopting 14 new policies following a U.S.-sponsored education sector assessment. Over 250,000 loans have been made in the region in support of microenterprises. Non-traditional exports from El Salvador grew from $66 million in 1994 to $78 million in 1995. In Guatemala, organic coffee exports expanded significantly in 1995.

Proposed Program

The U.S. will support programs in basic education emphasizing the current policy environment. Innovative programs to address the credit and other needs of poor producers will receive continued support. If additional resources become available, the USG would provide added resources to Bolivia's Banco Sol and other underfunded microenterprise projects. The nations of the Western Hemisphere will support regional integration and strengthening of markets through a broadening and deepening of existing subregional cooperation efforts: MERCOSUR, the Andean Pact, CARICOM and the Central American Common Market. A coordinated program will focus on: upward harmonization of environmental standards; worker rights and labor-management relations; workforce planning; investment standards and investment incentives; intellectual property rights; phytosanitary standards and their enforcement; rules of origin; safeguard agreements; telecommunications and energy market regulation; and emergency measures.

D. Environment and Energy Sector

The region is endowed with a rich natural resource base that includes fertile soils, extensive marine and freshwater systems, and more than half of the globe's remaining tropical forests and biodiversity. The region's burgeoning cities lack the infrastructure and appropriate practices for the adequate treatment of sewage, provision of potable water, or disposal of solid waste; industries lack the technologies for pollution prevention and efficient use of resources; and rates of deforestation and deterioration of agricultural lands are among the highest in the world.

Strategy

Due to the region's rapid urbanization and industrialization and accompanying environmental problems, the U.S. is addressing sustainable urbanization, pollution reduction; environmentally sound energy, biodiversity, watershed management, and protection of endangered species. Through multilateral and bilateral fora, such as the Central American-USA (CONCAUSA) Agreement and the Common Agenda with Brazil, among other initiatives, the U.S. will continue to work with the countries of the hemisphere to develop sound sustainable, environmental policies.

Results

To date U.S. programs have helped bring over 856,000 acres under sustainable agricultural and forestry land uses. Through the Border Environment Cooperation Commission (BECC) established under the NAFTA, 12 environmental infrastructure projects with a total estimated cost of $90 million were developed and certified, and four of these were subsequently financed through the North American Development Bank. A border environment program called Border XXI in May 1996 was established to promote sustainable development through conservation of natural resources, protection of the environment and environmental health in border communities. The CONCAUSA program has, among other accomplishments, funded training for turtle protection activities, coastal zone management, and solar energy and cogeneration facilities. It has also significantly advanced a program to connect land and marine-based biological "corridors" throughout Central America to create one contiguous protected area for biodiversity. In 1996, we concluded a hemispheric agreement on the protection and conservation of sea turtles. Through the U.S.-Brazil Common Agenda and cooperative bilateral programs with other USG agencies, the U.S. is promoting sustainable forestry and effective firefighting practices in Amazonia.

Proposed Program

The U.S. will continue to support the protection of environmental resources in the Western Hemisphere, and address issues of sustainable urbanization, environmentally sound energy, biodiversity and protection of endangered species. In addition, the U.S. will address more site-specific issues of watershed management and urban pollution which can have a major impact on quality of life. This year the U.S. will inaugurate a regional environmental hub in San Jose, Costa Rica to promote environmental awareness, assist regional governments in the development of sound environmental legislation, and leverage funds from the international lending community for environmental projects. In 1998, we anticipate a second environmental hub in South America that will focus on the Amazon Basin and the Southern Cone.

E. Food Aid and Food Security

Food aid remains an important resource in the LAC region, accounting for 24.8 percent of the portfolio in FY 1996. Food security is a major problem in the region, due not primarily to a lack of food, but to low and insecure levels of household income. Missions in the region utilize food aid to address the underlying causes of household food insecurity, chiefly by addressing those obstacles to full participation by marginal households in gainful economic activity. Both Title II and Title III of the PL-480 Food for Peace Program resources have played valuable and complementary roles in the LAC region -- Title II by providing food directly to some of the most vulnerable households in the region, and Title III by encouraging governments to remove many of the underlying policy constraints to improved food security in the agricultural and health sectors.

F. Investments in Peace, Stability and Counternarcotics

The Peace Process in Central America

United States support of the peace process in Guatemala, El Salvador and Nicaragua has been essential to ensuring its success. After decades of conflict, the Government of Guatemala on December 29, 1996, signed a final, comprehensive peace accord with the Guatemalan Revolutionary Unity Group (URNG) rebels. The United States anticipates a need for approximately $260 million over the next three to four years with upfront funding in FY 1997 and FY 1998 of $40 to 50 million. For the U.S. share, of the international effort of $1.9 billion pledged for the implementation of the Peace Accords. U.S. programs will focus on justice and police reform in order to address human rights concerns, civil society development and economic reactivation of formerly conflictive zones.

Most of the reforms contained in the 1992 Salvadoran Peace Accords have been implemented. The last installment of assistance to provide credit and technical assistance for land reform beneficiaries will be provided in FY 1997. In Nicaragua, ARA provided more than $70 million to OAS/CIAV to assist the demobilization process.

Narcotics

The United States will continue to support economic growth and democratic institutional strengthening in Bolivia and Peru as a means of eliminating coca and cocaine production and trafficking. Programs will focus on increasing investment, employment and income in licit activities to make countries less dependent on coca. This will require expansion of the balance of payments program, alternative development activities, complementary economic development, democracy strengthening and drug awareness programs. Sustaining the momentum of these programs requires an annual economic support funding level of $30 million for Bolivia

and $20 million for Peru in FY 1997 and FY 1998. (For a more detailed discussion on this subject see Annex A).

G. Administration of Justice

The International Criminal Investigative Training Assistance Program of the U.S. Department of Justice (ICITAP), supports the development of civilian police institutions and improvements to the criminal investigative capacity of police, prosecutors and courts throughout Latin America and the Caribbean.

Strategy

The ICITAP program is administered to countries in transition to democracy, where unique opportunities exist for major restructuring and refocusing of police and investigative resources toward establishment of a rule of law. The wholesale restructuring of police institutions begun in Panama and El Salvador in 1990 and 1992, respectively, are nearing completion. Assistance in these countries will decline as our efforts in Guatemala and Honduras, for example, will increase markedly.

Results

Results of our ICITAP program in Latin America have been positive. In Bolivia, an entirely new investigative division within the National Police has been created to handle criminal investigations. In El Salvador, as of January of this year over 10,000 new recruits to the National Civilian Police (PNC) have been trained. The PNC has established the full complement of organizational components needed for a civilian police force. In Honduras, recruitment and selection procedures have been established for the new Directorate of Criminal Investigations. Also, new forensics units have been developed in the areas of firearms identification, questioned documents, and crime photography. Finally, in Panama, the National Police now has over 12,000 officers, all of whom have received training at the new Police Academy.

Proposed Program

In FY 1998, USG activities in Bolivia aimed at creating a self-sufficient Technical Judicial Police will be near completion. Work will also continue to upgrade the overall Bolivia National Training program. With a newly-elected government in the Dominican Republic, ICITAP will revamp the general police training curricula and, in coordination with USAID, improve the professionalism of the judiciary and operation of the criminal justice system. In El Salvador, joint working groups between the PNC and the Public Ministry will be established to agree upon procedures to be set forth to support model task forces to put new practice into procedures. Similar efforts will be expanded in Guatemala and Honduras.

H. Regional Security

The regional security dynamic of the Western Hemisphere has undergone a radical transformation in a very short period of time. A mere ten years ago, Latin America and the Caribbean was characterized by instability, Marxist insurgencies, civil conflict and military dictatorships. Today, the U.S. is forging a democratic hemisphere of security allies in an environment marked by cooperation, trust and regional stability. The region has made great progress in strengthening mutual confidence and security building measures (CSBMs), increasing defense transparency in national security and defense, and instilling respect for democratic rule and protecting human rights. In addition, a growing number of countries in the region are intensifying their political willingness and military capacity to contribute to international peacekeeping missions.

With the end of the Cold War, however, a new series of security challenges to the region have arisen. Now, the principal security threats the region faces include illicit narcotics and arms trafficking, alien smuggling, illegal migration and terrorism. We are also seeing the rise of other non-traditional security threats such as environmental degradation, poverty and the spread of infectious diseases. To guarantee regional security and stability, we are working vigorously on all of these fronts.

Strategy

The United States is working closely through multilateral and bilateral fora to strengthen regional security mechanisms. Through the Organization of American States (OAS), we have worked actively to promote transparency and regional confidence. Last November's successful OAS Conference in Santiago, Chile on Confidence and Security Building Measures (CSBMs), began the process of increasing and establishing and active dialogue between all of the region's governments and militaries. This year, El Salvador will host a follow-on to the CSBMs conference.

In early October, 1996 Secretary Perry led a delegation to Bariloche, Argentina to attend the second Defense Ministerial of the Americas (DMA). DMA II reinforced the basic principles of democracy and civilian control of the military, CSBMs, transparency on defense matters, the importance of defense cooperation in support of peacekeeping operations, counternarcotics efforts and the fight against terrorism. The next DMA will be held in late-1998 in Colombia. The United States is also making progress in strengthening regional security through increased narcotics interdictions and continuing to provide our allies in the region with the resources and technical capabilities to combat the effect of narcotics on democratic and financial institutions. In the Caribbean, the U.S. military supports regional security, self-sufficiency and interoperability of regional security forces through the annual Caribbean Island Nations Security Conference, via regional exercises such as Tradewinds and Carib, and through small team deployments of U.S. military to assist host nations.

Results

The results of our efforts over the last several years are apparent. Democracy is the form of government throughout the region except in Cuba; civilians have made tremendous progress in strengthening control over their military establishments and in resolving border disputes. As the Guarantors of the Rio Protocol, the United States, Argentina, Brazil and Chile, are working to finally resolve the territory dispute between Peru and Ecuador. The Helms-Burton legislation that was signed into law by President Clinton will place additional pressures on the Castro regime and help to eventually bring democracy to that nation. In Haiti, President Preval is making strides to reduce the level of human rights abuses and promote political and economic stability. Many countries (Chile, Bolivia, Argentina, Paraguay) have increased their participation, and interest, in peace keeping operations.

Proposed Program

The United States will continue to promote regional security through bilateral and multilateral mechanisms. Through active diplomatic engagement we will continue to assist the region's governments develop civilian expertise in defense-related matters, consolidate civilian control over the military and work with the region's militaries to develop appropriate missions and force structures to meet the demands of the post-Cold War world.

ADMINISTRATION OF JUSTICE/ICITAP

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
ESF	7.000	7.500	10.000

OVERALL U.S. OBJECTIVES:

The International Criminal Investigative Training Assistance Program of the U.S. Department of Justice (ICITAP) supports the development of civilian police institutions and improvements to the criminal investigative capacity of police, prosecutors and courts in a growing number of developing democracies throughout the world. It is an integral part of the administration of justice program, working in close coordination with other justice assistance activities funded with Development Assistance. This account supports the continuation of ICITAP's original mandate in Latin America and the Caribbean for all countries other than Haiti. By consolidating funding in one account, we have the ability to determine priorities throughout the region.

Priority is given through this program to countries in transition to democracy, where unique opportunities exist for major restructuring and refocusing of police and investigative resources toward establishment of a rule of law. The wholesale restructuring of police institutions begun in Panama and El Salvador in 1990 and 1992, respectively, are nearing completion. Assistance in these countries will thus taper down toward activities aimed at filling critical gaps, while other countries -- notably Guatemala and Honduras -- become the sites of broad efforts to create new police forces. At this time, we anticipate a continuing need in Panama and El Salvador to focus on integrating the investigative and prosecutorial functions to ensure effective presentation of criminal cases in court. This remains a critical failing throughout Latin America, and requires not only additional technical assistance but clear political leadership at the national level to resolve. In all countries, this will be an explicit part of ICITAP's mandate in the coming years, in conjunction with USAID and other parts of the Department of Justice that may participate in administration of justice programs.

Bolivia

In FY 1998, we expect to be nearing completion of current activities in Bolivia aimed at assisting the new Technical Judicial Police become self-sufficient in all important areas of investigations and management. ICITAP will assist in the establishment of task forces in selected sites and the installation of an integrated criminal case tracking system that will serve both the investigative police and the Public Ministry. Work will

also continue on upgrading the overall Bolivia National Police training program, to include formation of a public advisory board on curriculum content.

Dominican Republic

In coordination with assistance being provided by USAID to improve the professionalism of the judiciary and operation of the criminal justice system, ICITAP will provide assistance in revamping general police training curricula and improving technical aspects of criminal investigation by police, prosecutors and judges.

El Salvador

With the adoption of a new Criminal Procedure Code in El Salvador expected in 1997, there will still be significant work to be done in the area of criminal investigative procedure in 1998. The current plan is to establish joint working groups between the National Civilian Police (PNC) and the Public Ministry to agree upon procedures to be set forth in a manual and for ICITAP and USAID thereafter to support model task forces to put the new procedures into practice. Assistance to the PNC will continue at a reduced level in general management and administration, ensuring that the systems developed to date are effectively implemented.

Guatemala

As in El Salvador, a key provision of the Peace Accords relates to the restructuring of the police force, and ICITAP will be the vehicle for USG assistance of this kind. ICITAP anticipates a program similar to that which developed in El Salvador, with major emphasis on a new academy and new police law, establishing standards for recruits and providing assistance with the organizational structure of the civilian police force. At the same time, investigative assistance will emphasize effective coordination with prosecutors.

Honduras

After having created a new Criminal Investigative Division under the Public Ministry in 1995, Honduras is expected to enact a law to professionalize the police in 1997. ICITAP will be providing technical input in that process and will be prepared to work with Honduran authorities through the transition, which is expected to entail a thorough vetting of the members of the current force. ICITAP will also continue to work with USAID in supporting the Public Ministry and improving the effectiveness of criminal investigation in general.

Nicaragua

With the continued depolarization of the political situation, which has included the significant professionalization of the attitude of the police, we look forward to

authorizing ICITAP to initiate assistance to the police. One possible area of assistance that could have a major impact is the review of the general police training program and bringing it up to the highest regional standards.

PERFORMANCE INDICATORS:

- Creation of new investigative divisions/units within police forces or prosecutor's offices; improved forensic support services;
- Adoption of investigative procedures manual for use by police, prosecutors and courts;
- Implementation of hiring standards and training programs for recruits appropriate to long-term development of professional civilian police forces;
- Establishment of self-sustaining training programs in specialized areas such as criminal investigation and for supervisory and executive-level personnel; and
- Adoption of organizational policies and procedures for police forces as a whole appropriate to civilian policing.

CARIBBEAN REGIONAL FUND

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
FMF	2.000	2.000	3.000

OVERALL U.S. OBJECTIVES:

Caribbean nations have traditionally been strong allies of the United States. Long-term U.S. objectives in the region include the maintenance of regional stability, as the Caribbean constitutes America's "third border." Other major objectives are stemming the narcotics flow through the region, halting drug production and use and improving local capabilities in areas such as disaster relief and migrant interdiction and processing. Finally, U.S. interests are served by the ability to access Caribbean nations in contingency situations for basing, fueling, repair, material storage, transshipment both at sea and through airport facilities, as well as to gain the full cooperation and coordination of host governments in operations to counter international crime, including terrorism, narcotrafficking, arms trafficking, money laundering, illegal migrants and smuggling.

The region conducts a large percentage of its trade with the United States and depends on a special trade status through the Caribbean Basin Initiative for economic stability. The banana industry, a major employer, may be adversely affected by the outcome of a World Trade Organization suit brought by Latin American growers and the U.S. against the EU regime (which favors the Caribbean.). From 1994 to 1996, the region provided support for U.S. efforts to restore the legitimate regime in Haiti, by contributing forces via a CARICOM (Caribbean Community) battalion to the U.S.- led Multinational Force (MNF), and then to the UN Mission in Haiti. CARICOM participants included The Bahamas, Belize, Guyana, Jamaica, Trinidad and Tobago, Antigua and Barbuda, Barbados, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, Suriname and St. Vincent. The Dominican Republic supported the U.S./UN mission in Haiti by assisting in regional migrant operations.

STRATEGY:

To enhance the region's capabilities in areas outlined above, U.S. strategy is designed first to maintain regional stability by increasing the participation of regional allies in hemispheric operations. This is being accomplished by the continued involvement of Caribbean regional troops in U.S.-supported regional military operations and exercises.

Second, we seek to sustain and upgrade local militaries' natural disaster response capability. Among the problems that affect the region are recurring tropical storms, hurricanes and volcanic activity. Local militaries provided critical support during the 1995 and 1996 hurricane season, assisting in humanitarian relief efforts and in the maintenance of good order. The ability to participate in this type of cooperative operation is particularly important to regional stability and economic well-being. FY 1998 funds will help ensure that Caribbean military forces can execute this vital function in the event of a natural disaster.

Third, it is important to maintain the high level of cooperation and interoperability between U.S. and Caribbean forces, for operations such as those related to drug interdiction. The Caribbean region has been significantly beset by the scourge of narcotics trafficking. Caribbean military forces cooperate with U.S. law enforcement operations designed to combat this criminal activity. FY 1998 funds will ensure the continued participation of Caribbean military forces in joint narcotics interdiction operations.

EDA for the Caribbean nations will be used to support a regional contingency force in the Caribbean to conduct peacekeeping, counternarcotics, humanitarian relief and search and rescue missions.

PERFORMANCE INDICATORS:

- Increased seizures of narcotics;
- Enhanced regional capabilities to coordinate and contribute to regional joint military exercises;
- Enhanced interoperability with U.S. and other international peacekeeping forces; and
- Increased capabilities to respond to regional natural disasters, search and rescue operations, disaster relief efforts, and migrant interdiction operations.

LATIN AMERICAN PEACEKEEPING

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
PKO	-	-	3.000

OVERALL U.S. OBJECTIVES:

The United States has a clear and compelling interest to support the establishment of peace and democracy in countries throughout the region torn by civil strife. The FY 1998 request level provides the flexibility necessary to support conflict resolution, national reconciliation and multilateral peace operations. United States involvement in this area promotes stability, security and democracy, usually at a lower cost to the United States. On December 29, the Guatemalan government signed a peace accord with the Guatemalan Revolutionary Unity Group (UNRG). While serious human rights abuses continue, progress in the peace negotiations and the establishment of the United Nations Verification Mission (MINUGUA), is contributing to an increased respect for internationally recognized human rights standards. The comprehensive implementation of the Peace Accords is essential for improving the human rights situation, consolidating democracy, incorporating all segments of society into the political process and successful economic reforms.

STRATEGY:

U.S. strategy toward the Latin American Peacekeeping fund aims to guarantee peace and tranquillity throughout the region by actively resolving crises. For FY 1998, peacekeeping funds will be used to support our diplomatic efforts in securing a lasting peace in Guatemala. Our multi-pronged strategy will focus on continued diplomatic engagement with the Guatemalan government and URNG and continued support for the Friends of Guatemala working group. With the funds requested above, will seek the establishment of a UN peace accord verification mission to build upon the UN human rights observer mission MINUGUA.

PERFORMANCE INDICATOR:

- Establishment of the requisite institutional mechanisms to verify, monitor and observe the anticipated Guatemalan peace accord.

LATIN AMERICA AND THE CARIBBEAN REGIONAL COOPERATION

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
INC	3.708	5.000	3.000

OVERALL U.S. OBJECTIVES:

As drug control efforts in several Latin American program countries have become more effective, traffickers have sought new routes in the Caribbean, Central America and southern South America, and they have developed new methods of transportation through major transit points such as Mexico and the Eastern Caribbean. These areas are of increasing importance for the transshipment of cocaine, and to a lesser extent opium and marijuana production. Governments in most of these countries lack resources, strong law enforcement and judicial institutions, and adequately trained personnel to meet the challenges. Many of the countries receiving funds from this account, including Panama, Antigua, Argentina and Costa Rica, are also known money laundering centers or are emerging at an alarming rate.

Latin America regional funds support programs in countries where the threat does not warrant large programs, but which are used increasingly by traffickers and money launderers to finance and transship their illegal products. Regional assistance improves host government capabilities in all aspects of drug control, including development of law enforcement and judicial institutions engaged in drug control, and training. To assist in meeting the challenges of attacking the drug problem at the source and during transit, the United States provides equipment and supplies to develop programs to detect illicit cultivation, destroy drug processing and storage facilities, and assist in drug trafficking investigations, arrests and prosecutions. Additionally, this program will provide public information/awareness materials to educate the public about the dangers of drug consumption and trafficking.

OVERALL U.S. OBJECTIVES:

The Latin America Regional Cooperation Fund supports a combination of objectives in each of its individual programs, including:

- To adopt and implement strong narcotics control legislation, improve the efficiency and effectiveness of judicial institutions to bring drug offenders to justice, including forfeiture of drug trafficker assets, and develop bilateral and multilateral mutual legal assistance cooperation;

- To strengthen host nation police/drug capabilities to enable better institutional response to threats of drug trafficking and drug-related crime, including interdiction of shipments of drugs and precursor materials and control of money laundering, in the region;

- To expand maritime enforcement capabilities throughout the region by entering into cooperation agreements supported by training, materiel and combined operations;

- To eradicate illegal drug cultivation by providing commodities and technical support; and

- To develop government and non-government organizations' institutional and resource bases to control the growth of drug abuse in the region.

Caribbean: Funds will provide training and equipment to strengthen countries' law enforcement and judicial institutions. Using such mechanisms as maritime cooperation agreements and combined operations, the program encourages more vigorous regional counterdrug cooperation. The United States plans to increase support to the Regional Security System, a cooperative organization comprising small, independent states of the Eastern Caribbean to help it develop into a viable and operational counterdrug partner organization. The U.S. will continue to support and encourage Caribbean joint drug interdiction, other efforts to combat narcotics trafficking and operations, and efforts to improve money laundering laws and their implementation, including seizure and forfeiture of assets. Additionally, the program will expand countries' drug investigative capabilities by providing existing Joint Information Coordination Centers (JICCs) with upgraded equipment and advanced training; new JICCs will be established where appropriate. Assistance will provide training to develop local community action partnerships for drug abuse prevention and to improve the effectiveness of drug treatment professionals. The budgets for Jamaica and the Bahamas appear as separate requests.

Central America: A full range of activities to assist Belize, Costa Rica, El Salvador, Panama and Honduras disrupt trafficking and strengthen indigenous law enforcement infrastructures will continue in FY 1998. In addition to providing ongoing training, law enforcement assistance programs include equipment, maintenance and repair of aging vehicles, radio networks and other equipment. Port security assistance will be provided to countries which actively export or transship products through port facilities. The Administration proposes to provide training, equipment and supplies to countries experiencing significant maritime transit. Judicial reform programs will administer training to update judges and prosecutors on narcotics law. The Administration also proposes to help Panama establish money laundering controls by providing equipment and technical training that will enable the GOP to detect, investigate, and prosecute financial crime. A small allocation will also support

prevention education in Nicaragua. The Guatemala, Panama and Mexico programs appear as separate requests.

South America: Drug trafficking in the Southern Cone countries of South America is increasing at an alarming rate. Paraguay, Chile, Uruguay and Argentina are used as transit points for cocaine originating primarily in Bolivia, and arrests of local narcotics traffickers have revealed relationships with Colombian trafficking organizations. The FY 1998 plan includes continued support to Argentina to strengthen its capacity to disrupt trafficking and investigate money laundering and chemical diversion. In Paraguay and Chile, programs will assist the police to investigate and prosecute traffickers and train those in charge of implementing and enforcing new counternarcotics laws and money laundering legislation (pending in Paraguay). In Uruguay equipment and training will be provided to develop the enforcement capabilities of the narcotics police force and provide the necessary tools to implement recent counternarcotics legislation.

PERFORMANCE INDICATORS:

- Adoption of effective anti-drug and money laundering statutes and anti-corruption measures;
- Increased capabilities of regional counterdrug law enforcement agencies, as demonstrated by larger quantities of interdicted drugs and deterred drug trafficking;
- Increased arrests and prosecutions of major drug traffickers and money launderers, including forfeiture of the proceeds of crime;
- Disruption of trafficker networks;
- Decreased drug abuse and an increase in intolerance of drug trafficking in the region; and
- Decreased amount of drugs produced in the region.

LATIN AMERICA AND THE CARIBBEAN REGIONAL/DEMOCRACY FUND

FOREIGN OPERATION RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
ESF	13.000	25.000	31.000
DA	29.404	46.490	37.900

OVERALL U.S. OBJECTIVES:

Little progress toward development can be sustained where the political system represses the talents and efforts of its people. It is primarily a government's responsibility to involve its citizens in the development decisions that affect their lives. Governments also have the responsibility to ensure accountability and transparency of their actions if resources are to benefit all citizens. Corruption diverts attention and resources from the poor. The United States attaches great importance to advancing the process of democratization in the region through good governance. This involves a variety of approaches: modernizing public institutions, devolution of authority to local governments, fostering a respect for human rights and the rule of law, civic education, improved financial management for the public sector and military demobilization.

U.S. programs supporting the strengthening of democracy in the region are fundamental to the success of all our other efforts. From underwriting elections in Haiti, to helping The Dominican Republic and Peru develop more responsive judicial systems, to advancing the peace process in Guatemala, El Salvador and Nicaragua, we continue to be a key player pushing for consolidation of the recent transitions to democratic rule throughout this hemisphere.

The proposed regional democracy program will provide ESF to those nations where democracy, support for human rights, economic reform and equitable growth are part of comprehensive overhaul governmental institutions. A wide variety of programs in the region will be supported to promote and strengthen democratic institutions, local governments, labor, and grassroots organizations. Programs will also support human rights training for NGOs, elected and appointed officials throughout the hemisphere. Assistance will be provided to assist countries in making the transition to peace.

Guatemala ($25 Million)

After 36 years of armed conflict, the Government of Guatemala and the UNRG signed, on December 29, 1996, a final Comprehensive Peace Agreement which is the

culmination of several years of negotiation and a series of more basic, preliminary accords reflecting the entire spectrum of social and political issues which were the cause of the warfare. Successful implementation of these accords is at the top of current ARA foreign policy objectives in Latin American and the Caribbean. In December 1996, ARA participated in Madrid in the signing of the penultimate accord that sets forth ground rules for reinsertion of the URNG into civilian life in Guatemala, and announced the USG intention to provide the assistance.

The proposed assistance through ESF will be provided in a single agreement that will fund near-term programs related to various commitments made by the GOG in the Peace Accords. These include: demobilization of ex-combatants; reintegration of ex-combatants and displaced populations into productive community life; integral human development in ex-conflictive areas and resettlement zones; increased productive capacity of returned and displaced populations; and certain fiscal and judicial reforms. The agreement will also provide non-project assistance aimed at increasing the Government of Guatemala's capacity to implement its commitments under the Accords.

El Salvador ($1 Million)

Most of the reforms contained in the 1992 Salvadoran Peace Accords have been implemented. The USG played a critical role in the demobilization by providing ex-combatants with training for reintegration into civil society, land, agriculture and business credit and household starter kits. The USG also provided essential assistance through ICITAP for the purpose of creating and training the PNC. In addition, the USG pledged $300 million toward the Government of El Salvador's (GOES) 5-year, $1.4 billion National Reconstruction Plan to rebuild the country and reintegrate ex-conflictive zones into the national economy. The last installment of assistance will provide credit and technical assistance for land reform beneficiaries. This will enable those who receive land under the peace accord to make their land productive. This process addresses one of the root causes of the civil conflict that raged throughout the 1980s. Now, the task is to consolidate the gains of the Peace Accords and ensure that rising crime does not erode robust democracy and an increasingly healthy economy.

ESF will support on going programs related to the completion of the National Reconstruction Plan (NRP). Including: land transfer programs, infrastructure needs, judicial reform and microenterprise technical assistance.

Nicaragua ($1 Million)

In 1996, for the first time in Nicaraguan history, the President handed over power to another freely elected civilian. Under President Chamorro, Nicaragua made significant strides in reducing the polarization that characterized the postwar political situation. The peace agreements reached among the Central American presidents and the 1990 Nicaraguan elections provided the framework for the demobilization of the Nicaraguan Resistance (RN). The International Commission for Support and Verification (CIAV)

of the OAS was formed to oversee this demobilization, monitor the physical security and human rights situation of the 22,500 ex-RN and their 110,000 family members, and assist in their social reintegration. The USG provided more than $70 million to OAS/CIAV to assist the demobilization process, and combat an increase in corruption, lack of government accountability, environmental damage, and drug abuse among the local population. Complete reconciliation is far from being achieved, however, and requires active U.S. involvement.

ESF will support democratic initiatives, including assistance to human rights monitoring, civil society and assistance to American Institute for Free Labor Development (AIFLD) for professional training programs in labor and education.

Cuba ($1.5 Million)

Based on a Presidential determination announced in early FY 1996, and under the authority of the Cuban Democracy Act of 1992, the U.S. began providing assistance to NGOs to provide support for individuals and independent groups in Cuba to promote a peaceful democratic transition funding support for the Cuban people authorized under the 1992 Cuban Democracy Act. The Cuba Liberty and Democratic Solidarity (LIBERTAD) Act of 1996 reconfirmed this authority and directed the Administration to undertake planning for a democratic transition in Cuba. The FY 1996 and FY 1997 programs complement privately funded activities to disseminate information to the Cuban people, support the development of civil society, and assist human rights groups and victims of repression. In addition, the U.S. may fund planning or institutional development activities outside of Cuba that will contribute to preparedness for a democratic transition.

ESF will provide assistance to independent NGOs to support efforts that support the Cuban people in promoting peaceful democratic change and civil society.

Dominican Republic ($1.5 Million)

The Government of the Dominican Republic continues to implement start-up activities to enhance the independence, professionalism and efficiency of the judiciary and related institutions. Following the historic elections of 1996, a presidential technical team on judicial reform developed a serious and practical action agenda for the new administration to expedite the design of programs in the judicial sector. ESF will support on-going activities to enhance to professionalism of the judicial system.

Mexico ($1 Million)

The U.S. continues to seek democratic reforms in Mexico. We will continue to support Mexican NGO programs that combat pre-election fraud and coercion; and the guarantee of free and fair elections. Justice reforms also remain an important objective through an exchange program that brings together senior Mexican and U.S. judges to consider

issues of mutual concern; technical assistance to strengthen court management and reduce caseload backlogs; and NGO activities to increase protection of victims' rights for low-income people. Preparation of local level (largely municipal) officials to manage resources and stimulate community self-determination under the Mexican Government's plan to decentralize governance is an important participatory reform the United States is supporting. Finally, Congressional reform is an important objective pursued by strengthening selected Committee staffs to improve independent Congressional budget oversight and legislative skills.

PROGRAM INDICATORS:

Guatemala

- Continuation of the program to complete the transition from war to peace;
- Vocational education programs for ex-combatants, refugees and displaced persons;
- Implementation of legislative reforms under the Peace Accords;
- Established income generation activities in ex-conflictive zones;
- Progress towards reforms in the justice sector; and
- Implementation of bilingual and multicultural education programs.

El Salvador

- Increased access to and essential services for rural areas with high concentrations of land transfer properties and ex-combatants;
- Completion of road and bridge projects in the ex-conflictive zones;
- Completion of water systems upgrades including new well construction;
- Upgraded rural electrical systems; and
- Comprehensive integration of former combatants.

Nicaragua

- Effective Human Rights Ombudsman, local human rights groups and peace commissions through technical and operating assistance; and
- Strengthened civil society, labor and education associations.

Cuba

- Increased international attention to human rights abuses; and
- Dissemination of information on democracy and human rights to the Cuban people.

Dominican Republic

- Adoption of investigative procedures manual for use by police, prosecutor and courts;
- Progress on reforms of the Dominican judicial system.

Mexico

- Reduction in caseload backlogs within the Mexican judicial system through effective case management; and
- Increased effectiveness of NGO activities in victim's rights.

PANAMA CANAL AREA MILITARY SCHOOL

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.500	0.500	0.550

OVERALL U.S. OBJECTIVES:

The United States has a strong interest in maintaining the U.S. Navy Small Craft Instruction and Technical Training School (NAVSCIATTS). This component of the Latin American navies and coast guards is essential to meeting the challenges that international terrorists, narcotics traffickers and smugglers pose to national security and regional peace. Graduates of the training play a pivotal role in building security partnerships with the U.S. and other governments throughout the region.

STRATEGY:

The U.S. will continue to build upon the success of the NAVSCIATTS program through continued IMET funding to enhance U.S.-Latin American and regional collaboration in riverine and coastal naval cooperation.

PERFORMANCE INDICATORS:

- Standardization, interoperability and increased professionalization among the region's coastal and riverine forces; and
- Increased number of trafficker arrests and seizures of marijuana and coca leaves in the region.

PERU-ECUADOR PEACE FUND

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
ESF	-	-	5.000

OVERALL U.S. OBJECTIVES:

In January and February 1995, Ecuador and Peru engaged in sustained combat in a remote area where their common border is undefined. Dozens were killed, hundreds wounded and escalation to the cities was feared. The conflict threatens regional peace and stability. Resolution of this centuries old dispute will improve the outlook for economic development, strengthen prospects for regional integration and stability and set the stage for further deepening of the Miami Summit process.

The United States, Argentina, Brazil and Chile have been working with Peru and Ecuador to resolve the border dispute. The four countries have engaged because of our common duty as Guarantors of the Rio Protocol of 1942 as well as our interest in regional stability and a Western Hemisphere at peace. The Protocol ended the 1941 war between Ecuador and Peru and provided for demarcation of the border, but has not yet been fully implemented.

On October 29, 1996 Ecuador and Peru reached a breakthrough agreement to begin direct talks. They agreed to a plan for talks that will provide a definitive and comprehensive solution to their border dispute. The United States, Argentina, Brazil and Chile agreed to actively participate in these conversations and propose solutions for deadlocks.

Outside assistance is needed to facilitate implementation of the settlement and develop inter-border economic activity. A modest investment by the United States and other Rio Protocol Guarantors, in coordination with their international donor community, which is expected to provide the bulk of the funds to a settlement package, will open the way for Ecuador and Peru to enter the 21st century with economic modernization and regional integration goals unhampered by a 19th Century border dispute. Specific U.S. objectives are to:

- Lock in a definitive solution to this dispute;
- Improve civil-military relationships and diversify and strengthen private sector ties; and,

- Reaffirm the Miami Summit principles of stability, regional integration and cooperation.

STRATEGY:

External economic assistance targeted toward projects that will aid in implementation of the settlement, integration and infrastructure projects in the Peruvian and Ecuadorian border communities may provide needed groundwork on which to build agreement on contentious issues. A broad-based package containing contributions from major bilateral donors and the MDB's also will provide economic incentives for the parties to implement fully an eventual negotiated settlement, funds will be disbursed once an agreement on the border is signed.

A modest U.S. contribution to the global package could be directed toward a range of projects designed to improve the well-being of border communities and facilitate commerce via the Amazon. Funds could be used to carry out feasibility surveys and small-scale demonstration projects or to build to larger, longer-term MDB-funded integration and infrastructure projects.

For example, in developed areas of the Ecuador/Peru border technical assistance will be provided along with micro-enterprise credits to bi-national border firms and rural producer groups, and support for social development activities of indigenous communities near the disputed area. With regard to implementation of a navigation treaty as called for in the Rio Protocol, funds could be directed to the development of a port on the Amazon for Ecuadorian use. Technical assistance may also be provided to enhance transborder labor mobility and link border towns through sister-city agreements.

There will be further evaluation of the feasibility of other infrastructure/integration projects for possible private sector and/or MDB funding. These projects could include electrical inter-connection, large scale irrigation, port facilities, navigable waterways, environmental resource management, a transborder oil pipeline and the establishment of bi-national industrial zones.

PERFORMANCE INDICATORS:

- Increased transborder trade;
- Increased Ecuadorian exports via Amazon;
- Improved social indicators for indigenous communities participating in development;
- Signed "sister city" agreements between border towns;
- Completed transborder integration surveys by the IFI's and the respective governments as the basis for follow-on projects; and
- Credits granted to bi-national firms and rural farmers.

ARGENTINA

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.588	0.600	0.600

OVERALL U.S. OBJECTIVES:

Argentina is Latin America's second largest country geographically as well as economically. President Carlos Saul Menem has liberalized the economy, increased foreign direct investment and realigned Argentina's foreign policy toward the United States. In 1995 Argentina voted 92.5 percent with the United States in the UN. Due to Argentina's critical role in sub-regional affairs and support of U.S. economic and security interests in the hemisphere, overall U.S. policy in Argentina seeks to:

- Consolidate democratic, free market reforms and continued reorientation of Argentine foreign policy toward partnership with the United States.
- Expand the market for U.S. goods and services.
- Encourage passage and enforcement of significant Intellectual Property Rights legislation.
- Improve military-to-military relations.
- Increase sub-regional involvement in promoting and enacting military confidence and security building measures (CSBMs) and transparency measures.

STRATEGY:

Argentina has made substantial progress in creating the institutions and policies essential to a prosperous, modern society. Our strategy to promote the consolidation of these trends -- which is essential to achieving all of our objectives -- calls for steady and broad engagement with Argentine leaders and civil society. Programming by USIA, USAID regional programs and high-level U.S. visitors all supplement the work of Embassy Buenos Aires in this endeavor. IMET plays a key role in the development of civilian defense experts able to administer effectively the defense establishment. With the principle of civilian control clearly established and uncontested in Argentina, the greatest challenge remaining to the military establishment and respective civilian oversight authorities is modernizing the military's approach to allocating defense resources and increasing civilian participation in the process. The IMET program is designed to give civilian and military leaders the tools needed to credibly and effectively manage the defense ministry. This will be achieved through expanded

IMET funded courses taught in the United States focusing on resource management, defense procurement and establishing budgetary priorities

Expansion of the Argentine market for U.S. goods and services is also advanced by democratic/free market consolidation. Our strategy in this area builds on this dynamic through advocacy on behalf of individual U.S. businesses and sector specific assistance. We will also work with the GOA to secure protection of intellectual property rights legislation.

Argentina will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA for Argentina will be used to support the country's efforts to modernize and enhance its interoperability with U.S. and NATO forces. Argentina plays a key role in international peacekeeping operations in support of U.S. foreign policy objectives, having provided peacekeepers to the Middle East, Eastern Slavonia, Cyprus and Haiti.

PERFORMANCE INDICATORS:

- Continued adherence to free market reforms;
- Improved legal framework for U.S. exporters, especially on intellectual property rights tariffs;
- Continued growth of U.S. imports;
- Improved defense resource management capabilities;
- A streamlined and cost-effective military establishment;
- Improved interoperability with U.S. and UN peacekeeping forces; and
- Continued GOA participation in peacekeeping operations and increased regional participation in peacekeeping training opportunities.

THE BAHAMAS

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.116	0.100	0.100
INC	0.700	1.000	1.000

OVERALL U.S. OBJECTIVES:

The Commonwealth of The Bahamas is a constitutional, parliamentary democracy and a member of the Commonwealth of Nations. Prime Minister Hubert Ingraham's Free National Movement (FNM) has controlled the government and parliament since 1992. The Bahamas is a stable, developing nation whose economy is based on tourism and financial services, primarily offshore banking and trust management. For several years, the Bahamas has been a major transit point for illicit narcotics entering the United States and has recently begun to cope with a growing problem of migrant and alien smuggling issues. The Bahamas cooperates fully with the United States on a number of security-related issues, such as drug interdiction and joint military operations. U.S. foreign policy objectives in The Bahamas are to:

- Decrease the amount of cocaine and other illicit drugs transiting through Bahamian territory to the U.S.
- Enhance the effectiveness of the Bahamian judicial system.
- Promote the professionalism of the Royal Bahamas Defense Force (RBDF) and improve its interoperability with U.S. and allied forces.
- Continue cooperation on migrant and alien smuggling issues.

STRATEGY:.

U.S. policy seeks to support the Bahamian government's efforts to combat the negative impact the drug trade has on its institutions and society, improve its judicial system, professionalize its military and police forces and increase multilateral peacekeeping operations. Through Operation Bahamas and Turks and Caicos (OPBAT), an effective combined counternarcotics enforcement effort, we enjoy unparalleled bilateral cooperation that permits a significant interdiction and investigation infrastructure in The Bahamas involving U.S. aircraft, ships, and personnel. U.S. Coast Guard and Army helicopters are assigned to joint interdiction bases on the islands of New Providence, Exuma and Great Inagua. Successful combined counternarcotics operations and the improved ability of Bahamian law enforcement agencies to prosecute offenders will continue to define the OPBAT program's effectiveness.

Since the Bahamian government lacks the resources to simultaneously train and maintain its small defense force, the IMET program provides necessary advanced training for a limited number of RBDF officers and encourages continued bilateral military cooperation. The FMF program is vital to ensuring their trained force has the proper equipment for interoperability with U.S. and other Caribbean nations. FMF and IMET's success is evidenced by the RBDF's participation in both the Multinational Force and the UN Mission in Haiti, participation in regional exercise Tradewinds, and the U.S. military's ability to conduct exercises in Bahamian territory.

The Bahamas will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA for the Bahamas will be used to support CARICOM's role as a stabilizing force in the Caribbean through active involvement in peacekeeping operations, search and rescue missions, disaster relief and counternarcotics operations. The FMF program has just been established for the RBDF (with two cases pending) and is vital to equip the new RBDF base at Great Inagua to adequately curb alien smuggling and drug trafficking.

PERFORMANCE INDICATORS:

- Increased seizures of illegal narcotics;
- Increase numbers of successful prosecutions of narcotraffickers and alien smugglers;
- Improved prosecutorial and judicial effectiveness;
- Increased interoperability of Royal Bahamas Defense Force with U.S. and allied forces; and
- Continued interception of illegal migrants.

BELIZE

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.217	0.250	0.250

OVERALL U.S. OBJECTIVES:

Belize, a parliamentary democracy, has been independent since 1981. It occupies an important position geographically in Central America with its long coastline, sparse settlements and shared borders with Guatemala and Mexico. These conditions have made it a target of opportunity for international criminals such as narcotraffickers and alien smugglers. It is paramount that the United States keep Belize focused on the importance of combating international crime. The Belize Defense Force (BDF) should be strengthened as it plays a crucial role in maintaining stability on the disputed Belize-Guatemala border. U.S. foreign policy objectives seek to:

- Stem the flow of drugs transiting Belize.
- Expand Belize's cooperation on law enforcement issues.
- Support Belize's commitment to democracy and sustainable environmental development policies.
- Seek a permanent settlement to Belize/Guatemala territorial dispute.

STRATEGY:

The United States will encourage through judicious use of its resources and assets: GOB support for U.S. regional policy; GOB support for law enforcement efforts, to include negotiation and signing of a new extradition treaty and a Mutual Legal Assistance Treaty (MLAT); an increase in trade and investment, while promoting U.S. business interests in Belize; a more capable BDF as an enhancement to regional security; and a smooth transition to a post-USAID assistance regime.

FMF will be used as needed to provide the basics of individual equipment and training, field rations, uniforms. Tested in the MNF and UNMIH phases in Haiti, the BDF is a model for the region in terms of professionalism and subordination of military to civilian authority. IMET funds will promote increased professionalism among the lower ranks and INC funds will support the counternarcotics program. Belize has become a target of opportunity for transshipments of narcotics destined for the U.S. Belizean security forces, especially the police, are ill-prepared to cope. Placed on the Majors List in 1995, Belize is now in a position of having to concentrate on a number

of collateral issues, such as improvements in its criminal justice system. A coordinated and concerted effort on both police and justice fronts is warranted.

Belize will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA for Belize will be used to support its role in CARICOM as a stabilizing force in the Caribbean.

PERFORMANCE INDICATORS:

- Increased drug seizures and convictions;
- Improved bilateral cooperation in the fight against drugs;
- Strengthening of the criminal justice system, especially the prosecutor's office;
- Participation in appropriate training programs by mid-level BDF officers;
- The signing of an extradition and MLAT treaties;
- Judicious use of resources to equip and maintain the BDF;
- Passage of sound environmental legislation;
- Continued stability along the border between Belize and Guatemala;
- Progress on resolution of the Belize-Guatemala border dispute; and
- Improved environmental protection.

BOLIVIA

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
DA	20.555	32.600	30.124
IMET	0.547	0.500	0.550
INC	15.000	45.000	45.000

OVERALL U.S. OBJECTIVES:

A multi-party democracy with an elected president and bicameral legislature, Bolivia has separate executive, legislative and judicial branches and an independent attorney general. In 1994 Bolivia made significant strides toward consolidating democracy by approving constitutional amendments that affected the election of future presidents and congresses, lowering the voting age, reforming the judicial system and creating a human rights ombudsman office. Elected in 1993, President Gonzalo Sanchez de Lozada has continued the economic reforms instituted by his predecessor. Although Bolivia remains one of the poorest countries in the region, President Sanchez de Lozada has succeeded in lowering the inflation rate, signing a free trade agreement with Mexico, negotiating association with MERCOSUR and instituting a privatization program.

Bolivia is the world's third largest producer of illicit coca, and a major source of refined cocaine to the United States. In 1996, an estimated 33,000 hectares of coca were cultivated in the Chapare region, after 7,500 hectares were eradicated. Despite eradication, new plantings continued and coca cultivation in the Chapare decreased by only two percent. Through innovative family health programs and food assistance, the United States is combating high infant and maternal mortality rates that impede development. The United States is helping Bolivia develop sound environmental regulations and build local capabilities to bring increased areas of forests under responsible environmental management. Bolivia hosted the Hemispheric Summit on Sustainable Development and the Environment in late 1996 that resulted in regional consensus on the importance of sustainable development. U.S. foreign policy objectives in Bolivia seek to:

- Eliminate narcotics production and trafficking.
- Promote sustainable development and establish a basis for broad economic growth to provide viable economic alternatives to narcotics production.
- Promote democracy by strengthening Bolivia's government institutions and administration of justice.

- Assist the development of a Bolivian military which supports democratic civilian government.

STRATEGY:

Our strategy for eliminating narcotics production and trafficking depends upon the development of strong, cohesive and accessible democratic institutions of government capable of halting narcotics production and trafficking in Bolivia. The Narcotics Law Enforcement program for FY 1998 is designed to enhance the Government of Bolivia's ability to direct and finance counternarcotics efforts. Projects strengthen the civilian police units that conduct counter-drug law enforcement operations and the military units that support them. A primary objective of these law enforcement operations is to disrupt the transport and sale of illegal coca leaf. U.S. assistance supports the Bolivian coca eradication agency; improvements in ground, air, and riverine law enforcement counternarcotics operations; chemical control efforts; investigations and prosecutions of major drug traffickers; improved counternarcotics intelligence gathering and dissemination; and programs to control the transport and marketing of legal coca.

Our strategy for promoting sustainable development and broad economic growth provides incentives for the development of viable, licit, income-earning alternatives for coca farmers. It includes projects to develop alternative sources of income and employment, expand financial services to micro-entrepreneurs, promote Bolivian exports, protection of the environment and natural resources and support macroeconomic balance-of-payments assistance to the Bolivian Government. In FY 1998, the program will continue to promote broad-based economic growth led by the private sector by creating an attractive climate for foreign trade and investment. To improve family health, U.S. assistance targets Bolivian women and children and supports Bolivian efforts to lower the rate and time between births. In support of the Improved Health Strategic Objective, PL-480 II, the maternal and child health program provides supplementary feeding, oral rehydration therapy, nutrition education and other services.

Strengthened democratic institutions promote an efficient, effective and accessible judicial system in Bolivia. It includes three major components: improving judicial efficiency and accountability; increasing the effectiveness of criminal prosecutions and investigations; and providing access to justice through alternative dispute resolution centers. In 1998, the program will continue to strengthen investigative, prosecutorial and judicial human resources and improve case tracking and administrative management. It will also continue to provide training and equipment to Bolivian prosecutors and to the police (see regional Administration of Justice program). Our strategy for the Bolivian military is to expose its personnel to well-organized, professional operations and training and to reinforce the importance of civilian command and control of the armed forces in a democracy. IMET has also encouraged modernization of the armed forces structure in view of resource constraints. The IMET

program will provide professional military education, as well as courses on improving civilian-military relations, respect for human rights and democratic values.

Bolivia will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA for Bolivia will be used primarily to assist Bolivia in its counternarcotics program.

PERFORMANCE INDICATORS:

- Decrease in the size of the illegal coca economy and the level of coca exports;
- Increase in the number of interdictions and seizures of cocaine and precursor materials;
- Creation of viable, licit income-earning alternatives for coca producers;
- Increase in arrests and prosecutions of major drug traffickers;
- Reduced degradation of forest and water resources and biodiversity protected;
- Greater access of Bolivians to maternal and child health care; and
- Improved civil-military relations and greater respect for human rights and democratic values.

BRAZIL

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
DA	4.677	12.515	11.150
IMET	0.200	0.225	0.225
INC	0.290	0.500	1.000

OVERALL U.S. OBJECTIVES:

Brazil is Latin America's largest nation, with the world's tenth largest economy. A decentralized, federal republic, Brazil has 26 states and a federal district represented in a two-chamber legislature. President Fernando Henrique Cardoso won the 1994 elections with an economic program to reduce inflation and open the economy. His plan succeeded in reducing inflation from its 1994 peak at a monthly rate of 50 percent to about one percent. Brazil plays a major role in hemispheric and global security issues of concern to the United States. However, numerous challenges remain. Sustainable development in Brazil is hampered by Brazil's past performance of poor economic management, an extremely uneven distribution of income and serious problems in issues of global importance such as the environment, population and health care. U.S. objectives in Brazil are to:

- Strengthen democratic institutions.
- Enhance professionalism and interoperability of Brazil's armed forces.
- Promote prosperity through free trade and sustainable development.
- Conserve natural resources.
- Fight narcotics trafficking.
- Improve administration of justice through strengthened capacity of prosecutors and police.

STRATEGY:

The U.S. will continue to work with the government of Brazil to begin opening its markets, thereby improving economic stability and providing an enormous market for U.S. goods and services. Modest assistance facilitates closer cooperation with the United States on global issues, including counternarcotics, nonproliferation, peacekeeping operations and protection of the environment. Participation of Brazilian military personnel in IMET provides otherwise unavailable leadership and technical training to professionalize as well as strengthen the military's commitment to democratic civilian government. IMET courses have improved the military's

interoperability in such missions as the Brazilian-led Military Observer Mission in Ecuador and Peru (MOMEP), and in the deployment to Angola to assist in UN peacekeeping/de-mining efforts. Moreover, returning IMET graduates have multiplied the program's value by developing new training courses for their colleagues.

Brazil is a key transit route for cocaine shipments to the United States and Europe from Bolivia, Peru and Colombia. In 1994 and 1995, seizures increased to a total of 15 tons of cocaine. At present, a strong Brazilian currency and lax banking laws render the country susceptible to money laundering. Most U.S. counternarcotics (INC) funding provides equipment and training for the Brazilian Federal Police (BPF) to enhance its interdiction and investigative capability. Brazil is also a key transit route for terrorist activities through the tri-border area -- Paraguay, Brazil and Argentina. Weapons and material are dispersed throughout the region from the tri-border area. In FY 1998, the United States will focus on expanding the limited range of family planning methods available and integrating family planning with women's health care delivery systems. On the environmental front, U.S. efforts will focus on the protection and sustainable use of natural resources in Brazil's critical regions for biodiversity, including the Amazon, Atlantic Forest and Cerrado regions and the reduction of greenhouse gas emissions from deforestation.

The effectiveness of our counternarcotics programs is reflected by successful Federal Police investigations of major cartel operations, interdiction of overland and riverine cocaine shipments and prosecution of drug traffickers. An increase in high-level political support for international counternarcotics efforts, as well as the passage of comprehensive counternarcotics and related legislation, also demonstrates program utility.

Brazil will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA for Brazil will be used to support the military's interoperability in such missions as the Brazilian-led Military Observer Mission in Ecuador and Peru (MOMEP), and in deployment to Angola to assist in UN demining/peacekeeping efforts. EDA will also be used to assist Brazil in interdicting increased narcotics shipments through its borders.

PERFORMANCE INDICATORS:

- A more favorable foreign investment climate;
- Continued adherence to free market reforms and privatization of state-owned industries;
- An increasingly larger market for U.S. goods and services;
- Continued democratic reform;

- Enhanced professionalism of Brazil's armed forces and improved interoperability with U.S. and allied peacekeeping forces;
- Improved capability of the BPF to interdict major narcotics trafficking and reduced flow of drugs to the United States;
- Increased environmentally sound energy production and use; and
- Increased health care delivery mechanisms.

CHILE

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.301	0.400	0.450

OVERALL U.S. OBJECTIVES:

Chile is important to the United States as an economic partner and a key diplomatic ally in international fora, particularly in support of human rights and democracy. Chile's free market economy, commitment to free trade and peaceful return to democracy form the sound basis for cooperation and as an excellent example to other developing nations. Chile's president, Eduardo Frei Ruiz-Tagle, has increased spending on social welfare programs, attracted foreign capital investments, promoted Chilean exports and sought important amendments to the constitution to advance national reconciliation and democratization. The Frei administration is resolved to reforming parts of the 1980 constitution to provide elected civilian leaders greater authority over the armed forces. Such democratization fulfills broader hemispheric and global U.S. goals of promoting democracy and peace. U.S. policy toward Chile seeks to:

- Consolidate democratic reform.
- Expand NAFTA to include Chile.
- Expand U.S.-Chilean cooperation on shared foreign policy interests, especially on peacekeeping operations.
- Enlarge the market for U.S. goods and services.
- Improve military-to-military relations and interoperability.
- Institutionalize civilian control over the military.

STRATEGY:

An important step toward consolidating civilian control of the Chilean military establishment involves expanding civilian participation and expertise in defense management issues. Our strategy supports this development by using Expanded IMET funds to complement existing Chilean consolidation efforts by training civilian Ministry of Defense officials. In addition, the initiative by former Secretary of Defense William Perry to establish a "Defense Consultative Commission (DCC)" has been highly successful in expanding civilian participation in military affairs. To capitalize on increased GOC interest in peacekeeping, our strategy focuses on modernizing the attitudes, strategies and tactics of Chile's armed forces. IMET training and exposure to U.S. peacekeeping operations instruct Chilean military officers in standard operating

procedures of U.S. forces, thereby enhancing the Chilean military's interest, and capability to participate, in regional military operations. Engagement with the military is also the core of our strategy for improved military-to-military ties and is supplemented by a regular program of high-level visits. Cooperation on foreign policy issues occurs under the U.S.-Chilean Consultative Framework established by Presidents Clinton and Frei in June 1994. Chile's well-established free market reforms provide the basis for pursuing expanded markets for U.S. goods and services. Our strategy in this area focuses on advocacy efforts and sector-specific assistance to U.S. firms.

Chile will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA will be used to continue the level of interoperability between our militaries and to support Chilean efforts to participate in regional military peacekeeping operations.

PERFORMANCE INDICATORS:

- Further institutionalization of democracy in Chile, including military acceptance of, and respect for, civilian control;
- Greater civilian expertise in defense resource management and oversight;
- Continued operational compatibility with U.S. and allied forces in peacekeeping operations;
- Chilean accession to NAFTA;
- Increased bilateral military-to-military relations; and
- Increased imports of U.S. goods and services.

COLOMBIA

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.095	0.600	0.900
INC	16.00	30.000	30.000
DA	0.118	-	-

OVERALL U.S. OBJECTIVES:

Colombia is a multi-party, constitutional democracy where the Conservative and Liberal parties have long dominated the political scene. Colombia has a mixed private/public sector economy, with crude oil and coffee accounting for the country's principal legal exports. Three guerrilla insurgencies and extremely well funded drug cartels have placed severe strains upon the country's social, political, judicial and economic systems. Colombia is an essential regional partner with the United States in the fight against narcotics trafficking. Although the government has taken steps to curb production, Colombia remains the primary source of cocaine entering the United States and a significant source of heroin. The Colombian and U.S. governments work closely to develop programs which combat the efforts of guerrilla, paramilitary and narcotics groups and to promote internal stability. U.S. foreign policy objectives in Colombia are to:

- Reduce the flow of cocaine and other drugs from Colombia into the United States.
- Strengthen the democratic institutions of Colombia against the corrupting influence of narcotrafficking.
- Promote the protection of human rights.

STRATEGY:

U.S. counternarcotics assistance to Colombia aims to disrupt the cocaine trafficking infrastructure by supporting and improving investigative, evidence-gathering, arrest, prosecution and asset seizure measures. In so doing, the assistance counters the drug trafficking threat posed to Colombia's internal security, political system and economy, and provides a foundation for maintaining democratic governance. IMET funding will train civilians and senior, mid-level and junior officers in courses that emphasize democratic principles, human rights, professionalism and resource management.

Colombia will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA will be used to support Colombia's efforts to disrupt, destroy and interdict the narcotics trafficking.

PERFORMANCE INDICATORS:

- Increase the hectares of coca eradicted;
- Increase in the number of interdictions and seizures of cocaine and precursor materials;
- Increase in arrests and prosecutions of major drug traffickers;
- Increased levels of narcotics related convictions;
- Continued adherence to democratic rule; and
- An end to cases of human rights abuses.

COSTA RICA

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.196	0.150	0.200

OVERALL U.S. OBJECTIVES:

Costa Rica is Central America's shining example of a long-stable, constitutional, free market democracy that respects human rights and the rule of law. Costa Rica's historic constitution of 1949 abolished the military in favor of a small police force. Its stable and progressive economy depends in large part on tourism and the export of bananas, coffee, and other agricultural products. In 1994 Costa Rica signed a free trade agreement with Mexico and instituted other free market reforms. U.S. objectives in Costa Rica seek to:

- Strengthen governmental and financial systems to withstand combat drug smuggling, vehicle thefts, money laundering and the smuggling of endangered species.
- Enhance Costa Rican stability and reliability as a bilateral partner by promoting its continued progress toward good government, solid economic policies and effective reform of the state.
- Promote sound environment policies and sustainable development.

STRATEGY:

The Figueres administration, with U.S. support, has undertaken the professionalization of the police to insulate them from political influence and constant turnover. U.S. efforts to professionalize Costa Rica's security forces will enhance their ability to combat serious regional crime problems such as alien and narcotics smuggling. IMET strengthens Costa Rica's ability to protect public order, mount counternarcotics operations and combat increased alien smuggling. FY 1998 IMET funds will be used by the Ministry of Public Security, and will focus on professional development, police-community relations, resource management, computer systems and maintenance of aircraft, boats and motors.

Costa Rica will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA would be used to assist their efforts against drug trafficking, alien smuggling and border protection.

PERFORMANCE INDICATORS:

- Reduced drug smuggling, vehicle thefts, money laundering and smuggling of endangered species;
- Reduced maintenance costs and service time between service calls for aircraft and vessels;
- Increased seizures of cocaine and heroin transiting Costa Rica to the United States;
- Increased number of investigations resulting in the dismantling of drug distribution networks;
- Increased number of convictions and longer prison sentences for drug traffickers; and,
- Continued protection of the environment and endangered species.

THE DOMINICAN REPUBLIC

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
DA	7.163	10.252	9.370
IMET	0.507	0.500	0.500

OVERALL U.S. OBJECTIVES:

The Dominican Republic is a multi-party constitutional democracy that has a popularly elected president and a bicameral Congress. Following the flawed 1994 elections, the country underwent a politically traumatic two-year period that resulted in constitutional changes and new elections. National and international observers agreed that the 1996 elections were free and fair. The United States seeks to integrate the Dominican Republic into the community of democratic nations in the hemisphere and enhance our bilateral relationship. These objectives will be achieved through diplomatic engagement, supported by USAID development assistance programs aimed at strengthening the country's democratic institutions through local NGOs and by IMET programs. U.S. foreign policy objectives in the Dominican Republic seek to:

- Enhance American investment opportunities.
- Promote economic prosperity and sustainable development.
- Develop a professional, apolitical military.
- Support the nation's democratic institutions.
- Combat narcotics trafficking.
- Reduce environmental degradation.

STRATEGY:

Following the recent elections and peaceful transfer of power, the focus of U.S. interests has turned toward developmental and trade issues. The key to sustainable development in the Dominican Republic lies in addressing the issues of official corruption and narcotics trafficking, and supporting the new administration's economic and judicial reform efforts to strengthen democracy. An apolitical Dominican military that understands and respects its proper role in a democratic society is a fundamental element in this process. Continued IMET funding is instrumental in developing Dominican military professionalism by exposing military students to U.S. respect for human rights, democratic values and the rule of law. A disciplined military, clearly subordinate to civilian authorities will enhance the political stability necessary for fuller democracy in the Dominican Republic. With the newly-elected government, the U.S.

has an important opportunity to increase military-to-military contacts with the Dominican Republic.

Through targeted USAID programs, the United States will continue to seek increased use of effective primary health care services by undeserved populations. USAID intends to market its successful record of NGO-assisted, community-managed water and sanitation projects as a model to mobilize private sector, other donor and government funding. The United States is working with the World Bank, other international donors and the private sector to support solar power for community potable water and domestic lighting systems; solar cooking, heating and drying ventures; pilot conservation projects in critical watersheds; and, wind energy and mini-hydro pilot demonstrations for community electrification.

The Dominican Republic will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA will be used to support the Dominican Republic's Armed Forces, counternarcotics efforts and safeguard the border with Haiti.

PERFORMANCE INDICATORS:

- Improved foreign investment climate;
- Increased level of free market reforms;
- Continued strictly apolitical performance of military duties;
- Swift military judicial action against any member who may promote unconstitutional actions by the military;
- Increased citizen participation in the democratization process;
- Increased availability and use of environmentally sound energy sources;
- Increased primary health care; and,
- Increased participation by the Dominican Republic's military in regional disaster relief, drug trafficking, peacekeeping, migrant operations and exercises.

EASTERN CARIBBEAN

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.507	0.400	0.450
DA	1.080		

OVERALL U.S. OBJECTIVES:

U.S. policy in the Eastern Caribbean seeks to promote regional stability and economic prosperity, stem the flow of narcotics through the region to the United States and strengthen the Regional Security System (RSS). The tiny nations of the Eastern Caribbean formed the RSS in 1983 to establish a system of collective security. The RSS is composed of all seven Eastern Caribbean countries: Antigua & Barbuda, Barbados, Dominica, Grenada, St. Kitts & Nevis, St. Lucia, and St. Vincent & The Grenadines. The United States has a strategic interest in strengthening the RSS because it serves as a regional stabilizing force through its active involvement in peacekeeping operations, notably in Haiti, and helps protect the seven democratic nations from political and economic instability caused by illicit narcotics trafficking and other special security concerns. The U.S. seeks to provide a cadre of professional U.S.-trained military leaders who support democratic principles, understand U.S. tactics and logistics and share U.S. policy objectives.

The region conducts a large percentage of its trade with the United States, and depends on a special trade status with the United States. The banana industry, the mainstay of three of the seven island economies, may be adversely affected by the outcome of a World Trade Organization suit brought by Latin American growers and the U.S. against the EU banana trade regime (which favors the Caribbean.) From 1994 to 1996, the region provided support for U.S. efforts to restore the legitimate regime in Haiti, by contributing forces via a CARICOM (Caribbean Community) battalion to the U.S.-led Multinational Force, and then to the UN Mission in Haiti. All seven Eastern Caribbean nations participated in the Haiti operations.

STRATEGY:

The strategy to encourage regional stability and prosperity consists of several approaches. The U.S. and European nations are cooperating in the fight against narcotics trafficking, including supporting the various judiciaries in the islands, which face an upsurge in drug-related cases. The U.S. also plans to continue its support for the region via the Caribbean Basin Economic Recovery Act, which grants tax

exemptions and duty-free status to qualifying nations. During the past two years, the U.S. has concluded maritime counternarcotics agreements, and Mutual Legal Assistance and extradition treaties with most of the nations in the Eastern Caribbean. These agreements provide further support for efforts against drug trafficking and other forms of international crime.

To consolidate gains achieved over the past 14 years with regard to the RSS's competence, interoperability and usefulness for the region, U.S. support will focus on maintaining and improving RSS equipment, capabilities and training. With this support, the RSS can continue to play a key role in supporting U.S. policy in the sub-region and with proper training, can provide effective interdiction of illegal drugs and immigrants. The willingness of the RSS to provide forces to their neighbors, as occurred in early 1996 during civil riots in St. Kitts, reduces the likelihood of unilateral U.S. intervention to restore stability at a government's request.

IMET programs for the Eastern Caribbean militaries have contributed significantly to their professionalism. Although all RSS countries are functioning democracies, IMET funding reinforces this and strengthen professionalism. FY 1998 IMET funding will train RSS military personnel in counter-narcotics, disaster relief, peacekeeping operations and resource management.

The nations of the Eastern Caribbean will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA would be used to support the RSS's role as a stabilizing force in the Caribbean through active involvement in peacekeeping operations, search and rescue missions, disaster relief and counternarcotics operations.

PERFORMANCE INDICATORS:

- Continued support for U.S. policies in the region;
- Enhanced security for the Eastern Caribbean against narcotraffickers;
- Increased RSS response capability;
- The continued apolitical performance of military duties; and,
- Increased participation in Caribbean regional security operations and exercises.

ECUADOR

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
DA	9.002	13.532	9.000
IMET	0.547	0.425	0.500
INC	0.500	0.350	0.350

OVERALL U.S. OBJECTIVES:

Although Ecuador has an open, free market economy, there continues to be heavy government involvement in key sectors such as petroleum, utilities and aviation. The Ecuadorian military enjoys substantial autonomy, reinforced by guaranteed access to revenues from the nation's petroleum exports. In 1992 President Sixto Duran Ballen launched a series of macroeconomic reforms that reduced the inflation rate and increased foreign investment. Ecuador's commitment to free trade was demonstrated by the free or complementary trade agreements it has signed with Bolivia, Chile, Colombia, Peru, and Venezuela, as well as its membership in the World Trade Organization. Last year Abdala Bucuram was elected the new president of Ecuador. The challenge for Ecuador for the remainder of this decade is to alleviate the pervasive poverty that affects approximately four millions Ecuadorians. Ecuador's growing environmental degradation has attracted international attention and points to the need for a coherent strategy to effectively deal with this problem. U.S. objectives are to:

- Promote the consolidation of democratic institutions an practices and the observance of human rights.
- Increase GOE cooperation on international crime, particularly narcotics trafficking and alien smuggling.
- Increase investment and export opportunities for US companies.
- Promote resolution of the Ecuador/Peru border conflict.
- Support sound environmental policies and productive sustained use of natural resources.

STRATEGY:

INC funding will be used to develop a greater emphasis on Narcotics Law Enforcement projects. Projects will strengthen the Interpol Police law enforcement capability, continue to improve police skills and performance and support a police counternarcotics training center. A major effort under way is tracking the status of the case against jailed Ecuadorian drug kingpin Jorge Hugo Reyes Torres, who has ties to the Cali

Cartel. The National Drug Council Project will emphasize ministerial-level drug coordination efforts, including anti-money laundering laws, procedures for effective asset seizure and storage, control and monitoring of precursor and essential chemicals and drafting of related counter-narcotics laws and procedure.

The continued autonomy of the Ecuadorian military poses a latent challenge to Ecuador's democracy. The United States has a vested interest in consolidating democracy throughout the Andean region in part because of the severe impact illegal narcotics have on a society. In order for Ecuador to effectively and efficiently combat the drug trade, protections against human rights abuses and corruption and respect for civilian authority must be in place. The U.S. IMET program for Ecuador focuses on professionalizing the military and preparing them to take on a support role in international counternarcotics efforts, while respecting the country's democratic institutions and principles. Measures of program effectiveness will include continued military support for the democratic constitutional process, assignment of U.S.-trained IMET graduates to leadership and command positions and greater respect for human rights.

The USAID program in Ecuador focuses on an integrated approach to help Ecuador achieve sustainable development. U.S. supported activities encourage broad-based economic growth, including a major emphasis on social and democratic policy reforms, microenterprise development and productive activities for low-income groups. Activities with NGOs focus on basic health, environmental protection and sustainable economic growth through greater economic opportunities to the poor. U.S. efforts to promote environmental protection balances policy and field objectives: improving natural resource management, conserving biodiversity, municipal environmental management and pollution prevention.

Ecuador will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA will be used to enhance Ecuador's counternarcotics capabilities by providing the military with the resources to counter the production and shipment of illicit narcotics.

PERFORMANCE INDICATORS:

- The consolidation of democracy and capable governmental institutions;
- Stronger institutions capable of interdicting illegal drugs and precursor chemicals, prosecuting traffickers, seizing drug assets and reducing money laundering;
- A professional Ecuadorian military with an emphasis on defense resource management and greater civilian control over the military;
- Expanded participation at the police counternarcotics training center and other locations;

- Increase of convictions for narcotics-related offenses;
- Establishment of community based drug abuse prevention programs and increased;
- Sustained economic growth; and
- Greater GOE commitment to long-term environmental sustainability.

EL SALVADOR

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
DA	21.773	35.547	33.235
IMET	0.535	0.450	0.500

OVERALL U.S. OBJECTIVES:

The principal U.S. interest in El Salvador is the consolidation of peace and democracy. Since 1992 El Salvador has transformed itself from a nation wracked by a 12-year civil war and dependent on international aid to a constitutional democracy dedicated to free market principles, the protection of civil and human rights and sustainable economic development policies. El Salvador is a solid U.S. trading partner and provides many opportunities for U.S. business.

Many of the necessary reforms outlined in the Peace Accords have been or will soon be completed. In past years, these efforts at modernization of the state and strengthening of democratic institutions have required a substantial commitment of resources by the United States and the international donor community. While bilateral aid has decreased markedly from the war years, U.S. assistance still plays an important. The poverty and shortcomings in the governance system remain a major concern, particularly in the rural areas. The benefits of strong macroeconomic growth have not yet reached the vast majority of El Salvador's citizens. Similarly, El Salvador's environmental situation is increasingly deteriorating. Deforestation, pollution and water contamination, coupled with an increasing population, pose a serious challenge. U.S. objectives in El Salvador are to:

- Continue to reinforce military acceptance of democratically-elected, civilian leadership.
- Strengthen democratic institutions and alleviating rural poverty.
- Increase the profile the military in maritime law enforcement, anti-alien smuggling efforts and participation in joint U.S.-sponsored regional exercises.
- Support increased effectiveness of the Anti-Narcotics division of the National Civilian Police (DAN).
- Expand access and opportunity for rural families in poverty.
- Increase use of environmentally sustainable practices.

STRATEGY:

Our strategy for fostering respect for elected civilian leadership in the Salvadoran military (ESAF) will be supported by IMET programs designed to educate senior civilian and military leaders on defense policy-making and civil-military cooperation issues. Programs will demonstrate the efficacy and wisdom of civilian oversight of military institutions in democracies. IMET efforts will also be directed at technical and professional training for a drastically downsized Salvadoran military (62,000 to 17,000 since the end of the war), while instilling at every level of instruction the paramount need to respect human and civil rights.

IMET funding will also provide assistance to the ESAF in its continuing transition from a counterinsurgency force to one focused on territorial defense, disaster relief, and transnational law enforcement issues. To this end, our strategy will include assistance designed to improve the Navy's ability to control the coastline and coordinate maritime law enforcement efforts. The U.S. Navy Small Craft Instruction and Technical School (NAVSCIATTS) program directly addresses these capabilities. As part of our strategy to professionalize ESAF, we will include Salvadoran military units and personnel in regional exercises designed to increase confidence-building measures and promote effective communication and levels of understanding among Central America's militaries.

El Salvador will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA will be used to enhance El Salvador's ability to control its coastline and coordinate its maritime law enforcement activities. It will also enhance the Salvadoran military's interoperability with the U.S. and facilitate further participation in U.S.-sponsored regional exercises. Development assistance will contribute to encouraging broad-based economic reforms, stabilizing population growth, protecting human health and the environment.

PERFORMANCE INDICATORS:

- Continued acceptance by the military of civilian control over selection of the Minister of Defense and other top-level military posts;
- Increased access to enhanced legal and judicial protection;
- Increased environmental protection;
- Placement of IMET graduates in key billets;
- Continued open debate on military issues, to include the military budget, by the legislature;
- Increased transparency and accountability of the military procurement process and overall budget management;
- Active participation of ESAF in regional exercises and use of military resources to combat alien-smuggling; and,
- Increased illegal narcotics seizures and prosecutions of traffickers.

GUATEMALA

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
DA	9.917	25.965	23.338
INC	2.000	2.000	2.000
IMET	-	0.225	0.225

OVERALL U.S. OBJECTIVES:

Guatemala is a country on the brink of historic changes. After 36 years of internal conflict, the government of President Alvaro Arzu, elected in January 1996, signed an historic Peace Accord in December 29, 1996 between the Government of Guatemala (GOG) and the URNG guerrillas. The GOG has committed itself to an ambitious economic and social program, including a 50-percent spending increase on health and education, that will address the poverty and social inequalities that were the root cause of the armed conflict.

The principal U.S. interests in Guatemala are: implementation of the Peace Accords, consolidating democratic government, improving respect for human rights and the rule of law, achieving sustainable improvements in the socio-economic conditions of Guatemala's largely indigenous population and strengthening Guatemala's counternarcotics interdiction and eradication capabilities. Guatemala has the largest economy and population in Central America and is our principal trading partner in the region. A stable, peaceful Guatemala will be a stronger market for U.S. goods, and increased employment and economic growth will deter illegal Guatemalan immigration to the United States. In addition to the USAID Development Assistance Program, U.S. assistance to Guatemala will be used to further the following specific foreign policy goals:

- Successfully implement the programs in the Peace Accords.
- Enhance military cooperation in implementation of the Peace Accords and improved respect by the military for internationally recognized human rights standards.
- Support for an international presence for about a year to verify demobilization of the URNG, monitor Army downsizing, and ensure cooperation with the provisions of the reintegration agreement.
- Maintain efforts to deter the transshipment of cocaine through Guatemala.
- Continue eradication programs which discourage opium poppy production.

- Continue development of an effective narcotics law enforcement agency a more independent judiciary, and a civilian national police force that are key to a successful law enforcement capability.

STRATEGY:

After a thirty-six year civil conflict, Guatemala is suffering from a significant lack of development. The availability of funds to bring about the benefits of the Peace Accords is essential to ensure increased economic opportunities and enhanced respect for human rights extends throughout Guatemala, especially to ex-conflictive zones. Guatemala has not received military training funds since 1995 because of concerns over military participation in and cover-up of human rights abuses against civilians. The new military command under President Arzu has made significant progress in removing abusive officers from duty and in prosecuting those involved in human rights violations. The military will need to learn to adapt to its new role in a peacetime democratic government and to civilian control. Expanded-IMET programs in such areas as civil-military relations and human rights will assist the military as it adapts to its new role.

Other programs seek to strengthen those institutions that: conduct drug control efforts; support judicial and police reform and anti-corruption activities; support GOG interdiction efforts; and increase public awareness of the dangers of drug production and abuse.

Guatemala will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA will be used to assist Guatemala in supporting the Peace process.

PERFORMANCE INDICATORS:

- Initiation of plans to implement the programs set forth in the Peace Accords, along with the development and implementation of a donor coordination plan;
- Conclusion of an IMF agreement that will provide access to additional support from the international financial community;
- Adoption of measures, legislative or regulatory, to strengthen the judicial system, leading to an increase in effective prosecution of criminal cases under the new penal code;
- Progress on police reforms;
- Continued cooperation on anti-narcotics programs, continued decline in opium poppy cultivation and low rates of drug transshipments; and

- Enhanced degree of drug awareness, demand reduction, and counternarcotics expertise developed among prosecutors, public health workers, media and educational institutions.
- Improved civil-military relations; and,
- Continued decrease in human rights abuses.

GUYANA

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
DA	2.198	3.050	2.200
IMET	0.220	0.175	0.175

OVERALL U.S. OBJECTIVES:

The Republic of Guyana, a member of the Commonwealth of nations and the Caribbean Community (CARICOM), is a small, multiracial developing nation with a unicameral Parliament. Dr. Cheddi Jagan, the Executive President, was elected in free and fair elections in 1992, after more than 25 years of authoritarian rule. One of the hemisphere's poorest countries, Guyana's economy is based on sugar and rice exports, gold mining, and timber production. The Guyanese Defense Force (GDF) contributed personnel to the CARICOM battalion to restore democracy to Haiti and could be called upon for other regional peacekeeping operations. Guyana faces threats to its border integrity from narcotics traffickers and other international criminals. U.S. foreign policy objectives in Guyana seek to:

- Support the GOG's transition from a state-controlled to a free market economy.
- Strengthen democratic institutions.
- Enhance professionalization and interoperability of GDF.
- Enhance the capability of law and defense forces to counter narcotics transshipment and activities.
- Encourage broad-based economic growth.
- Expand economic opportunities for the urban and rural poor.

STRATEGY:

In support of our strategy to help Guyana transform its economy, the USG has provided advisors to the Ministry of Trade and scheduled meetings with the GOG to present private sector policy positions. To promote U.S. investment in Guyana, investment opportunities are made known to potential investors through the Department of Commerce. In addition, the U.S. Embassy promotes U.S. products and services through the commercial newsletter and library. USAID development assistance seeks to expand economic opportunities for the urban and rural poor, implement agriculture sector reforms and restore basic agriculture infrastructure.

The Guyanese military forces are small and untrained. Through IMET funding, the U.S. will support the professional development of the Guyana Defense Force by expanding the military-to-military relationship. IMET training is needed to help the GDF function as an apolitical and professional entity to address drug interdiction needs and maintain the integrity of Guyana's borders.

Guyana will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA will be used to support CARICOM's role as a stabilizing force in the Caribbean through active involvement in peacekeeping operations, search and rescue missions, disaster relief and counter-narcotics operations.

PERFORMANCE INDICATORS:

- Continued free market reforms;
- Professionalization of GDF;
- Increased interoperability with the U.S. and CARICOM forces;
- Improvement in the GDF's understanding of its role in relation to a civilian government;
- GDF performance of its duties in an apolitical fashion, respecting human rights; and,
- Increased GOG support for sustainable development and strengthened democratic institutions and processes.

HAITI

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
ESF	60.000	72.000	70.000
PKO	12.066	15.200	15.000
IMET	0.169	0.300	0.300
DA	23.765	-	-

OVERALL U.S. OBJECTIVES:

President Preval's inauguration in February 1996 marked the first transfer of executive power from one freely-elected President to another in Haiti's 192-year history. Haiti is the poorest country in the Western Hemisphere; its social indicators are alarming, and most of the country's infrastructure is in disrepair. The U.S. has invested close to $2 billion in Haiti's fledgling democracy in recent years. Continued U.S. engagement is required to strengthen nascent democratic institutions and to foster economic development. Bilateral assistance is needed to create the conditions for future political and social stability -- the sine qua non for sustainable economic development. A modest investment by the United States, in coordination with the international donor community which now provides the bulk of economic assistance, will give the Haitian people their best chance to bring their country into the 21st century with the rest of the hemisphere. Specific U.S. objectives are to:

- Consolidate transition from military to civilian rule, including the creation of an apolitical, civilian police force and coast guard.
- Foster more effective and responsive democratic institutions, particularly and independent and effective judiciary.
- Support policies that facilitate increased private sector investment and increase employment and income.
- Promote healthier, smaller and better-educated families.
- Improve agricultural productivity and environmental management.
- Reduce the use of Haitian territory for narcotrafficking activities.

STRATEGY:

It is essential to adequately train and equip the young, inexperienced, ill-equipped police force if Haiti is to become self-sufficient in maintaining a secure and stable environment. In addition, Haiti's judicial system is in the midst of a comprehensive restructuring. The Ministry of Justice has prepared draft legislation that will restructure the judicial system over a period of six months. This will present an opportunity for expanded, long-term USG assistance to rebuild the justice system. The USG's strategy has included significant support for macroeconomic policy reform, including public administration reform and the privatization of parastatals. Haiti benefits from generous external donor support, with existing commitments for the 1995-1999 period exceeding $ 2 billion. Essential services now provided by inefficient state-owned enterprises (e.g. electricity, and telephones) are woefully inadequate and are not available to the majority of the population.

USAID programs focus on three areas, strengthening democratic institutions; promoting free-market economic growth; and promoting human capacity development. USG policy in Haiti recognizes the linkages between population growth and environmental degradation, and the resulting negative consequences for economic development. Following a strategy of leveraging limited USG resources, we intend to maintain our leadership role in developing appropriate pilot programs which can be replicated by other donors. For example, the U.S. was able to leverage $ 55 million in World Bank financing to continue a highly successful job creation program. We are also taking the lead in assisting the Haitian Government in the development of a National Environmental Action Plan.

A steady, modest U.S. security assistance investment in Haiti will continue the extremely successful Haitian Coast Guard project which was funded using $1.1 million of former Haiti Military Assistance Program (MAP) funds and with additional Canadian assistance. The Haitian Coast Guard will provide the capability to counter narcotics transshipments and smuggling, and assist the U.S. in dealing with mass illegal migrations. Supporting the four Boston whalers delivered in June 1996 with a spare part and logistics package is a key FY 1998 activity. We also intend to assist the Haitian Coast Guard to expand operations to both the north and south coasts where most counternarcotics, migrant and search and rescue operations occur. This expansion will require larger patrol boats. FMF available to Haiti under the Caribbean Regional Program will assist in these efforts. IMET funding of $300,000 is needed to continue technical training, professional military education and expanded IMET training for a professional coast guard force. Continuation of an IMET program will maintain U.S. credibility with regional partners and sustain efforts to support security and stability in Haiti.

ICITAP funding will focus on consolidating the Haitian National Police (HNP) as an apolitical institution and ensuring that the GOH can sustain it. These efforts will include developing long-term strategic plans for recruitment, selection, and retention of management and supervisory level HNP officers. This, in turn, will require that the Haitian National Police Training Center (HNPTC) possess the institutional capacity and resources to train new and supervisory police officers. More basic training courses will be provided to prepare Haitian instructors, and a full in-service training program will be developed with an emphasis on forensics training. Basic automation of records will be considered. ICITAP will also assist the GOH in creating task forces to address priority law enforcement issues.

INC funds for Haiti will contribute to meeting two key U.S. policy goals: combating drug-trafficking and equipping the Haitian National Police so that it can perform its role as a professional and apolitical law enforcement entity that provides a secure and stable environment for Haiti's incipient democracy and economic recovery. Haiti is listed in the 1996 INCSR as a major drug transit country and was fully certified by the President in March 1996. INC funds will complement the IMET and ICITAP country activities planned for FY 1998.

Haiti will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA will be used to assist the country's efforts to develop a modern and capable Coast Guard which will involve itself in counternarcotics efforts, coastal and external surveillance, and migration control.

PERFORMANCE INDICATORS:

- Formation of a permanent electoral council;
- Successful conduct of Territorial Assemblies election;
- Successful conduct of elections for one-third of the Senate;
- Completed training of HNP recruits;
- GOH assumes full responsibility for police training;
- Parliamentary passage of judicial reform legislation;
- Established public defender program;
- GOH operates within the policy parameters of its IMF program;
- GOH privatizes three parastatals and opens the energy and telecommunications sectors to private sector participation;
- Increases in the use of primary and reproductive health services;
- Decreases in malnutrition levels;

- GOH forms technical assistance teams which assist farmers in applying sustainable hillside agricultural practices;
- GOH signs necessary bilateral and multilateral counternarcotics agreements;
- GOH establishes a counternarcotics unit within the HNP; and,
- Improved ability of the Haitian Coast Guard to perform counternarcotics, search and rescue, and migrant operations on the north and south coasts.

HONDURAS

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
DA	12.895	21.149	18.350
IMET	0.500	0.425	0.500

OVERALL U.S. OBJECTIVES:

The U.S. has significant interests in Honduras. For many years, the Honduran military had an excessively heavy influence in many areas of national life. Carlos Reina was elected president in January 1994 and has been working to eradicate corruption and to normalize civilian-military relations. The United States strongly supports the Honduran government's efforts to strengthen democracy, fight corruption and further institutionalize civilian control over the military. Because of its geographic location, Honduras has the potential to serve as a transshipment point for illegal narcotics destined for the United States; the U.S. has an interest in helping the Hondurans fight international narcotics trafficking. U.S. objectives in Honduras seek to:

- Strengthen democracy, including respect for law and human rights.
- Promote effective civilian control of the military.
- Promote a more prosperous and open economy.
- Increase Honduran awareness of and commitment to resolving environmental problems.

STRATEGY:

The U.S. will achieve its objectives in Honduras through a multi-track approach. IMET funds will be used to further instill within the military recognition of its proper role in a functioning democracy and promote a viable and appropriately sized military subordinate to civilian authority and respectful of human rights. IMET funds will support continuation of training in the areas of civil-military cooperation in defense resource management, international peacekeeping, disaster relief and civil affairs training while sustaining professional military education at the mid-grade officer level.

USAID development assistance supports programs that are aimed at increasing income for the very poor, improving family health, protecting the environment and facilitating court reform. Honduras will also receive funds from the International Criminal Investigative Training Assistance Program (ICITAP) to train personnel in the Public Ministry and its Criminal Investigation Division (DIC) and make the transition to a

civilian police force, thereby reducing an area of military control (see Administration of Justice program). INC funds will allow us to continue assisting Honduras in its efforts to combat the growing problem of drug trafficking by continuing our support of the Honduran Government's Public Ministry and the new anti-narcotics unit within the Ministry. The U.S. will also continue to support a Joint Information Coordination Center, a canine program and a demand reduction effort.

Honduras will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA will be used to provide the Honduran military with the essential resources needed to interdict drug shipments bound for the U.S.

PERFORMANCE INDICATORS:

- Continued democratic consolidation;
- Free market reforms;
- Improved defense resource management;
- Improved military responsiveness to civilian judicial authority;
- Assignment of U.S. IMET graduates to command positions;
- Improved information sharing on counternarcotics operations;
- Increases in drug seizures and arrests by Honduran authorities; and,
- More successful prosecutions of those arrested for drug offenses.

JAMAICA

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
DA	9.152	12.800	11.100
IMET	0.469	0.500	0.500
INC	0.700	0.750	0.750

OVERALL U.S. OBJECTIVES:

Jamaica is at a critical juncture in its development. Although its reform program has created a more open economy, years of stagnant growth and reduced social expenditures have led to increased poverty and income inequality. This has created a fragile and potentially unstable situation, politically and economically. Continued U.S. foreign assistance is critical to ensuring a stable political environment while enhancing broad-based sustained economic development. USAID will concentrate its approach on three areas: the use of information technology as a major development tool; increased collaboration with partners including other donors; and community-based development solutions. U.S. foreign policy objectives in Jamaica seek to:

- Improve the ability of the Government of Jamaica (GOJ) to conduct a full range of counternarcotics operations.
- Increase the number of successful prosecutions of Jamaican narcotics traffickers, and of extraditions for prosecution in the United States.
- Reduce the illegal import of firearms into Jamaica.
- Continued professionalism of the Jamaican Defense Force (JDF), furthering its interoperability with US and allied forces and its ability to maintain leased counternarcotics helicopters.
- Increase protection of key natural resources in environmentally and economically significant areas.

STRATEGY:

United States policy seeks to support the Jamaican government's effort to combat the negative impact the drug trade has on its institutions and society, professionalize its military and police forces and increase participation in multilateral peacekeeping operations. The maintenance and repair of equipment we have provided is increasingly expensive as the equipment ages. The IMET program will enhance professional and logistics management skills. Improved technical maintenance skills will allow technicians to keep old equipment functional. IMET will also augment JDF ability to

participate in operations promoting regional stability. One measure of program success will be the successful US/Jamaican collaboration in regional and international peacekeeping activities.

The Jamaica Constabulary Force (JCF) Narcotics Unit is the major Jamaican counter-drug law enforcement agency. The USG provides extensive training and equipment to the JCF Narcotics Unit, the Contraband Enforcement Team, and the Port Security Corps.

The USG supports GOJ efforts to first adopt comprehensive narcotics control legislation and then to prosecute drug violators. The USG supports demand reduction efforts by private organizations as well as efforts to increase public awareness of the effects of drug trafficking in Jamaica.

Jamaica will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA will be used to support CARICOM's role as a stabilizing force in the Caribbean through active involvement in peacekeeping operations, search and rescue missions, disaster relief and counternarcotics operations.

PERFORMANCE INDICATORS:

- Increased seizures of illegal narcotics;
- Increased arrests and successful prosecutions of traffickers;
- Reduced drug abuse and increased intolerance of drug trafficking;
- Improved military technical expertise, maintenance management and enhanced interoperability;
- Increased participation of JDF in regional disaster relief, counternarcotics operations, peacekeeping and migrant operations;
- Increased Jamaican capability in drug law enforcement and a greater degree of Jamaican responsibility for locating and destroying marijuana production; and,
- Increased percentage of those arrested for drug offenses are tried and convicted will be the primary measurement for this objective.

MEXICO

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
DA	2.241	17.800	9.250
IMET	0.992	1.000	1.000
INC	2.200	8.000	8.000

OVERALL U.S. OBJECTIVES:

The United States and Mexico have a unique and complex relationship, sharing the stewardship of a 2,000-mile common border; a joint commitment to economic growth and free trade; and a belief that democratic governance provides the most legitimate representation of the citizenry. Over the past decade, cooperation between our two nations has deepened significantly on a range of economic, commercial, social and political issues. Our stronger relationship has opened possibilities for unprecedented enhanced military cooperation. The United States has overriding national security concerns in the economic and political stability of Mexico. The USG uses various resources, including foreign operations assistance, to advance our diverse objectives:

- Expand law enforcement/drug control cooperation.
- Promote a cooperative, open defense relationship.
- Promote increased environmental protection, particularly along the border.
- Sustain Mexico's rate of population growth.
- Strengthen Mexican institutions of democracy and rule-of-law.

STRATEGY:

The North American Free Trade Agreement (NAFTA) will require high-level political attention to the regular and proper functioning of NAFTA consultative and dispute settlement mechanisms. The health and dynamism of U.S.-Mexican trade clearly rests primarily in the hands of the respective private sectors and does not require foreign operations assistance.

Mexico retired its debt well ahead of schedule. A key mission of USG elements in Mexico is the continued close monitoring of Mexican financial and macroeconomic performance to ensure adequate warning of any future economic crisis. Related to this mission is the need to ensure continued Mexican commitment to the tenets of macroeconomic stabilization and liberalization, with attendant positive effects on U.S. direct investment and trade interests in Mexico.

FY 1998 IMET funding for Mexico will provide professional and military training in areas of mutual concern, including strengthening military command, professionalizing the Mexican military, increasing technical capabilities, teaching English language and resource management skills, and providing instruction in human rights standards. Education and training provided by U.S. instructors will foster a greater sense of common interests with the U.S. among Mexican trainees. This training and education should also promote a greater willingness to cooperate with U.S. counterparts and establish more common operational assumptions and procedures. An important element of strategy will be to encourage U.S.-Mexico high-level civilian defense contacts and direct military-to-military contacts, as well as greater Mexican defense cooperation within the hemisphere.

FY 1998 narcotics assistance funding will support a Mexican counternarcotics program that has been reinvigorated and expanded by President Zedillo. In the absence of sufficient GOM resources, U.S. assistance will provide material support for the Mexican Attorney General's efforts to reform and modernize its criminal justice system, counter-drug agencies and police force. It will provide technical support to the aviation program, which is critical for eradication and interdiction efforts. Renewed material support to Mexican eradication programs will be another element in expanded cooperation on narcotics control.

In FY 1998 we will continue to support the Border Environment Cooperation Commission (BECC)'s challenging mission to identify and certify for funding border projects aimed at improving environmental quality, using a binational, grassroots-based and transparent approach that seeks to maximize local involvement and ownership of these efforts. In partnership with the BECC, the North American Development Bank (NADBank) is expected to have begun funding of a substantial pipeline of BECC-certified projects by FY 1998.

USAID resources will continue to be utilized in FY 1998 to support Mexico's successful multi-decade effort to reduce the rate of population growth to a rate sustainable within the country's economic and environmental constraints. USAID resources also will be programmed in FY 1998 to fund efforts to protect Mexico's biodiversity and mitigate global climate change dangers, as well as to strengthen Mexico's institutions of democracy and the rule-of-law.

Mexico has given the Army a progressively larger role in combating illegal narcotics trafficking. Special Army anti-narcotics units need helicopters, supplied by the U.S. as Excess Defense Articles (EDA), and by Presidential drawdown authority to increase their mobility in narcotics interdiction and eradication. Mexico will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA will continue to assist Mexico's counterdrug capabilities.

PERFORMANCE INDICATORS:

- Continued implementation and success of NAFTA;
- Continued democratic political reform;
- Continued high-level bilateral defense meetings and military-to-military contacts;
- Numbers and ranks of Mexican military members trained under IMET;
- Narcotics eradicated under Mexican program (hectares); and,
- Increased Mexican drug seizures (kilograms).

NICARAGUA

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
DA	14.034	27.940	21.340
IMET	-	0.150	0.200

OVERALL U.S. OBJECTIVES:

For the first time, Nicaragua is transferring power from one democratically-elected government to another. Still recovering from the conflicts and the economic mismanagement of the 1980s, Nicaragua is struggling to reinforce fragile democratic institutions, promote market reforms and overcome deep poverty. Crime is a growing problem: drug and alien smuggling networks have a foothold, and re-armed soldiers in some remote areas have turned to banditry. Effective security and law enforcement are impeded by a weak judiciary; security forces are still perceived by many as Sandinista-dominated and not fully under civilian control. United States foreign policy interests in Nicaragua seek to:

- Deepen democratic rule.
- Promote civilian control of a professional, apolitical military.
- Encourage further reduction of human rights abuses by the security forces and the effective prosecution of past abuses.
- Build cooperation with counternarcotics forces and increasing drug interdiction.
- Improve commercial climate for US businesses.
- Secure the resolution of American citizens' property claims.

STRATEGY:

A 1994 reform places the military under the control of a civilian Defense Ministry. Under our strategy to promote civilian control of the military, FY 1998 IMET will build on ongoing USIA international visitors programs and USAID-funded civil-military relations programs to foster the development of civilian expertise.

Due to the extremely impoverished conditions in Nicaragua, USAID will continue to support targeted programs as necessary. These include small farmer production and marketing activities, and temporary employment efforts geared to infrastructure improvements in particularly poor areas.

The United States will encourage the investigation and punishment of human rights violations and strengthen domestic human rights organizations. U.S. support will be

designated for the new Office of the Human Rights Ombudsman, to be established in 1997 as the international monitor OAS-CIAV is phased out. Human rights NGOs will also receive support. The embassy will continue to press the GON to prosecute and punish members of the security forces for past human rights abuses.

On counternarcotics programs, INC funding will target demand reduction programs, particularly in the Atlantic coast areas that are seeing increased drug use. Other programs will provide the next government with training in demand reduction, investigation and interdiction. DEA plans to open an office in our Embassy in FY 1998, increasing opportunities for cooperation on enforcement.

Nicaragua will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA will allow Nicaragua to begin the process of updating its military equipment and contribute to modernizing its forces. Should the Nicaraguan military express an interest in becoming involved in peacekeeping or joint exercise missions, this will be an important step in preparing the military to assume that role.

PERFORMANCE INDICATORS:

- Strengthened democratic institutions and the rule of the law;
- Improved oversight of military budgets by the National Assembly and the Comptroller General's office;
- Continued reduction in human rights abuses and achieve just outcomes to pending, high profile human rights cases;
- Establishment of a national security strategy that incorporates civilian control and establishes effective mechanisms to combat illegal narcotics trafficking; and,
- Sustainable growth in employment and income.

PARAGUAY

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
DA	1.050	3.600	5.325
IMET	0.155	0.200	0.200

OVERALL U.S. OBJECTIVES:

The constitutional crisis of April 1996 that threatened to bring to an end Paraguay's seven-year-old democracy brought into sharp focus the continuing fragility of the country's fledgling democratic institutions. Thanks to strong support from the United States, Argentina, Brazil and other countries in the hemisphere, President Juan Carlos Wasmosy, Paraguay's first freely-elected civilian president, continues to lead a profound transition in Paraguay's political and economic systems. Paraguay is moving to institutionalize democracy and energize its market economy, which is now tied closely to its neighbors through the Southern Cone Common Market (MERCOSUR). U.S. interests seek to:

- Support a stable, civilian government that will build solid democratic and economic institutions.
- Increase cooperation in combating narcotics trafficking and other illegal activities.
- Protect intellectual property rights.
- Enhance transparency and modernization of the economy.

STRATEGY:

The U.S. Embassy in Paraguay coordinates our strategy to strengthen democratic and economic institutions, professionalize the military and fight drug trafficking and other illegal activities. The strategy includes technical assistance, high-level visits and multi-agency teams to consult with the Government of Paraguay and provide expertise on issues of mutual importance. ESF funds will be used by USAID to fund ongoing programs in electoral assistance and legislative and local government strengthening. Full acceptance of reformed electoral rolls will support open and transparent national elections in 1998. Improved operation of the legislative branch will facilitate promulgation of reform laws, including those designed to address economic and financial sector reform, intellectual property rights protection and more effective counter-narcotics efforts.

IMET training courses will provide both civilians and military personnel with an understanding of how a professional military functions under civilian control and how an apolitical military supports democracy. Training and exposure to U.S. armed forces will encourage Paraguayan forces to participate in international peacekeeping, contribute to consolidating Paraguay's democracy and increase respect for civilian control of the military.

Paraguay is a major narcotics trafficking country and was certified with a national interest waiver in 1995 and 1996. State/INC funds will be used to provide technical assistance and training to Paraguay's Anti-Drug Secretariat. The United States expects to see improved enforcement efforts, government-wide coordination, and increased cooperation with Paraguay's neighbors.

Paraguay will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA will be used to begin the process of updating the military's equipment and contribute to modernizing its forces. Certain sectors of the Paraguayan military have expressed an interest in becoming involved in peacekeeping missions; this is the first important step in preparing Paraguay's military to assume that role.

PERFORMANCE INDICATORS:

- Strengthened democratic institutions, including free and fair national elections in 1998;
- A professional military with a leadership committed to supporting the democratic system and to regional and international cooperation such as peacekeeping activities;
- Passage of key legislation, increased enforcement activities, and cooperation in fighting drug trafficking and other illicit activities;
- Passage of Intellectual Property Rights legislation; and,
- Improved management of an expanded protected areas system.

PERU

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
DA	17.045	31.650	34.493
IMET	0.400	0.450	0.450
INC	18.500	23.000	40.000

OVERALL U.S. OBJECTIVES:

Peru has the most progressive foreign investment and trade laws and one of the largest markets in the Andean region and is poised to become a potent economic force in South America. Peru's weak judicial sector, extraordinarily uneven division of wealth, narcotrafficking problems and continued human rights abuses negatively affect business confidence. The recent Tupac Amaru terrorist seizure of the Japanese ambassador's residence provides a continuing reminder of the threat that guerrilla organizations continue to pose. The US-supported air interdiction program has led to a dramatic decrease in coca leaf prices (from seventy-five dollars to five dollars per kilogram) and an 18 percent reduction in coca cultivation in 1996. While Peru has demonstrated the will to fight narcotics trafficking, its effectiveness has been hampered by weak democratic institutions and a lack of resources. The thirty million dollar alternative development project approved last year has begun to address alternative development, but it is a small program in light of the scope of the problem. Over half the world's coca is produced in Peru. U.S. objectives seek to:

- Protect of US business investments from adverse impact and encourage further investment.
- Support continued economic liberalization and judicial reform.
- Build and strengthen democratic institutions.
- End the illicit cultivation of coca.
- Support the anti-narcotics efforts.
- Professionalize the police and armed services.
- Sustain development promoting judicial reform.

STRATEGY:

INC programs provide commodities, service and advice to Peruvian government agencies engaged in developing or implementing counternarcotics-related programs. These programs disrupt cultivation, processing, wholesale purchase and export of refined coca. All specific programs are aimed at institutionalizing the Peruvian

counternarcotics effort. Specific programs include: training and equipping counternarcotics law enforcement air and ground units; developing local municipal institutions; strengthening the judicial system; supporting microenterprises, building infrastructure and agricultural activities; supporting broad-based economic growth to establish a stable market economy; establishing mobile air operations at forward locations for law enforcement operations against major Peruvian traffickers; controlling precursor chemicals at ports of entry and in the interior; developing actionable law enforcement intelligence; and supporting government demand reduction efforts nationally and locally.

The FY 1998 budget will implement the President's decision to consolidate international counternarcotics law enforcement, economic and military funds into a single account. The 1998 program envisions continuing a mature coca eradication program in coordination with coca-growing communities receiving development assistance and in the fields of those who have abandoned their coca crops. Small-scale community projects reinforce USG counternarcotics and democracy development goals by providing agricultural assistance, road-building, community development projects and long-term technical assistance to municipalities. These projects will serve as the basis for international financial institution and other donor assistance affecting the illicit coca economy.

USG programs in coca growing areas provide viable economic alternatives to coca cultivation by focusing assistance on marketing, efficient enterprise management, infrastructure and crop substitution. These efforts are complimented by programs financed through the World Bank and the Inter-American Development Bank. Counternarcotics law enforcement efforts rely on a mobile-basing concept which allows police and helicopters to conduct operations against major trafficking facilities from a variety of secure locations, using the Ucayali town of Pucallpa as the rear area logistical and maintenance depot. Law enforcement programs support:

- The Anti-Drug Directorate (DINANDRO) of the Peruvian National Police (PNP) in combating illegal trafficking in essential chemicals; investigations of trafficking, financial crimes and chemicals trafficking. Funds support all costs for training, equipping, and operating DIRANDRO units and personnel, except for salaries.

- The National Police Aviation Division (DIPA) provides pilots, aircrews, and support personnel for 12 Department of State-owned UH-1H helicopters which support mobile law enforcement actions in the field. USG Aviation Support funds these counternarcotics operations, providing fuel, maintenance, and hangaring, warehousing, aircraft rental when needed, and operational support for DIPA personnel.

- The Customs Project is a narcotics interdiction activity to provide limited logistic support for the Customs Service, e.g., vehicles, investigative and communications equipment, training, and operational support.

USAID programs focus primarily on election assistance, local government strengthening, micro-enterprise development and strengthening of grass-roots, participatory democracy. Programs for judicial strengthening through assistance to local human rights NGOs, assistance to establishment of the Office of the Ombudsman for human rights. Local government development provides technical assistance to strengthen public administration and institutional capabilities. INC funding provides anti-corruption and investigative technique course for prosecutors in narcotics trafficking.

Peru's IMET program is designed to enhance civilian control over the military and to inculcate human rights and other democratic principles in the military. Courses for mid-level, junior and non-commissioned officers include human rights instruction, professional military education and in light of the Peru-Ecuador border conflict, peacekeeping. Our objective is to insure selection of the "best and brightest" field grade officers of the Peruvian services to attend these courses. Through engagement, an appreciation of the U.S. military and its role in the democratic process will be solidified and reinforced, and will open new channels of communication with the Peruvian military. As the graduates return to duty in Peru, they will more likely support and enforce positive democratic policies than they would through a non-engagement strategy.

Peru will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA will be used to assist the government's counter-drug efforts in all stages. The U.S. supported narcotics intercept program is one example of a successful program that has led to a dramatic decrease in coca leaf prices.

PERFORMANCE INDICATORS:

- Reduction and progress toward elimination of illicit coca cultivation and trafficking of cocaine and cocaine base from Peru;
- Strengthened democratic institutions that bolster human rights, prevent corruption and provide a stable environment for investors; and
- Professionalization of the police and armed services through IMET and other training.
- Reduced area of coca under cultivation, confirmation of abandoned coca fields, continued downward trend in the price of coca leaf and dismantling of major Peruvian drug trafficking organizations;

- A transparent and functioning electoral system, continued adherence to the IMF program, and an increase in the number of successful narcotics prosecutions; and,
- Emergence of a professional, apolitical military responsible to executive and legislative branches, and respectful of human rights, with increased numbers of U.S.-trained officers in command positions.

SURINAME

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.085	0.100	0.100

OVERALL U.S. OBJECTIVES:

After a decade of predominantly military rule, Suriname freely elected a Parliament and inaugurated a democratically-chosen president in 1991. Since then, the government has made progress in consolidating democracy and reestablishing civilian control over the military. In May 1996, Suriname held democratic elections for local, district and national government representatives who in turn, in September 1996, chose a new president, Jules Wijdenbosch. The Government of Suriname is thus undergoing a transition of leadership. The U.S. has an opportunity to influence the new administration's resolve and ability to implement policies which are in keeping with U.S. objectives. U.S. objectives in Suriname are to:

- Strengthen democratic civilian government.
- Professionalize the armed forces and instilling respect for human rights.
- Increase counter-drug trafficking efforts.

STRATEGY:

The objectives listed above will be achieved by persuading the Government of Suriname that it must move forward in these areas to gain international recognition and respect as a responsible, democratic government that shares the goals of its neighbors and trading partners. At the diplomatic level, we will continue to make clear the fundamental importance we attach to rule of law, protection of human rights, elimination of trade barriers, anti-drug efforts and respect for the environment. We will encourage the Government of Suriname to pass legislation that formalizes civilian and military roles and chains of command. We will also encourage Suriname to legislate and implement a national drug strategy and develop a national plan for use of its tropical rain forest. We will facilitate technical exchanges and the participation of the DEA, the U.S. Geological and Forestry Services, Peace Corps, NGOs and other USG agencies to further these objectives.

Second, using program resources we will provide training to the military on the correct role of the military establishment in a civilian government. IMET training will emphasize professional military education, respect for human rights and nation building

skills. It will also provide guidance on the military's potential role in fighting drug trafficking and other illegal activities that threaten security and the national interest. The Government's ability to maintain a working coalition and provide a stable political environment in which reforms can be implemented and international donors will continue to provide assistance will affect our ability to meet our objectives.

Suriname will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA will be used to assist the Government of Suriname to continue reform and professionalize its military.

PERFORMANCE INDICATORS:

- Increased democratic reform;
- Military successes in counter drug, anti-smuggling and environmental protection operations;
- Promotion of U.S.-trained officers and officials to policy making roles;
- Performance of military duties in an apolitical fashion, with a proper understanding of the military's role in relation to the civilian government and the military responsibility to protect human rights; and,
- Increased seizures of illegal narcotics.

TRINIDAD AND TOBAGO

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.083	0.100	0.125

OVERALL U.S. OBJECTIVES:

The U.S. and Trinidad enjoy excellent bilateral relations. Free and fair elections have been held in Trinidad at regular intervals since its independence from the United Kingdom in 1962. Trinidad's close proximity to South American drug countries makes it an ideal location for the transshipment of drugs to the U.S. that are smuggled onto the island by both air and vessel.

Although the Trinidad and Tobago Defense Force (TTDF) is one of the largest in the English-speaking Caribbean, only recently has it begun to more fully coordinate its activities with the U.S. The TTDF budget has been decimated as a result of a struggling economy, that makes it difficult for the TTDF to participate in joint U.S./CARICOM exercises. Trinidad strongly supported the restoration of democracy in Haiti and provided a substantial contribution of troops for the CARICOM Battalion assigned to Haiti. U.S. objectives seek to:

- Increase exports of U.S. goods and services.
- Establish a professional cadre of U.S.-trained military leaders who support democratic principles.
- Enhance interoperability and understanding of U.S. tactics and logistics.

STRATEGY:

The USG counternarcotics effort has focused on assisting the TTDF perform drug interdiction and demand reduction exercises, and in one case help the GOTT in a complex murder trial involving a major Trinidadian trafficker. Further, the U.S. and Trinidad have signed extradition and mutual legal assistance treaties, and a maritime counternarcotics agreement. In support of investment opportunities for U.S. investors, the USG negotiated a bilateral investment treaty and an IPR agreement, although the remaining legislation to comply with the IPR agreement is still pending. The Embassy assists U.S. businesses with investment prospects in Trinidad.

The United States strategy for ensuring access and interoperability with the TTDF rests on continued training of the TTDF leadership and joint operations. The U.S. will focus on ensuring cooperation in contingency situations for basing, fueling, repair, material storage, transshipment both at sea and through airport facilities, and full cooperation and coordination with the U.S. in operations to counter international crime, including terrorism, narcotrafficking and alien smuggling. IMET funding will provide education and training of the TTDF in leadership, resource management and decision making in order to improve the TTDF's capability to mount drug interdiction and eradication programs. FY 1998 IMET assistance to Trinidad and Tobago will focus on professionalizing the Defense Force through greater access to training and exposure to U.S. military standards of conduct.

Trinidad and Tobago will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA will be used to support CARICOM's role as a stabilizing force in the Caribbean through active involvement in peacekeeping operations, search and rescue missions, disaster relief and counternarcotics operations.

PERFORMANCE INDICATORS:

- Professionalization of TTDF senior staff;
- Improved and increased cooperation between the USG and GOTT in counternarcotics programs;
- Enhanced capabilities of the TTDF in such areas as disaster assistance, search and rescue; and,
- Increased participation in Caribbean Regional security operations and exercises and participation in regional peacekeeping activities.

URUGUAY

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.330	0.275	0.300

OVERALL U.S. OBJECTIVES:

Uruguay returned to democratic rule in 1985, and is again one of the region's most solid democracies. The economy, though relatively well-developed, has experienced sluggish growth, due in part to the deliberate pace of economic reform. Membership in the Southern Cone Common Market (MERCOSUR) has confirmed Uruguay's commitment to regional economic integration. U.S. objectives in Uruguay seeks to:

- Strengthen democratic institutions.
- Encourage adoption of economic reforms, trade liberalization and integration measures.
- Assist Uruguay to implement effective counter-narcotics, counter-terrorism, and arms control efforts.
- Enhance professionalism of its armed forces, and continue its robust participation in international peacekeeping.
- Encourage passage of patent legislation.

STRATEGY:

The U.S. will engage Uruguay across the full range of U.S. interests. The U.S. will encourage the strengthening of democratic institutions by supporting Uruguay's substantial involvement in multilateral fora such as the United Nations and the Summit of the Americas. Engagement with MERCOSUR and bilaterally with Uruguay, will encourage more open trade and economic reform. U.S. agencies will work to encourage cooperation in fighting drug trafficking and counter terrorism through participation in exchange and other programs. Also, the U.S. will work to enhance the professionalism of Uruguay's armed forces and facilitate military cooperation between the U.S., Uruguay and the rest of the Southern Cone.

IMET in Uruguay is designed to support long-standing U.S. goals of maintaining civilian rule and reinforcing democratic values in the military, while also helping to prepare the armed forces for non-traditional roles in international peacekeeping and support for anti-narcotics and disaster relief efforts. The proposed program for FY

1998 includes a mix of expanded IMET, professional military education and technical training.

Uruguay will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA will be used to help modernize the Uruguayan military, enhancing interoperability and support increased participation in peacekeeping missions.

PERFORMANCE INDICATORS:

- Continued cooperation on regional issues such as counter narcotics, counter terrorism, and arms control;
- Further involvement in worldwide peacekeeping missions;
- Participation in regional military exercises;
- Efficient coordination and control of the military services by the civilian Ministry of Defense;
- Effective utilization of military resources, and placement of IMET-trained personnel in key military and civilian leadership positions; and,
- Passage of patent legislation.

VENEZUELA

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
INC	0.500	0.600	0.600
IMET	0.428	0.350	0.400

OVERALL U.S. OBJECTIVES:

The collapse of Venezuela's banking sector and the general decline of its economy from 1994-1996 are causes for concern, particularly given Venezuela's strategic role as the largest foreign supplier of oil to the United States. Venezuela has a long democratic tradition and its military leaders are loyal to the government. However, a small group of military officers participated in two coup attempts during 1992. Significantly, no Venezuelan officer who had received previous training in the U.S. participated in either attempt. U.S. assistance to enhance the professionalism of the Venezuelan armed forces will contribute to the strengthening of democracy. Our assistance also will improve Venezuela's ability to respond to crime, drug and environmental threats, including Colombian-based bandits, kidnappers, drug traffickers and cultivators of illicit drug crops in western Venezuela and illegal mining operations in the southern Amazon region.

Improving the Government of Venezuela's institutional ability to detect and interdict drug and precursor chemical shipments to and from other drug producing countries is a top national security issue. Venezuela is a major transit country for drugs and a high-priority country in the U.S. effort to combat international money laundering. Our assistance is targeted at these two problem areas. U.S. objectives are to:

- Preserve constitutional democracy.
- Enhance professionalism and interoperability of Venezuela's armed forces.
- Enhance counternarcotics cooperation, reduce money laundering and address narcotics-related judicial corruption;
- Continue access to the largest proven oil reserves in South America.
- Protect and promote of U.S. exports and investment.
- Invigorate sustained economic reform, market liberalization and regional trade integration.

STRATEGY:

The U.S. will pursue a multi-track approach to securing U.S. objectives in Venezuela. First, IMET will enhance civilian control over the military. Our goal is to improve Venezuela's civil-military relations, create an effective military justice system and increase respect for human rights. Courses for mid-level, junior and non-commissioned officers will include human rights instruction as well as professional military education. IMET courses underscore the non-political role of the military in the democratic process. It will also promote a more coordinated role for the military in the execution of Venezuela's national drug control plan. The U.S. will be more professionally engaged with the Venezuelan military and support it during times of internal and international crises.

Second, we will improve Venezuela's institutional ability to detect and interdict drug and precursor chemical shipments and improve the Venezuela's ability to detect and eradicate coca and poppy cultivation. This will be accomplished through the Narcotics Law Enforcement Project, which provides training and equipment to improve Venezuela's drug information-sharing capabilities and support increased interdiction. The National Guard (GN) and Judicial Technical Police (PTJ) will receive training to improve their ability to detect money laundering and to improve the interdiction effort. Along with training they will receive computers and radios to implement newly acquired skills. FY 1998 activities will include:

- A narcotics crop control project designed to gather more complete information on the extent of narcotics cultivation in Venezuela and to sustain bilateral eradication efforts. Colombian traffickers over the past three years have cultivated over 3,000 hectares of opium poppy in the Sierra de Perija region, which the Venezuelans eradicated quickly with USG assistance.

- A drug analysis facilities project to strengthen the investigative and forensic skills of the PTJ and the GN. Three new laboratory facilities, with upgraded equipment, will be established in outlying regions of Venezuela;

- A waterways interdiction project to provide boats, training, and operational support to strengthen the Venezuelan Coast Guard and Venezuelan Marines interdiction capability along the Caribbean Coast and extensive river systems. This project will complete two Caribbean Basin Radar Network (CBRN) sites and repair the air defense radar system, which are key to successful GOV waterways interdiction. An estimated 100 to 200 metric tons of cocaine transit Venezuela annually.

Third, we will seek to increase Venezuelan compliance with the money laundering provisions of the 1988 UN Convention by enacting bank security oversight measures. The Money Laundering Project will develop the capabilities of the PTJ and GN to investigate and dismantle money laundering operations. Funding will assist the PTJ in

the development of a computer database on suspected money launderers and financial transactions. The PTJ, with USG assistance, will also develop an effective multi-agency financial crimes task force.

Fourth, the Drug Awareness and Demand Reduction Project will engage the Venezuelan administration on narcotics issues, particularly the need to increase public support for counternarcotics programs and increase public awareness regarding the drug threat. Other initiatives include a comprehensive national drug abuse survey, an epidemiological study, training workshops with local NGOs and sports-based drug prevention training programs with U.S. Major League Baseball.

Venezuela will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA will be used to assist the Venezuelan military to improve its drug interdiction efforts along its vast internal river network, support its model crop eradication program, safeguard its border with Colombia against drug cartels and guerrillas, as well as modernize its equipment.

PERFORMANCE INDICATORS:

- Continued political stability in Venezuela during this next year while the government implements economic reforms as measured by the government's ability to maintain peace in the face of popular protests;
- Maintenance of Venezuela's position as a top supplier of oil to the United States;
- Professionalization of the armed services: 1) enhanced Professionalization of the Venezuelan armed forces, improved civil-military relations, greater respect for human rights as demonstrated by support for the decisions of the civilian government and reduction of reported human rights violations; 2) absence of actions by the military against the civilian government; and, 3) stronger working relationships among U.S. officials to all levels of the Venezuelan military;
- Narcotics Law Enforcement Project: 1) increased interdiction of illicit drugs transiting Venezuela's waterways, improved controls on precursor chemicals, and successful destruction of coca, opium, poppy, and marijuana cultivation; 2) joint civilian-military enforcement operations at land, air and water ports; and 3) additional programs to target outbound containerized shipments for inspection;
- Money Laundering Project: Enactment of more comprehensive money laundering legislation and stricter enforcement of existing provisions; and,
- Drug Awareness and Demand Reduction Project: Greater drug awareness in Venezuela's public and private sectors as measured in public surveys.

EAST ASIA AND THE PACIFIC

EAST ASIA AND THE PACIFIC

OVERVIEW:

The East Asia and Pacific region is of tremendous importance to the United States. This importance is most clearly quantifiable in the economic sphere. In a fundamental shift of economic power from Europe, the region includes the world's fastest growing economies and is expected to remain the most economically vibrant region of the world well into the next Century. U.S. exports to the region are large and growing. In 1995, the region absorbed more than one-third of all U.S. exports and accounted for approximately two-fifths of U.S. trade with the world, almost twice U.S. total trade with Europe. The region is expected to account for half of world trade by the year 2000. Particularly noteworthy is the growth of an affluent, traveling middle class, which has made Asian tourists the fastest growing segment of the U.S. tourism market.

The U.S. has six mutual defense treaties in force in East Asia -- with Japan, Korea, Australia, Thailand, and the Philippines, as well as the "Compact of Free Association with the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau". Northeast Asia is the point of geographical confluence for four of the world's major powers - China, Japan, Russia, and the United States, and remains one of the world's most dangerous flashpoints, both in terms of conventional war and implications for weapons of mass destruction proliferation and the missiles that deliver them. In addition to uncertainties on the Korean Peninsula, long-standing territorial disputes, over the Daiyoutai/Senkaku Islands and the Spratlys, for example, are sources for periodic confrontations and pose the threat of serious conflict. In accordance with the region's importance and potential for conflict, U.S. troop strength is now approximately equal - about 100,000 persons - in both the Asia-Pacific and Europe. The United States - Japan alliance and U.S. engagement strategy with China are among the cornerstones of America's national security strategy.

The East Asia and Pacific region costs comparatively little in terms of the Function 150 budget, but it is money well spent. The total of all these resources requested is just *two percent* of the Administration's FY 98 Function 150 budget request. This low percentage of Function 150 funds requested for the Department of State, Bureau of East-Asia and the Pacific (EAP) underscores the tremendous return on investment the United States receives for expenditures in this region.

The President restated U.S. policy interests in Asia during his visits to Korea and Japan in spring 1996 and to Australia, Philippines, and Thailand in November. U.S. engagement in the Asia-Pacific region continues to be guided by the principles of "shared strength, shared prosperity, and a shared commitment to democratic values." The Department of State and the agencies that contribute program resources to this region have the following key objectives:

- Maintaining the U.S. position as the major economic, political, and military power in the region.

- Promoting peace in Asia through stable, constructive relations among the major powers (the United States, Japan, China, and Russia), and promoting the non-proliferation of missile technology and of nuclear, chemical, and biological weapons.

- Promoting professionalism in the regional militaries, interoperability with U.S. forces, greater participation in peacekeeping operations, civilian control of the military and respect for human rights.

- Substantially increasing U.S. economic exchanges with East Asia and enhancing access to the markets, capital, and technology of the region.

- Encouraging continued regional economic growth and support for U.S. economic objectives, particularly through Asia Pacific Economic Cooperation (APEC).

- Supporting stable and increasingly democratic governments that respect international human rights standards.

- Promoting increased cooperation on global issues, including narcotics, law enforcement, peacekeeping operations, environment, population, refugees, and health.

CROSS-CUTTING PROGRAMS: SYNERGY IN EAP OBJECTIVES AND PROGRAMS

Programs discussed here do more than just fulfill a single goal; many of them help achieve multiple goals, demonstrating that EAP region programs and budgets represent an integrated goals strategy, in practice as well as principle. The USAID administered US-Asia Environmental Partnership has already stimulated $300 million in U.S. technology exports to countries in the region, just one of many examples of how USAID helps promote prosperity as well as sustainable development and humanitarian goals. Democracy programs are as vital to human rights goals as to sustainable development objectives.

The United States Information Agency's (USIA's) International Visitor Grant program (IVP) has, over the years, made a vital and measurable contribution to every goal by bringing key civilian leaders into contact with many different sectors of American society and government. The IVP's alumni include seven former Prime Ministers and 17 former ministers in the Republic of Korea alone. This builds a network of influential allies at a cost of less than three million dollars a year in EAP. USIA also works closely with U.S. Pacific Command and partly funds the annual Security in East Asia

Seminar which identifies and establishes linkages with military and civilian officials who will make future security policy.

Building Democracy Economic Support Fund (ESF) programs support two key countries in their transition to democracy - Cambodia and Mongolia. ESF funds are critical to USAID administered efforts in these two fledgling democracies.

Working through the Enhanced International Peacekeeping Capabilities (EIPC) initiative, improvement of selected country peacekeeping training programs will enhance regional conflict prevention mechanisms and effective contribution to international peacekeeping operations.

The International Military and Education Training (IMET) program has performed a similar synergistic effect with regard to key military leaders in the region. Promotion of democracy, security, peace, and U.S. exports (in the defense sector) have all directly benefited from IMET funds provided to eleven countries.

Asia-Pacific Economic Cooperation's (APEC) broad effort to promote regional economic growth and integration through trade liberalization and economic cooperation support U.S. commercial, environmental, and social development goals.

The Asia Foundation's programs, at some point in the past or present, have directly benefited nearly every goal in EAP.

It is important to recognize that for many of the most important goals in the region, the key input is not foreign assistance, but operating expense money required for diplomatic, reporting, and consular assets needed to accomplish these goals.

STRATEGY AND RESOURCES:

In FY 1998, the key Function 150 budget priorities for the EAP region are:

- Continued funding of the U.S.-DPRK Agreed Framework through full funding of the Korean Peninsula Energy Development Organization (KEDO- $30 million);
- Full funding of requests to support fledgling democracies in Cambodia and Mongolia;
- Funding the resources required to cover the operating expenses of U.S. diplomatic, reporting, and consular presence in the region;
- Adequate funding for agency programs (USAID, OPIC, EXIM, USTDA, and USIA) that support U.S. trade and investment in the region;
- Modest ($1 million) but important funds for the multilateral component of the President's "Pacific Community" strategy: Asia-Pacific Economic Cooperation (APEC) and multilateral security forums;

- The government and NGO programs that support broad democratization and human rights goals, including money for the Asia Foundation, USAID Democracy Programs, USIA, and International Military Education and Training (IMET);
- Sufficient funding for USAID, the World Bank Group, and the Asian Development Bank (ADB) to support a meaningful EAP contribution to the achievement of the Secretary's global sustainable development objectives in the areas of population, health, the environment, and economic growth.

Shaping An Environment For Peace And Security

Requested Function 150 resources under this goal fund heavy fuel oil purchases and some administrative and other program costs for KEDO and include modest Foreign Military Financing (FMF) funds for Cambodia. Cutbacks in these resources would undermine implementation of the US-DPRK agreement to address one of the world's potentially most dangerous nuclear proliferation problems and impede further modernization of the Cambodian armed forces in their efforts to prevent the return to power of the murderous Khmer Rouge..

The new East-Asia Security Regional Fund requests modest ($250,000 annually) funds for an important multilateral component of the President's "Pacific Community" strategy: support to regional multilateral security forums such as the ASEAN Regional Forum (ARF) and the Northeast Asia Security Dialogue (NEASED).

In addition to 150 account funds, the Department of Defense (DOD) complements diplomatic activities in support of U.S. priority goals in this category with extensive resources and activities. DOD and U.S. Pacific Command support U.S. key national goals of: reaffirming alliances with Japan and others with maintaining a forward military presence of about 100,000 men and women; extensive Foreign Military Sales; cooperative defense agreements; joint exercises, senior official exchanges; access arrangements; training programs; Excess Defense Articles grants; and enhancing international peacekeeping capabilities.

The Foreign Military Financing (FMF) grant program will support the new global initiative for Enhanced International Peacekeeping Capabilities, including selected countries from the region. EIPC will encourage political willingness and enhance military capacity to support participation in international peacekeeping operations and regional conflict prevention mechanisms.

The United States Information Service (USIS) posts work closely with Pacific Command and local military commands to coordinate public affairs strategies on important activities, such as ship visits and major regional exercises.

Countries of the region also provide significant amounts of their own resources to support a U.S. forward military presence. Host nation support funds provided in 1995

totaled $4.7 billion from Japan and $1.7 million from the Republic of Korea, as well as lesser sums from other Asian friends such as Singapore.

Promoting Prosperity, Growth And Jobs

In pursuing U.S. prosperity, growth, and jobs, the U.S. Government has worked to increase market share and to expand the framework for free trade and investment. Strategies to achieve these objectives are: 1) support U.S. exports and increase market access in Japan, China, and other big emerging markets; 2) achieve trade and investment liberalization through the Asia and Pacific Economic Cooperation (APEC) forum; 3) negotiate commercially meaningful accession protocols for China and Taiwan memberships in the World Trade Organization, and reform investment codes and financial services regulations and protect intellectual property rights; 4) and maintain through treaty commitments U.S. industry access to millions of dollars of fishing resources in the South Pacific.

Key activities include the efforts of the Office of the U.S. Trade Representative and the Departments of Agriculture, State, Commerce, and Treasury to expand the U.S. commercial presence in the region using trade policy initiatives. Program resources for these goals within the Function 150 account are provided primarily by the EXIM Bank, the State Department CIO account (APEC Secretariat Expenses), ESF (for the Congressionally-mandated South Pacific Fisheries Treaty commitment), OPIC, and Trade and Development Agency (TDA), as well as the support provided to U.S. trade and investment objectives by USAID's economic growth activities and USIA programming.

These program resources are highly leveraged, producing economic benefits many times their cost. For example, with an appropriated budget authority of $719 million in 1995, EXIM bank financed $13.5 billion in U.S. exports, of which $2.8 billion were to East Asia and the Pacific. During fiscal years 1994 and 1995 and the first three-fourths of FY 1996, OPIC's modest funding requests of $297 million have supported projects such as power plants in the Philippines and Indonesia that are expected to generate a total of more than $2.6 billion in sales of U.S. products during their first five years of operation. The Trade and Development Agency requires that any project it funds has a minimum return, in terms of U.S. export sales, of at least 40 times the cost of its investment. Each year the $14 million in ESF provided under the South Pacific fisheries treaty guarantees U.S. companies access to fish stocks valued at $300 million -- a 21-to-one return on investment.

Advancing Diplomacy

Some of the most important objectives for the EAP region depend primarily on the personnel and supporting physical infrastructure funded by State Department and other agency operating funds. These include U.S. foreign policy objectives such as the non-

proliferation treaty, multilateral bank replenishments, and ensuring the protection of American citizens.

Strengthening U.S. bilateral alliances while pursuing new opportunities for multilateral engagement, promoting non-proliferation and export controls, implementing an engagement strategy with China, encouraging North-South dialogue on the Korean peninsula, negotiating trade and market access agreements, and winning support for human and workers rights, including enhancing the status of women, are just a few of the U.S. objectives that rely primarily on a strong diplomatic base, with little or no investment of Function 150 program funds.

Successful public diplomacy was instrumental in sustaining the viability of the U.S.-Japan Mutual Security Treaty following the public outcry in the wake of the rape by American military personnel in Okinawa, Japan in 1995. Successful public diplomacy supported by the Department of State is important to realizing other important U.S. policies, such as APEC and KEDO.

Operating funds are even more important in a region, such as EAP, where traditional development assistance is declining. For example, the economic dynamism of the region gives more "bang for the buck" through investments in economic and commercial officers than is the case for other parts of the world.

Democracy And Human Rights

The main concern is to continue U.S. support for the "fledgling democracies," Cambodia and Mongolia, which are in the critical transition stages from Communist governments and command economies to freely elected democratic governments and more free-market oriented economies. Their success will serve as a beacon for others.

The FY 98 objectives for Cambodia cannot be achieved if the ESF request level of $37 million is reduced. ESF is enabling the Cambodians to build democratic institutions, establish transparent governmental processes, promote civilian control over the military, develop an independent judiciary, hold free elections, and promote respect for international human and worker rights standards.

For FY 98, $7 million in ESF funding is being requested to help Mongolia's political development to a democracy. This small amount of aid will support Mongolia's recent election successes and continuing transition from a de facto Soviet republic to a democratic society and independent country.

The Administration will submit a legislative provision in the FY 98 budget to ensure funds are available to promote civil society programs in China.

The Asia Foundation is a highly credible Non-Governmental Organization (NGO) doing valuable work to promote democratic values and human rights throughout Asia.

Its past work has included funding for specialized NGOs and political participation organizations in the Philippines that led to the return to democracy in that country. It continues to provide similar support to select grass-roots NGOs and promotes civil society programs throughout the region, including China. The Department is asking for $8 million for the Asia Foundation in FY 1998.

National Endowment for Democracy (NED) funds support democracy programs in Asia to meet EAP human rights and democracy objectives. In FY 1996, NED provided approximately $5.5 million to support over 50 grants for democracy programs and projects in East Asia and the Pacific.

IMET funding, especially through the Expanded-IMET program, contributes to the transition to, and maintenance of, democracy by addressing such issues as civil-military relations, effective defense resources management and military justice, including internationally recognized human rights.

Sustainable Development And Humanitarian Assistance

Achieving sustainable development has been for most of the countries in the region the single most important factor in assisting them in achieving other U.S. goals: security, national stability; import markets for U.S. goods; and progress toward democracy. Targeted U.S. assistance in key sectors and countries advances America's global issues agenda (population, health, environment, and democratic participation) and supports exports from the U.S.

USAID development assistance is the central element in promoting U.S. sustainable development objectives in the EAP region. USAID programs finance market reforms in Indonesia and the Philippines that increase economic growth and U.S. market opportunities. They are essential to supporting numerous NGO and civic participation projects in the Philippines, Indonesia, and elsewhere throughout the region. Other USAID programs are the key to building up successful regional efforts to slow population growth and combat HIV/AIDS, and are on the cutting edge of the development of new technologies to deal with growing urban and natural resource environmental problems in Asia.

The Asian Development Bank (ADB) and its concessional lending window, the Asian Development Fund (ADF), is another important tool for achieving U.S. objectives by promoting market-oriented economic growth through policy-based lending, policy dialogue with borrowers and technical assistance. Participation in the ADB is very cost-effective: the ADB has the lowest paid-in capital ratio for all the MDBs -- every U.S. dollar allows the Bank to lend $360. ADB procurement has great benefits for U.S. business -- U.S. firms win over 60 percent of the projects on which they bid.

The Peace Corps is seeking $17.6 million in FY 98 to fund volunteers in 15 EAP countries. The Peace Corps programs in Asia reflect the overall priorities of U.S.

sustainable development objectives in EAP with their emphasis on the basic human needs of education, environmental conservation, food production and health. In some countries in the South Pacific, the Peace Corps is the most visible element of U.S. presence and interest.

Current State counternarcotics assistance in the EAP region is modest, but it supports a critical U.S. government objective in combating heroin trafficking in a region that is the world's leading producer of heroin. Heroin production has been rising and heroin trafficking routes have spread throughout the region. The U.S. ability to respond to this more diversified threat is directly dependent on adequate funding for INL counternarcotics programs in the region. Laos and Thailand are the principal recipients of bilateral assistance. Assistance is also provided to Cambodia and Malaysia. INL has funded the UN International Drug Control Program regional counter-narcotics programs in Southeast Asia.

EAST-ASIA PACIFIC REGIONAL DEMOCRACY FUND

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
ESF	2.500	7.000	6.250

OVERALL U.S. OBJECTIVES:

Democratic development in the East Asia and Pacific region is uneven. Pluralistic societies with a long tradition of the rule of law are neighbors to newly emerging and still fragile democracies, still feeling their way forward from a long history of authoritarian governments. Most countries fall between the two extremes, exhibiting overall forward progress, but with pockets of anti-democratic processes or institutions remaining in place and in force. A regional fund that supports limited programs and short term projects to permit Asians to share their democratic experiences and to learn from one another as well as from American participants would move the existing positive trend forward more quickly.

The ESF requested for this EAP Regional Democracy Fund would be used to sponsor or co-sponsor regional workshops and seminars specifically aimed at democratic institution building, such as trade unions, journalists' associations, and women's rights advocacy groups. Peaceful mediation of labor-management disputes, effective enforcement of workplace safety and health regulations, and equality for women on the job as well as under law would also be included in the agendas for regional dialogues.

STRATEGY:

1. Democratic institutions and processes which reinforce a pluralistic civil society and accountable government.

The reinforcement of democratic institutions and processes is particularly important in the fledgling democracies in transition from one-party, authoritarian systems to multiparty political systems, where elected governments are accountable to those they govern. Continued encouragement is vital for ensuring the basic, universally recognized human and worker rights -- including freedom of association and expression -- are embodied in law and implemented in practice.

2. Equality for Women.

Asian women must be treated equal to men under all laws and in all practices, including employment. As the September 1995 World Conference on Women concluded, urgent implementation of the Conference Platform for Action must be actively encouraged. U.S. efforts must emphasize reducing, if not eliminating, discrimination against women. In 1997, a new set of U.S. sponsored programs to promote the rights of women are underway.

3. Growth of civil society in China.

Rapid economic development and a general opening-up of society since 1978 has resulted in less central control over many aspects of Chinese life. U.S. NGOs experienced in working in China could help nurture the types of civil institutions outside the government structure which could contribute to the more pluralistic, less centralized society emerging in China. Developing such institutions can also provide useful social services, now provided poorly -- if at all -- by the government. Such institutions could also form the basis for greater popular participation in local, regional, and national political life.

The Administration will submit legislation language with the FY 98 budget to promote civil society programs in China.

PERFORMANCE INDICATORS:

- Reduction, if not elimination, of governmental restrictions on freedom of association for workers and journalists as judged by specific governmental actions resulting in the establishment of new unions and associations;
- Passage of civil laws which ensure basic rights, support privatization and economic development for both males and females, and allow NGOs to work freely;
- Reduction, if not elimination, of governmental censorship of the media, as judged by the increase in members of independent media;
- Decreased discrimination against women in the workplace and under law, as judged by specific governmental actions and an independent survey of Asian women leaders;
- Reduced incidents of violence against women, including domestic violence;
- Development of self-supporting Chinese quasi- or non-governmental associations working to develop principles of conducting free elections, rule of law, legal reform, environmental issues, and consumer advocacy; and
- Training of Chinese about democratic elections, multi-party rule of law, and basic freedoms.

EAST ASIA-PACIFIC REGIONAL SECURITY FUND

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
ESF	0	0	0.250

OVERALL U.S. OBJECTIVES:

A significant new element of the Administration's Asian security policy has been constructive participation and support for regional security dialogues. U.S. participation in regional security dialogues in the Asia-Pacific is increasingly active, with particular emphasis on policy toward two significant multilateral dialogues, the ASEAN Regional Forum (ARF) and the Northeast Asia Security Dialogue (NEASED). The overarching U.S. long-term goal for the ARF is its development into a multilateral dialogue that makes useful and definable contributions to improving regional peace and security, including its evolution into preventive diplomacy and, eventually, conflict resolution. Greater attention is being given to the development of NEASED and to moving it forward to include an official, governmental level forum.

STRATEGY:

Effective U.S. Government involvement in multilateral regional security dialogues requires modest program financial resources and a more extensive commitment of human resources. The absence of institutionalized secretariats and assessed contributions for existing regional security dialogues means that their progress in developing specific Confidence Building Measures (CBMs) and advancing arms control and preventive diplomacy objectives depends on the initiative and funding of individual member states.

Many of the most forward-leaning ideas of interest to the U.S. and its allies can be best initiated through targeted "Track Two" (mixed academic and governmental) activities, rather than formal governmental channels. These "Track Two" activities nonetheless require financial support, generally in quite modest amounts. The U.S. may be also asked to co-host "Track One" (official governmental only) working groups in the ARF, as it has done last year and this year. Funding would be used, inter alia, for support for intersessional meetings (whether Track One or Track Two) in areas of priority interest to the U.S.

PERFORMANCE INDICATORS:

- Focus ARF and NEASED on CBMs to encourage defense transparency and dialogue;
- Develop cooperative activities that facilitate practical cooperation among ARF members;
- Specific goals and objectives for each of the ARF's intersessional activities; and
- Discussion of proposals to add "Track One" activities to the NEASED.

SOUTH PACIFIC MULTILATERAL FISHERIES TREATY

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
ESF	14.000	14.000	14.000

OVERALL U.S. OBJECTIVES:

The South Pacific Multilateral Fisheries Treaty is a key component of U.S. relations with Pacific island states and a model for others. Through this treaty, the United States fosters deepening multilateral cooperation among the member states of the South Pacific to achieve profitable, sustainable management of fisheries resources, as well as insures access for U.S. fishing vessels to Pacific Ocean fishing areas. A multilateral agreement involving all distant water fishing nations is required to ensure that fisheries resources are not depleted.

STRATEGY:

By providing significant ESF funding in the form of $14 million annual payments to the Forum Fisheries Agency (FFA), the United States continues to prevent conflicts over access to, and management of, highly migratory fisheries resources. The U.S. supports efforts in the region to negotiate a multilateral management and conservation agreement.

PERFORMANCE INDICATOR:

- Continued unimpeded access without interference by U.S. fishing vessels to Pacific Ocean fishing areas.

CAMBODIA

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
ESF	29.500	35.000	37.000
FMF	1.000	1.000	1.000
IMET	0.403	0.500	0.600
INC	0.325	0.325	0.325

OVERALL U.S. OBJECTIVES:

Cambodia is located in Southeast Asia; it borders on Thailand, Vietnam and Laos. The population of over 10 million is engaged primarily in agriculture. After the devastation caused by two decades of war, insurgency, and the genocidal Khmer Rouge regime, Cambodians began rebuilding their nation with the help of the United States and the rest of the international community. Elections were held in 1993 under the Paris Peace Accords after a large scale peacekeeping effort by the United Nations in which the United States played a major role. U.S. interests in Cambodia are fundamental: to preserve hard-won democratic gains in the former "killing fields" and prevent the return to power of the Khmer Rouge and promote continued democratization.

Cambodia is an illustration of democracy's promise, but its success cannot be taken for granted. The peaceful status of the country and the stability of the government are fragile. Cambodia now has a coalition government which is struggling to build a democratic culture in the face of enormous challenges. U.S. assistance to Cambodia is provided through USAID which relies on NGOs to administer projects. Cambodia receives ESF funds under the "countries in transition" program for democratization, human rights, health care, education, and rural development. The other major component of assistance is non-lethal military aid, in the areas of humanitarian demining and medical and engineering training (FMF) as well as human rights professional military education programs, and English language training (IMET). The U.S. has also provided some funds for counternarcotics efforts in Cambodia.

- The United States remains committed to assisting Cambodia's evolution toward democracy and stability.
- U.S. support is essential for a stable Cambodia, which in turn is critical to regional stability.

STRATEGY:

The U.S. strategy for assisting Cambodia's democratic evolution involves several components, including coordinated diplomatic approaches to address concerns over human rights, coordinating approaches to development issues, assisting economic growth to sustain democracy and development, and providing humanitarian assistance and training in areas such as demining and professionalization of the military.

Cambodia will be eligible in FY 98 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA would be used by the Royal Cambodian Armed Forces to build and improve civil infrastructure; support to effective demining activities underway; and the establishment of secure areas free from Khmer Rouge threats. Engineering, transportation, aviation, and coastal items are exceptionally useful.

Specific Objectives

1. Transparent and credible legal, regulatory, and judicial systems.

Cambodia has a long history of domination by external forces and authoritarian regimes. The Paris Peace Accords of 1991, which led to the United Nations-sponsored elections in May 1993, resulted in the installation of the current coalition government. That government, however, remains weak; the political parties are not well-developed, and political divisions and infighting have created uncertainty about Cambodia's political, economic and social development. Nurturing pluralism and democratic values, and strengthening the institutions needed for a civil society are essential to maintain Cambodia's hard-won peace and freedom.

Requested ESF will enable the United States to provide technical assistance to the National Assembly, courts, public interest groups, and indigenous human rights groups. The assistance is part of ongoing programs which have contributed to increased transparency in the courts, increased understanding of and respect for due process, and created a cadre of trained public defenders to ensure that the courts provide criminal defendants with due process. Support for the National Assembly has been critical in developing the Assembly's ability to draft and review legislation. Through a court-training program, regional advisors are working with provincial courts, judges and prosecutors to provide much-needed legal training to court personnel and strengthen the role of the judiciary. The United States has played the lead role in supporting the public defenders project, which has created a body of paralegals who have served effectively as legal counsel. They form a critical resource since years of war and destruction decimated Cambodia's bar and judiciary. U.S. support for human rights groups in Cambodia is also helping create a capacity for human rights monitoring and advocacy, and protect the civil rights of women, children and minority groups.

2. Stronger mechanisms and organizations to promote democratic processes.

Cambodia held its first free and fair elections in May, 1993 under the supervision of the United Nations and the international community. The international community mounted a major effort to hold the 1993 elections. However, new election laws must be drafted and voter registration needs to be updated for upcoming local and national elections planned for 1997 and 1998, respectively. Successful local elections can boost prospects for free and fair national elections the following year, which in turn will be a critical element in evaluating Cambodia's transition to democracy. In FY 98, Cambodia will need assistance with dispute resolution, fiscal responsibility systems for political parties, voter registration and civic education, and party-building efforts in order to meet the "free and fair" standard. U.S. assistance will also be used to strengthen institutions that will play a vital role during the election process, including human rights groups, non-governmental organizations, and the independent media.

3. Economic growth which sustains democracy and development.

A dynamic, growing economy is essential for Cambodia to sustain progress in instituting democracy and a market economy. Failure to establish the necessary economic foundation could revive the threat of the Khmer Rouge, who have relied heavily on impoverished peasants as their base of support. Defections have severely weakened the Khmer Rouge, but efforts to reintegrate defectors and their families into Cambodian society must be maintained if the defections are to succeed over the long term. Cambodia needs a stronger economic foundation before it can end its dependence on foreign assistance and become self-sustaining. U.S. ESF funds focus primarily on helping to create a skilled human resource base and a reliable transportation infrastructure, particularly in rural areas. Road-building projects are opening up previously inaccessible areas, improving farmers' access to markets and reducing the ability of the Khmer Rouge to isolate and control areas of the countryside.

Human resource-related ESF funds seek to help fill the vacuum caused by the destruction of skilled workers and managers during the reign of the Khmer Rouge in the 1970s. At that time, teachers, intellectuals, professionals and even skilled workers were all targeted for elimination. The destruction of the education system, followed by years of war and occupation, left Cambodia with a literacy rate of only 35 percent. The United States funds primary education projects, including teacher training, which are necessary to rebuild the public education system and extend the benefits of literacy and education to all. In addition, U.S. funded programs support training in basic business skills essential to Cambodia's nascent private sector. Multilateral institutions are working with the Cambodian government on creating a policy environment conducive to a market economy. The United States also provides assistance for the development of a national environmental action plan, including environmental management, for appropriate utilization and conservation of Cambodia's natural resources. FY 98 funds will also support microenterprise loans targeting rural women, which so far have been extremely successful in lifting families from poverty.

U.S. assistance, in cooperation with private voluntary organizations, also addresses basic human health needs in Cambodia. These ESF programs seek to reduce Cambodia's high infant and maternal mortality rates, and bring down the country's high birth rates (Cambodia's present growth rate is high enough to double the population in 25 years). According to a recent survey, over 75 percent of Cambodian women have expressed interest in family planning and contraceptives. U.S. funded programs focus on family health and birth spacing, including maternal and child health care. Economic support funds also aim to reduce the high death rate from preventable diseases by improving access to health care and the growing threat from the spread of HIV/AIDS through health information and education. There are also programs to assist victims of war and the Khmer Rouge insurgency, including providing prosthetics, humanitarian demining, and mine awareness training.

4. Developing military engineer capability to build civil infrastructure.

FMF funds for Cambodia are being used to develop Royal Cambodian Armed Forces (RCAF) engineers' capability to build and improve civil infrastructure. The first priority is to provide training and equipment to maintain over 40 pieces of engineering equipment. Cambodian engineers are being trained in road construction and repair, demining operations, and construction of civil projects such as school houses and local health clinics. Establishing the capability to maintain this equipment is vital to sustaining the long-term effectiveness of the assistance.

FMF supports the Cambodian government's establishment of development centers to provide employment for Khmer Rouge defectors. It is the most effective technique available to resettle defectors and has contributed to the reintegration of thousands of former Khmer Rouge fighters and their families into Cambodian society, thus weakening the insurgency. U.S. assistance also aids Cambodian efforts to remove the estimated 5-8 million anti-personnel mines in the country. As a result of land mines, Cambodia has a higher proportion of amputees in its population than any other country. Demining training and equipment for the armed forces are thus a core element of humanitarian military assistance.

5. Civilian control of the military, military justice, and respect for international human rights standards.

Cambodia's military has embarked on a wide-ranging reform effort, including greater professionalization, regularizing pay systems to eliminate or reduce waste and corruption, and rationalizing the military rank system. The Royal Cambodian Armed Forces continue to be plagued by inefficient administration, inadequate pay, and shortages of equipment, which have made weeding out instances of corruption and abuse of authority difficult. IMET assists in supporting U.S. objectives of promoting continued reform and strengthening professional knowledge in Cambodia's armed forces. The goal is to help Cambodia develop its military as an institution capable of protecting Cambodian sovereignty and respecting civilian authority.

The proposed IMET assistance for Cambodia focuses on educating military personnel about human rights, educating Cambodian officers in military justice concepts and systems, and English-language training. Professional military education is accomplished by training in the U.S. and mobile education teams, which expose students to the U.S. professional military establishment and democratic values. This training includes U.S. military procedures and the manner in which U.S. military functions under civilian control.

PERFORMANCE INDICATORS:

1. **Transparent and credible legal, regulatory, and judicial systems:**
- Promulgation of criminal, contract, and environmental legislation;
- Development of and public access to a database of existing laws;
- Adoption and publication of a legislative agenda; and
- Publication of court dockets and regular assignment of judges to courts and cases.

2. **Strengthen mechanisms and organizations to promote democratic processes:**
- Implementation of an electoral law for local and national elections that meets minimum standards for holding free and fair elections, including formation of an independent electoral commission;
- Media and voters to discuss election issues without fear of violence or reprisals; and
- Local and national elections to be held in 1997 and 1998 with a minimum of disruption or violence.

3. **Support economic growth that sustains democracy and development:**
- Improve conditions of rural roads;
- Improve access to health care, sanitation and potable water by vulnerable groups;
- Increase access to pre-and post-natal care;
- Increase use of contraceptives;
- Increase number and repayment of small loans to entrepreneurs and rural dwellers;
- Increase participation of women in all aspects of economy and society.

4. **Increase military engineer capacity to build civil infrastructure:**
- Improve maintenance of donated engineer equipment;
- Increase number of development centers, roads, schools, and health clinics built by the RCAF; and
- Increase the number of hectares demined.

5. **Strengthen civilian control of the military, improve military justice, and respect for international human rights standards:**
- Promulgation of RCAF regulations on respect for human rights and democratic civilian-military relations;
- Increase in the number of English-language trained personnel; and
- Increase the number of U.S.-trained officers in positions of command.

INDONESIA

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
DA	52.100	41.500	46.500
IMET	0.577	0.600	0.800

OVERALL U.S. OBJECTIVES:

The United States has important economic, commercial, and security interests in Indonesia. The country's size and location (spanning important sea and airways), 200 million population (fourth-largest in the world), natural resources (notably oil and gas), and expanding manufacturing sector, give it broad strategic value. Its steady economic growth and ambitious development plans have enormous trade and investment potential for U.S. companies. As a leading member of the Asia Pacific Economic Cooperation (APEC) forum, Indonesia has been a key supporter of a more open regional economy. It has enhanced its regional and global influence by playing a leading role in the United Nations, the Non-Aligned Movement (NAM), and, for the 1996-99 period, as President of the Organization of the Islamic Conference (OIC).

As the largest member of the Association of Southeast Asian Nations (ASEAN) and founder of the ASEAN Regional Forum, Indonesia will continue its efforts to manage regional problems such as Cambodia and the Spratlys/South China Sea. It is also active in world affairs, contributing to peacekeeping efforts in Bosnia and Angola, supporting nonproliferation efforts such as the comprehensive test ban treaty (CTBT), and joining the Korean Peninsula Energy Development Corporation (KEDO). The United States has a strong national interest in access to internationally-recognized sea lanes and straits which pass through Indonesian waters. A 1992 agreement making Indonesian commercial ship repair facilities available to U.S. warships is an example of the contribution Indonesia makes to U.S. forward-deployment strategy in the Asia-Pacific region. Improvements in human rights and worker rights are also strong U.S. interests. Starting in mid-1994, Indonesia's gradual progress toward political liberalization was set back by the arrest of a number of journalists, labor activists, and political reformers. U.S. Government-supported programs include those which aim at strengthening human rights practices, democratization, and good governance. Among U.S. foreign policy objectives toward Indonesia are:

- Continuing improvements in the environment for U.S. trade and investment.

- Encouragement for Indonesia's moderating role in multilateral organizations and support on important global issues, such as narcotics control and counter terrorism.

- Strengthened defense cooperation aimed at greater military professionalism and discipline, recognition of Indonesia's positive role in regional stability and security, and U.S. access to Indonesian airspace and strategic sea lanes.

- Greater respect for human rights and worker rights, freedom of press and speech, and democratic institutions.

STRATEGY:

U.S. strategy for strengthening defense cooperation includes military training and education, annual bilateral defense discussions, and exchange visits by senior military personnel. Ship repair opportunities, port calls, joint exercises, and sales of major systems to meet Indonesia's legitimate defense needs also raise the level of dialogue and mutual trust. Strong military-to-military relations improve U.S. discourse on defense and security issues, including U.S. access to Indonesian airspace and strategic sea lanes. Exposing Indonesian military personnel to U.S.-origin equipment and maintenance procedures results in improved interoperability with U.S. forces, which is especially important in international peacekeeping efforts.

Historically, the Indonesian military has played a large role in government and society, viewing itself as a unifying force among the various ethnic, religious, and political elements in the country. Through the IMET program the United States will use its influence with the military to promote respect for professionalism, good civil-military relations, principles of military justice and accountability, and internationally recognized human rights.

Indonesia remains one of the world's leaders in peacekeeping troop contributions. This significant burdensharing responsibility demonstrates Indonesia's regional and international policies to support conflict prevention and resolution mechanisms. The U.S. seeks to sustain Indonesia's leading role as a credible peacekeeping contributor.

Indonesia will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. Grant EDA would be used to support the U.S. objectives in establishing an Indonesia military capable of operating and maintaining U.S.-origin equipment and contributing to international peacekeeping efforts. As an identified Level II country for peacekeeping participation, Indonesia requires communications systems, training aids and equipment, and items supporting greater interoperability.

PERFORMANCE INDICATORS:

- Investigations of, and accountability for, human rights violations;
- Indonesian cooperation on defense and security issues;
- Type of archipelagic sea lanes regime;
- Expanded Indonesian participation in combined peace operations and support to regional conflict prevention mechanisms;
- Improve level of access accorded U.S. military visitors;
- Progress at annual bilateral defense discussions; and
- Expand number of ship repairs, port calls, and joint exercises.

LAOS

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
INC	4.000	2.500	2.500
FMF	0.500	-	-

OVERALL U.S. OBJECTIVES:

Laos is the least-developed country in Southeast Asia. Small and landlocked, it lies between Burma, Vietnam, Thailand, China, and Cambodia. Laos' northwestern border with Thailand and Burma forms the infamous "Golden Triangle" for opium and heroin cultivation, production, and trafficking. The majority of Lao continue to exist on subsistence farming, though the Lao Government began in the mid-1980's to shift from a state-controlled to a market-oriented economy. This process will take a major step forward when Laos becomes a member of the Association of Southeast Asian Nations (ASEAN) in 1997. Although the Lao Government has limited financial and human resources, it is committed to trying to reduce the cultivation and production of opium and heroin and to interdict trafficking through its territory. U.S. foreign policy objectives in Laos include:

- Reducing production and improving Lao ability to interdict, opium, heroin, and other opiate-derived products.
- Achieving the fullest accounting possible of missing personnel from the war in Southeast Asia.
- Ensuring the safe return and reintegration of all Lao asylum seekers from camps in Thailand.
- Encouraging Laos' economic and political integration in the region.

STRATEGY:

U.S. strategy for reducing the production of opium and heroin in Laos, thus cutting off some of the supply available for smuggling into the United States, consists of: reducing opium cultivation by providing alternative income opportunities for opium growers; and persuading the Lao Government to enforce laws banning opium production by non-traditional growers while strengthening the Government's ability to do so. The crop control project in Houaphan Province, originally designed as a six-year integrated rural development program directed at eliminating commercial opium production in the Viengtong and Hua Muang districts of Houaphan, has succeeded in meeting its goal despite the fact that only two of the four irrigation dams planned have

been completed. However, farmers will likely go back to growing opium if the project -- which provides alternative sources of income -- is not completed as planned. Continued success and expansion of the project has taken on greater urgency as lowland farmers have begun to take up commercial poppy cultivation, adding to the production of the traditional highland growers. Using program resources, the U.S. seeks to complete construction of the NAM Ngao dam, related roads, and other agricultural, health, and community development projects that were all part of the development plan to persuade growers to cease poppy production.

Narcotics assistance is also used to support law enforcement activity in Laos. A special counternarcotics unit in the Lao Ministry of Interior has been established with U.S. assistance, along with newly-created provincial units in Bokeo and Savannakhet. The strategy is to develop a counternarcotics infrastructure in Laos capable of interacting with law enforcement agencies in the international community. The counternarcotics units provide assistance to the Lao Customs Department and continued support to the Lao National Commission for Drug Control and Supervision (LCDC). Creation, equipping, and training of additional special counternarcotics units in key provincial areas such as Luang Prabang and Oudoumsay are planned for FY 1997 and FY 1998. The majority of assistance will be provided for vehicles, communication, and investigative equipment and supplies. The U.S. will continue to raise the need for enforcement of laws outlawing opium production, particularly by non-traditional growers, through high-level representations at the diplomatic level.

To support U.S. Joint Task Full Accounting Force Field Activities through which U.S. and Lao personnel attempt to locate remains of and clues related to the fate of POW's/MIA's, the U.S. has established a training program for Lao personnel to clear vast closed areas of the country for personnel, land mines and unexploded ordnance (UXO) searches. The U.S. will also provide equipment to Lao personnel to detect and disable mines and UXO and vehicles to transport them to affected areas. This will provide a safer environment for U.S. and Lao personnel searching for remains. The humanitarian aspects of the project will foster goodwill and continued cooperation by the Lao Government on POW/MIA accounting.

As Laos moves to integrate into the regional and world economies, The U.S. will continue to encourage and facilitate this integration by providing economic expertise and English-language training to appropriate Lao Government officials to encourage participation in regional and multilateral fora.

Laos will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. Provision of Excess Defense Articles supports U.S. counternarcotics goals, the fullest possible accounting for missing personnel for the war in Southeast Asia, and the new demining program recently begun in Laos. Laos requires demining support items, communications systems, engineering equipment and transportation assets.

PERFORMANCE INDICATORS:

- Suppression of opium cultivation in Houaphon Province;
- Reduction, leading to elimination, of opium cultivation in expanded project areas;
- Increase in heroin seizures and arrests for trafficking;
- Decrease in casualties caused by land mines and unexploded ordnance;
- Successful repatriation of all remaining Lao refugees from camps in Thailand; and
- Successful integration of Laos into ASEAN and other regional bodies.

MALAYSIA

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.613	0.600	0.700

OVERALL U.S. OBJECTIVES:

A stable multi-ethnic constitutional monarchy with a parliamentary system of government, Malaysia contributes to stability in Southeast Asia through its pivotal role in ASEAN. Malaysia appreciates the U.S. security presence in Asia and, through access to its ports and repair facilities, helps the United States maintain a forward presence in the region. The U.S. has a large and increasing economic stake in Malaysia, one of the fastest growing countries in the world. Malaysia is America's 11th largest trading partner, with total bilateral trade exceeding $25 billion in 1995. The U.S. is Malaysia's largest foreign investor and second largest trading partner.

The United States encourages Malaysia to make broad changes in its trade and investment policy to create new opportunities for American businesses. The United States seeks to promote greater understanding of, support for, and cooperation with U.S. policy goals at the bilateral, regional and international level. The U.S. wants to enhance the bilateral defense dialogue and cooperation in regional security and international peacekeeping capabilities.

STRATEGY:

The proposed IMET level supports key U.S. foreign policy objectives. IMET helps ensure continued Malaysian military familiarity with U.S. doctrine, equipment and management techniques, while enhancing important military-to-military relationships. Enhanced exposure to U.S. equipment will encourage the Malaysians to look to the United States as the source of major weapons systems, communications and transportation equipment. IMET also exposes the Malaysian military to U.S. traditions of democracy, human rights, and civilian control of the military.

To gain greater Malaysian support for key U.S. policy goals, the U.S. is expanding the current dialogue on operational military matters to encompass a senior level policy dialogue on regional security issues and peacekeeping.

Malaysia will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. Grant EDA would be used to support

the U.S. objectives of maintaining a stable and cooperative military relationship and the improvement of peacekeeping capabilities. As an identified Level I country for the development of Enhanced International Peacekeeping Capabilities, Malaysia requires communications systems, training aids and equipment, and items that will provide greater interoperability.

PERFORMANCE INDICATORS:

- Malaysian cooperation in regional and international fora;
- Number of visits, joint exercises and training;
- U.S. arms sales;
- Excess defense article transfers;
- Advancement of IMET graduates to leadership positions;
- Improved operational readiness rates; and
- Enhanced participation in international peacekeeping activities and support to regional conflict prevention/resolution mechanisms.

MONGOLIA

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
ESF	4.000	7.000	7.000
IMET	0.070	0.325	0.325

OVERALL U.S. OBJECTIVES:

Since 1989, when the Mongolian people rejected Communism in a peaceful revolution, the country has made remarkable progress in establishing a democratic political system. On June 30, 1996, Mongolian voters ousted the ruling Mongolian People's Revolutionary Party after 70 years in power and elected the democratic opposition to office. The election results were a demonstration of the positive influence of past U.S. programs. The U.S. has been closely identified with the progress of political and economic reform in Mongolia since 1990.

Mongolia has also committed itself to a market-oriented economy. With the loss of Soviet economic support in 1990-1991, Mongolia lost external resources equal to 30 percent of its GNP. The success of the country's economic reform program depends in large part upon Western, including U.S. assistance. The United States has a strong interest in successful Mongolian reform as an example for other Asian states embarked upon similar reforms.

The remarkable nature of Mongolia's transformation is underscored by the fact that the country is thinly populated, completely surrounded by Russia and China, and has one of the coldest climates in the world. Nevertheless, Mongolia has a rich culture and history, large natural resources of copper, uranium, and oil, and a well-educated population, despite its nomadic heritage.

Specific U.S. objectives in Mongolia are:

- The creation of a private-sector led market economy in Mongolia.
- Building and strengthening of democratic institutions and deepening of Mongolian citizens' participation in the democratic process.
- The promotion of civilian control of the military, military justice, and respect for international human rights standards.

STRATEGY:

U.S. strategy for the creation of market economy in Mongolia is contained in an Economic Policy Support Project. This program provides technical assistance and training opportunities to empower both the public and private sectors to strengthen and deepen Mongolia's economic transition. The program also provides assistance through the placement of an economic policy advisor in the Office of the Prime Minister.

Beginning in FY 1997, the U.S. is expanding the policy advisor program to include privatization policy and strategies, public and private pension reform, banking policy, fiscal reform and customs administration. These issues are priorities of the new government. An additional goal is to assist in the marketing of commercial opportunities in Mongolia to foreign investors by helping to develop laws and regulations which will both attract and sustain foreign investment in the country.

U.S. strategy for assisting in democratic institution building and deepening citizen participation in the democratic process consists of programs to strengthen the legislative and judicial branches of government in Mongolia and to encourage development of non-governmental civil society. The new government came into office calling for faster privatization of state-owned enterprises, administrative reform of government and increased transparency. USAID through its grants will support the orientation and training of newly elected lawmakers and assistance in the drafting of basic laws. The U.S. will provide training and technical assistance to the judicial system to establish an independent judiciary that makes and disseminates informed legal rulings. The U.S. is also assisting the effort to improve political party functioning.

America's strategy for the promotion of civilian control of the military, military justice, and respect for international human rights standards consists of IMET training to strengthen the professional knowledge in Mongolia's armed forces. U.S. goal is to help Mongolia develop its military as an institution capable of protecting Mongolian sovereignty and respecting civilian authority. The proposed IMET program for Mongolia focuses on training military personnel about human rights, educating Mongolian officers in military justice concepts and systems, and English-language training. It will also help educate Mongolian civilian officials with defense responsibilities, including legislators, in effective management of defense establishments and their resources.

Mongolia will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. Grant EDA would be used to achieve U.S. objectives of assisting Mongolia's successful transition to a democracy, self sufficiency, and promoting openness and cooperation on the part of the Mongolian military. Transportation items would be required.

PERFORMANCE INDICATORS:

- Increasing share of national assets transferred to effective private control;
- Passage of civil laws which strengthen democratic institutions and processes, support privatization and economic development, and allow NGOs to work freely;
- Training for Mongolians in the United States or third countries;
- The development of a private sector able to operate independent of government assistance and to advise the Government of Mongolia on future economic policies.
- Promulgation of regulations respecting human rights and democratic civilian-military relations; and
- Increase in the number of U.S. trained officers in positions of command.

PAPUA NEW GUINEA

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.162	0.200	0.200

OVERALL U.S. OBJECTIVES:

Papua New Guinea (PNG) is the largest, most populous island nation in the South Pacific. It is a constitutional democracy which has repeatedly undergone peaceful transfers of power since independence from Australia in 1975. Rich in oil, gas, gold, copper, timber and fish and committed to free enterprise, Papua New Guinea offers significant opportunities for American business. At the same time, the country is severely economically underdeveloped, with over 80 percent of the population dependent on subsistence farming. An economic structural adjustment program adopted in 1995 has helped stabilize the economy and seeks to improve fiscal budgeting and planning. An armed insurrection on Bougainville island has threatened the nation's territorial integrity and drained its financial resources since 1989. Defense force performance in that conflict has highlighted its need for better discipline, respect for human rights, and operational and logistical capacity. U.S. objectives in Papua New Guinea are to support the development of strong, democratic political institutions and a self-sustaining, free-market economy which will permit it to take its proportional share of responsibility for maintaining security and stability in the South Pacific region.

STRATEGY:

U.S. strategy to achieve these objectives is: 1) build a more professional and better disciplined PNG Defense Force (PNGDF); 2) improve PNGDF capability to monitor and detect illegal fishing and to apprehend persons and vessels engaging in such fishing. IMET will support this strategy by providing professional education and training to the PNGDF with emphasis on respect for human rights, leadership and management skills.

Papua New Guinea will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. Grant EDA will be used to support the U.S. objectives for a more professional defense force, an effective maritime law enforcement and surveillance capability, and an enhanced capability to remove and neutralize unexploded World War II ordnance. Transportation, demining, training aids, and patrol craft are requested.

PERFORMANCE INDICATORS:

- Fewer human rights violations committed by the PNGDF;
- Improved discipline and morale among PNGDF soldiers;
- Improved management capabilities;
- Increased apprehension of fishing vessel illegally in Papua New Guinea waters; and
- Improved Explosive Ordnance Disposal capability.

PHILIPPINES

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
DA	47.536	48.450	50.561
IMET	1.210	1.250	1.350

OVERALL U.S. OBJECTIVES:

The United States has a strong interest in the viability of the Philippines as a nation-state which is both committed to democratic political principles and able to achieve economic growth sufficient to improve the economic and social conditions of its people. The Philippines continues to provide an attractive and growing market for U.S. trade, investment and exports. The Republic of the Philippines continues to pursue structural reforms designed to liberalize the economy, further integrate itself into the world economy, and improve the living standards of its citizens. The country has abundant natural resources, but a burgeoning population and significant environmental problems.

The Philippines, which straddles important sea and air routes in Southeast Asia, is committed to close relations with the U.S. It is also seeking to promote regional economic and political cooperation through the Association of Southeast Asian Nations (ASEAN) and the Asia-Pacific Economic Cooperation (APEC) forums, and dialogue on regional security issues through its membership in the ASEAN Regional Forum (ARF). The United States also wants to maintain the Philippines as a cooperative partner in defense arrangements under the 1951 U.S.-Philippines Mutual Defense Treaty (MDT) and to foster cooperation on transnational issues, counter-terrorism, and the promotion of regional stability.

The United States seeks to encourage the smooth functioning of political institutions, continued progress in overcoming extra-legal political challenges, and to help address shortcomings in areas such as law enforcement and the justice system. Through its global programs in the Philippines, USAID works to foster broad-based economic growth in Mindanao, encourage ongoing national economic reforms, promote sustainable development, improve health and the environment, and support democratic institutions. Among U.S. foreign policy objectives toward the Philippines are:

- Continuing improvement of the environment for U.S. trade, investment and exports.
- Deepening adherence of the Philippine military to the rule of law, respect for civilian control, human rights norms, and support for government-signed peace accords and free and fair elections.
- Strengthened defense cooperation within the framework of the Mutual Defense Treaty and the Mutual Defense Board to serve mutual defense interests.

STRATEGY:

The Philippines only receives IMET funds from Foreign Operations Resources. The proposed IMET level supports key foreign policy objectives.

The FY 98 IMET request continues efforts to improve understanding of military justice procedures and human rights norms and to improve communications between military officers and civilians in order to curb human rights abuses To deepen adherence of the Philippines armed forces to rule of law and human rights norms, the U.S. will also continue high level military-to-military contacts in country. Interaction with visiting U.S. officials provides another on-going opportunity to reiterate U.S. support for these norms.

Strengthened defense cooperation will be pursued through regular meetings of the Mutual Defense Board, supplemented by attaché and other visits. Efforts at strengthening defense cooperation will also support the modernization program of the Armed Forces and promote the sale of U.S. equipment congruent with Philippine needs. Ship visits and mutual defense exercises will also contribute to strengthened defense cooperation.

The Philippines will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. Grant EDA would be used to support aviation, transportation, naval, and other major categories of military equipment to improve their capacity to defend their national borders.

PERFORMANCE INDICATORS:

- Military support for free, fair and orderly 1998 elections;
- Decline in reported incidents of human rights abuses involving military personnel;
- Military support for the provisions of the peace accord signed with the Moro National Liberation Front;
- Number of military visits, port calls and joint exercises;
- Continued extension of the administrative and technical status for those involved in MDT-related activities; and
- Sales of U.S. equipment to the Philippines Armed Forces.

SOLOMON ISLANDS

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.085	0.150	0.150

OVERALL U.S. OBJECTIVES:

A British protectorate prior to independence in 1978, the Solomon Islands occupies a strategic position near neighboring Australia and plays an influential role in regional and sub-regional (i.e., Melanesian) affairs. It has a history of democratic government but a persistent lack of adequate sources of revenue has limited development. To obtain income, its governments have increasingly turned to rapid, sometimes unrestrained, development of natural resources, particularly forestry. U.S. objectives continue to be the strengthening of the Solomon's democratic institutions and preserving the biodiversity of the Solomons, including supporting efforts to preserve the country's dwindling rain forests and fragile coral reefs in the face of demands for funds to develop an infrastructure.

STRATEGY:

The U.S. hopes to use IMET training to assist the SI to develop an effective maritime reconnaissance force. The U.S. has encouraged the Solomons to tighten the security of its border with Papua New Guinea in order to prevent illegal crossings by insurgents engaged in the Bougainville rebellion. Improved surveillance training will improve the SI's ability to ensure the security of its own borders. Training in basic coastal surveillance and seaborne law enforcement skills, combined with government efforts to prosecute and fine violators will also increase the country's capability to maintain control of its own resources. Ensuring an adequate source of revenue from fisheries will decrease the SI's dependence on logging income. U.S. training under IMET in maritime law-enforcement skills and procedures would build on Australia's continuing Pacific Island Patrol Boat Programs.

The Solomon Islands will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. Grant EDA would be used to support the U.S. objectives of the Solomon's achieving an effective maritime law enforcement and surveillance capability, as well as the capability to remove and neutralize unexploded World War II ordnance. Transportation, demining, training aids, patrol craft and aviation equipment are requested.

PERFORMANCE INDICATORS:

- Increased number of arrests of illegal fishing violators by ten percent over current totals;
- Increased number of detentions of illegal border crossers going to and from Papua New Guinea's Bougainville island.

THAILAND

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	1.445	1.500	1.600
INC	1.500	3.000	3.000

OVERALL U.S. OBJECTIVES:

A key U.S. military partner, an economic powerhouse and growing trading partner, Thailand continues to be one of the United States most important allies in Asia. Thailand worked closely with the United States during the Vietnam war and continues to allow access to Thai military facilities when needed. It is one of five U.S. security treaty allies in Asia. Currently the United States conducts its largest military exercise program in Asia with the Thai armed forces. To promote regional stability and an active U.S. presence in the region and to encourage greater Thai capability and willingness to contribute to international peacekeeping operations, it is vital that the United States continue to develop and build on these amicable security ties.

Thailand is not only an important security partner but is also a key economic partner, with one of the fastest growing economies in the world. Two-way trade between the United States and Thailand has surpassed $19 billion; U.S. investment in Thailand is valued at approximately $13 billion. The United States is strongly interested in ensuring that U.S. companies participate in the $100 billion in infrastructure projects planned in Thailand over the next decade. Thailand is also a key player in U.S. efforts to foster a Pacific Community and to liberalize trade and investment in the region. From both an economic and security perspective, it is in the U.S. interest for Thailand to remain stable and to continue to develop strong, viable democratic institutions.

Finally, Thailand's geographic location has made it a major transit point for illegal narcotics. The Royal Thai Government has cooperated closely with the United States in eradicating opium fields, arresting drug lords, and sharing critical counternarcotics information. It is important the United States continues to build on this positive relationship to ensure more progress is made.

STRATEGY:

1. Improve Thai drug enforcement capability.

Narcotics control assistance for Thailand primarily provides support for law enforcement activities, and help for the consolidation, restructuring and technical improvement of drug enforcement units. Drug enforcement authorities in Thailand have a close working relationship with U.S. law enforcement agencies. Narcotics assistance is used to fund counternarcotics task forces, the first of which was formed in northern Thailand in 1995. Consolidated task forces are also planned for Bangkok and southern Thailand.

Demand reduction programs involve a broad spectrum of Thai officials and institutions, and help promote public understanding of the seriousness of drug addiction and its detrimental effects on society. Decades of effort have reduced opium cultivation in Thailand to low levels, despite a marked increase in production in neighboring Burma. Because of this progress, all development assistance formerly supplied for reduction efforts has been eliminated. Narcotics control funds continue to be used for the direct support of eradication efforts. Regional Southeast Asian programs will also be funded through the Narcotics Affairs Section in the U.S. Embassy in Bangkok.

2. Continue to build a professional military, committed to democratic reform and strengthened democratic institutions.

IMET for Thailand supports U.S. objectives related to the development and maintenance of a Thai military committed to respecting and fostering democratic principles and capable of participating in international peacekeeping operations. It is the most cost-effective vehicle for building a mutually-beneficial relationship with the Thai military. The relatively small investment -- $1 million in FY 1995 -- that pays for the training of junior and mid-level officers provides us a future generation of Thai military leaders who understands and admires U.S. military doctrine, appreciates American values, and generally prefers U.S.-origin equipment in their modernization programs. As of 1996, more than 21,000 Thai students have been trained/educated at U.S. military institutions. The current Minister of Defense is a 1965 graduate of the U.S. Army's Command and General Staff College, as is the Permanent Secretary at the Ministry, four of the five top generals at army headquarters, the army's four regional commanders, the Air Force CINC, and the Supreme Command Chief of the Joint Staff, among others. U.S. training under IMET thus has a positive impact on Thai inter-operability with U.S. forces, and also fosters a preference for U.S. equipment among the program's graduates.

Thailand will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. For one of America's closest military partners in the Pacific, grant EDA would be used to achieve the U.S. objectives of increasing Thailand's drug enforcement capability, improving interoperability between

Thai and U.S. forces, and promoting a willingness to contribute to international peacekeeping activities. In addition to military items already in the Thai inventory, naval craft and transportation items are very useful to achieving these ends.

PERFORMANCE INDICATORS:

- Continued high levels of heroin seizures;
- Arrest and conviction of drug traffickers;
- Suppression of opium cultivation below the 2,000 hectare threshold;
- A military restraining its role in internal politics;
- Continuing close military-to-military cooperation;
- Advancement of U.S.-trained officers to positions of command; and
- Increased Thai contributions to international peace operations.

TONGA

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.085	0.100	0.100

OVERALL U.S. OBJECTIVES:

The Kingdom of Tonga is a highly traditional society governed by a constitutional monarchy in which political life is dominated by the King and the nobility. Tonga interacts with the United States in important regional Pacific organizations, such as the South Pacific Commission, the Forum Fisheries Agency, and the South Pacific Regional Environment Program. A key United States objective is to continue the strong relationship between the United States and Tonga, and demonstrate U.S. commitment to remain engaged with Pacific island nations generally. U.S. foreign policy objectives in Tonga include:

- Maintain friendly relations with Tonga and the region.
- Strengthen the Government's democratic institutions.
- Assist in the protection of Tonga's environment and fragile natural resource base.

STRATEGY:

IMET will support U.S. objectives by providing professional education and training to Tonga's Defense Force with an appropriate emphasis on respect for human rights, civilian control over the military and military justice.

Tonga will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. Grant EDA would be used to support the ability of Tonga to contribute to regional peacekeeping endeavors and in the development of an effective maritime law enforcement and surveillance capability. Transportation, training aids, patrol craft and aviation equipment are desired.

PERFORMANCE INDICATORS:

- Continued close relations with Tonga;
- Tongan support for US policy objectives in international fora; and
- Increased professionalism in Tonga Defense Force.

VANUATU

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.088	0.100	0.100

OVERALL U.S. OBJECTIVES:

Immediately after independence in 1980, Vanuatu, a small democratic country in the South Pacific (formerly the New Hebrides), followed a rigorously non-aligned policy, eschewing relations with the U.S. and the former USSR. Its government began to seek closer ties with the United States in 1986, and has since shown a special interest in training its security forces. United States objectives are the promotion of democratic ideals including the strengthening of Vanuatu's democratic institutions, as well as fostering programs which strengthen Vanuatu's ability to protect its environment and fragile natural resources. A mutiny by part of the Vanuatu Mobile Force (VMF) in 1996 highlighted the need for better organizational and leadership skills. Vanuatu has also shown itself willing to participate in regional peacekeeping operations, such as the commitment of personnel to the regional "peacekeeping" force deployed in Papua New Guinea in 1994. However, Vanuatu's performance highlighted the need for improved tactical, logistical and organizational skills.

STRATEGY:

Vanuatu's small force is responsible for patrolling a large area of ocean. U.S. Coast Guard training in maritime law-enforcement supplements bilateral Australian and New Zealand training and upgrades VMF capabilities. The IMET program will be used to provide training to improve the discipline of the VMF as well its capability to protect the country's maritime resources and to operate effectively in regional peacekeeping and disaster relief efforts.

Vanuatu will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. Grant EDA would be used to support the U.S. objective of improving the capability of the Vanuatu Mobile Force in protecting maritime resources, and operating effectively in regional peacekeeping and disaster-relief efforts. Transportation, training aids, patrol craft and aviation equipment are desired.

PERFORMANCE INDICATORS:

- Increased number of arrests of illegal fishing violators by ten percent over current totals; and
- Improved logistical, organizational, and leadership skills.

WESTERN SAMOA

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.079	0.100	0.100

OVERALL U.S. OBJECTIVES:

Western Samoa is a parliamentary democracy with a highly traditional society deeply committed to its Pacific cultural values. Western Samoa maintains close social, cultural and economic ties with its neighbor, the United States possession of American Samoa. It is diversifying its economy from Western Samoa's traditional partners, New Zealand and Australia. Key United States foreign policy objectives in Western Samoa include:

- Maintain continued friendly relations with Western Samoa and the region
- Strengthen the government's democratic institutions

STRATEGY:

IMET assistance will build on past U.S. training efforts to increase the professionalism of the security service, improve the implementation of relief efforts, and provide for more accountability within the security service. In accordance with U.S. leadership and management doctrines, training will focus on military justice, human rights, and civilian control of the security service.

Western Samoa will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. Grant EDA would be used to support the U.S. objective of developing an effective maritime law enforcement and surveillance. Patrol craft, aviation equipment and supporting items are required.

PERFORMANCE INDICATORS:

- Continued close relations with Western Samoa;
- Increase the number of arrests of illegal fishing violators; and
- Western Samoa support for US positions on important votes in the UN.

EUROPE

EUROPE

OVERVIEW:

Europe represents the world's greatest concentration of nations and peoples sharing the U.S. commitment to democracy and market economies. A center of economic power and a huge export market for U.S. products, Europe and Canada include five of the G-7 group of major industrialized states. For example, Europe accounts for nearly half of all U.S. investment around the world. America's vital security and economic interests are tied to Europe, as evidenced by U.S. engagement in two world wars and the Cold War, and by the continued U.S. leadership role in NATO. U.S.-Canadian relations reflect the unique features of two major countries sharing a 4,000 mile peaceful border. This situation produces by far the United States' largest bilateral trading relationship (as a result of the North American Free Trade Agreement, over $1 billion per day), remarkably close and harmonious relations which span both foreign and domestic policies, and a myriad of interactions on environmental and other transboundary issues.

The importance of Europe and Canada to U.S. interests extend beyond these bilateral relationships; Europe and Canada offer special opportunities for global partnership. Both individually and through the European Union, these states exercise political or economic influence in the Middle East, Asia, Africa, and Latin America. Cooperation with our European partners is essential in addressing crises in these regions. Our European allies are also engaged in the full range of global issues - e.g., counter-terrorism, peacekeeping, environment, refugees, or preventing the spread of weapons of mass destruction - that concern the United States. Thus, U.S. efforts in Europe and Canada have a multiplier effect in achieving U.S. policy goals around the world. It was with this in mind that President Clinton and his EU counterparts signed the New Transatlantic Agenda (NTA) in December 1995. The NTA gives new direction and focus to our transatlantic ties and seeks to involve our European allies more fully in sharing the burden of responding to the post-Cold War environment in Europe and globally.

The end of the Cold War brought new opportunities to Europe, but also new challenges. The United States and its partners are now completing the task - launched fifty years ago by the Marshall Plan - of building a free, democratic, and undivided Europe, integrating Central Europe, the Baltic State, and the New Independent States of the former Soviet Union into a Western economic and security structure. The zone of stability, prosperity, and security represented by NATO and the European Union is extending eastward. At the same time, however, the removal of superpower rivalry has permitted the resurgence of new threats to peace, often based on ethnic conflict. Bosnia, above all, represents a challenge that must be mastered in order to establish a stable, democratic, prosperous Central Europe. The delicate Greece/Turkey/Cyprus relationship also requires special attention. The United States will meet these

challenges and honor the legacy of the Marshall Plan by building a New Atlantic Community.

OBJECTIVES:

- Maintain peace and stability in Europe via U.S. engagement and leadership. Construct a new European security structure, building on existing institutions.

- Establish a durable peace and reduce ethnic tensions in the former Yugoslavia.

- Consolidate democracy, economic liberalization and stability in Central Europe - including the Baltic states and the Newly Independent States of the former Soviet Union -- and integrate those nations into Western institutions.

- Expand U.S. prosperity through commerce with Europe and Canada and further the long-term objective of integrating the North American and European economies.

- Harness our global partnership with Europe through cooperation with the EU and bilaterally to meet the new security challenges in areas such as crime, drugs, the environment, and health, as well as to address regional crises outside of Europe.

- Promote a political settlement in Northern Ireland.

STRATEGY:

Achievement of U.S. policy goals in Europe and Canada depends on diplomacy, bilateral assistance, and participation in a variety of multilateral programs and institutions. Relationships with key partners such as Germany, France, or Canada - vital to advancing U.S. interests both regionally and globally - rest for the most part on conventional diplomacy. On the other hand, bilateral and multilateral assistance is important to relationships with NATO allies Greece and Turkey, and to achieve U.S. objectives in those areas of Europe torn by war, threatened by instability, or still integrating with the West after decades of Soviet domination. These countries constitute a Critical Arc from Estonia through Turkey. Success in these areas are essential to the establishment of the New Atlantic Community.

The changed environment in Europe calls for creative approaches and a broad definition of security. In addition to the essential role of alliance arrangements, security in the New Atlantic Community requires economic well-being, a shared sense of community, confidence in democracy, a commitment to human rights, and a cooperative approach to global challenges such as the environment or crime. That is part of the reason the United States is working to build U.S.-EU partnership through the New Transatlantic Agenda. In conjunction with our diplomatic efforts to achieve

these goals, the United States will pursue revitalized programs designed to assure European security and stability. Particularly essential to successful U.S. leadership in creating a peaceful, democratic, and prosperous Europe are: a robust increase in security assistance to Central and Eastern Europe under Partnership for Peace, and a set of new SEED programs to ensure the democratic and economic integration of Central and Eastern Europe, including the Balkans.

Maintaining Peace and Stability; European Security Structure

U.S. security policy in Europe rests upon the cornerstones of NATO: cooperation with Russia, a vigorous Organization for Security and Cooperation in Europe (OSCE), and an enhanced partnership with the EU on regional and global issues. The point of departure remains the preservation of U.S. leadership in a robust Atlantic Alliance. The United States led in adapting NATO to the changed environment, and will continue to keep the Alliance central in its approach. The most important ongoing tasks affecting NATO are to: continue to adapt the Alliance, build a new NATO with a more visible and capable European role; conduct a gradual, transparent enlargement of the Alliance; enhance relations with those aspiring NATO members not in the first group of candidates by expanding the scope of Partnership for Peace (PFP), including formation of an Atlantic Partnership Council; and establishment of a new, cooperative relationship between NATO and Russia, expressed in a formal charter.

NATO is progressing on all fronts, but it is PFP that requires significant Foreign Operations resources in order to succeed. The United States is integrating Partners into NATO defense planning and joint exercises, and is giving high priority to improving the interoperability of Partners with NATO forces. Partner nations, however, lack the resources for necessary improvements in logistics, equipment, and training. This was the basis for the President's "Warsaw Initiative" commitment for FY 1996. Continued Foreign Military Financing (FMF) Grant and Loan assistance to most Partners is needed to solidify their relationship with NATO. International Military and Education Training (IMET) programs, described further below, also impress upon participants the civil-military tasks of PFP/NATO enlargement.

The approach of NATO enlargement creates a special need for enhanced support to those countries seeking NATO membership. It is clear that those countries which will be invited to open accession talks need substantial assistance in order to make their military forces interoperable with Alliance forces. Increased grant assistance must therefore be available to these countries, bolstered in the case of creditworthy countries by FMF loans.

For those countries that desire to join NATO but will not be a part of the first accession, the need for enhanced assistance is equally critical. PFP's links between Central European or Baltic states and the West must be strengthened to reassure these countries of their place in the West, and to prevent any sense of a security vacuum.

Links must also be strengthened with those countries, many in the NIS, that are currently PFP Partners and perhaps do not anticipate becoming NATO members in the future. Both the United States and its NATO allies envision various enhancements to PFP to ensure that it remains a vital organization and a part of a new European security structure even after the inclusion of new members into NATO.

International peacekeeping is among the important tasks that more capable, modernized, military forces from Partner countries will be able to undertake. This is notably the case with Latvia, Lithuania, and Estonia, which have - with U.S. assistance - established the Baltic Peacekeeping Battalion (BaltBat). A portion of the FMF grant aid will go to provide follow-on support to the Baltic Battalion. Selected European countries will also share in the new FMF program of Enhanced International Peacekeeping Capabilities (EIPC). We will enhance the national peacekeeping capabilities of these countries and will secure European support for EIPC "focus" countries.

The IMET program is a distinct and exceptionally important contributor to U.S. security policy goals in Central and Eastern Europe. IMET helps strengthen democratic/political military changes while allowing the participants to grasp fully the challenge of democratic control of the military. In addition to aiding PFP and NATO enlargement, as noted above, the IMET program enhances relationships between the U.S. and foreign militaries by forming closer bilateral ties that provide an opportunity to influence the evolution of military policy in those countries.

The 53-nation Organization for Security and Cooperation in Europe (OSCE) forms an essential element in the new security structure. The OSCE's commitment to democratic development, economic cooperation, security, and human rights define the New Atlantic Community that is the fundamental U.S. goal. The United States led the way to consensus on an enhanced OSCE role, including full implementation of OSCE commitments, increased conflict prevention activities, and development of a comprehensive framework for conventional arms control. Reflecting its new status and capability, the OSCE plays an important role in implementing the peace agreement in Bosnia through election monitoring, and is expected to undertake an expanded role in Croatia as the UN mandate in Eastern Slavonia expires.

One of the tasks for which the OSCE is well-qualified is conflict prevention and crisis management. It is in the U.S. interest that the OSCE successfully mount monitoring and observer missions in Europe. For this reason, the United States supports OSCE missions, financed through the Voluntary Peacekeeping Account. European countries' ability to perform peacekeeping duties will be strengthened as the Central European and Baltic States utilize EIPC and Warsaw Initiative funds to improve training and equipment.

An expanded and increasingly politically confident European Union, working in close cooperation with the United States, is also an essential element in our security policy

and in the New Atlantic Community. The stabilizing influence of the NATO alliance can be reinforced by steps to promote political and economic links within the continent, a role that the EU is well-positioned to play. Since the Maastricht Treaty entered into force, the EU has begun to develop a more unified diplomatic stance through its Common Foreign and Security Policy process. We have encouraged this development, recognizing that cooperation with the EU can reinforce our interests in Central and eastern Europe, our approaches to Russia, our defense of human rights, and our actions against terrorism. U.S. representatives hold consultations semiannually on these and other issues with their EU counterparts to coordinate our views.

The Treaty on Conventional Armed Forces in Europe (CFE), remains fundamental to European security and stability. The United States seeks full compliance with CFE, while promoting adaptation of the Treaty to conform with Europe's new security landscape.

The potentially volatile situation in Europe's southeastern corner requires special care. The United States is committed to promoting a settlement on Cyprus, controlling tensions between Turkey and Greece, and strengthening Turkey's place in the Western economic and security system. Failure here could undo everything else the United States is trying to achieve in European security. As a result, the United States gives high priority not only to its bilateral relations with these countries, but also to promoting ties between this region and Western Europe.

Cyprus is the object of extraordinary U.S. attention and effort. The EU decision to schedule accession talks for Cyprus six months after the conclusion of the Intergovernmental Conference provides the best new opportunity for Cyprus in many years. Benefits from EU membership should provide added incentive to the parties for an intercommunal agreement.

The strategic importance of southeastern Europe and the need for outside financial assistance makes the region a recipient of a disproportionate amount of Foreign Operations assistance. Economic Support Funds for Turkey and Cyprus, and FMF loan programs and IMET programs in Turkey and Greece support U.S. diplomatic efforts to maintain regional stability and Western ties.

Given the severe economic impact of Iraqi sanctions on the Turkish economy, the United States will need to exercise extreme sensitivity to Turkish economic needs, and pursue steps to meet those needs. Economic Support Funds (ESF) are the United States' principal tool in response to this problem. We will seek a careful review to evaluate whether additional measures can be provided to this key partner and ally.

Challenge in Former Yugoslavia

The Balkan crisis has presented not only a human rights tragedy, but also a barrier to the achievement of a stable and secure Europe. Fortunately, it is also the object of a major U.S. diplomatic success, one that must be backed with resources. The United States has worked to achieve a just and durable peace agreement, minimize human suffering, and promote reconstruction of shattered communities. The United States will continue to assist refugees, displaced persons, and returnees in their reintegration into their communities.

The United States seeks to: implement fully the Dayton Peace Accords; establish national and Federation political and economic institutions under the Civilian Implementation aspects of the Accords; bring war criminals to justice; foster the peaceful reintegration of Eastern Slavonia into Croatia; and in Serbia, promote democracy and secure a political solution to the Kosovo issue.

The need and opportunity for Balkan economic reconstruction poses a special challenge. Although international financial institutions and other nations have assumed much of the financial burden, the U.S. share is substantial. Having brought about peace in the Balkans, the United States must also lend resources to the critical task of restoring this region so that it can rebuild its communities, pursue economic and political development, and join the Western community of nations.

We cannot and need not undertake this effort alone. The EU and the member states are playing a major role in financing economic reconstruction, organizing, along with the World Bank, two highly successful donors conferences and supporting large numbers of Bosnian refugees in Europe.

Democracy, Economic Liberalization, Stability, and Integration in Central Europe and the Baltic States

The process of Bosnian reconstruction must not cripple the important assistance programs underway throughout Central Europe. Here the process of integration goes forward, supported by U.S. assistance. The United States is active in building the foundation for democratic, free market societies throughout the region. The primary vehicle for the U.S. effort is the Support for East European Democracy (SEED) Program, a model of interagency coordination and cooperation. The program has effectively leveraged both multilateral and bilateral assistance consistent with U.S. policy objectives. The United States is supporting a range of activities to promote democratization, economic restructuring, and quality of life, so that this extensive region, so long denied interaction with the West, can now join it fully.

The SEED Program represents the fulfillment of the long-standing U.S. pledge to welcome the countries of Central and Eastern Europe into the West, once the Soviet yoke was broken. For that reason, even in a time of limited resources, it is essential

to maintain the vitality and momentum of this program, and to do so coincident with the special requirements of Balkan reconstruction.

The SEED Program has already made a great deal of progress. Estonia was "graduated" in FY 1996, and others are preparing to do so over the next few years. These countries' successful transition to a democratic, market-based economy remains our goal. But SEED is also ideally suited to conduct new initiatives to integrate Central Europe into the West. We therefore seek enhanced funding for SEED in order to expand our nascent program in Serbia and Kosovo, to preserve our strategy of gradually shifting resources to the Southern Tier, and to give greater emphasis to environmental issues.

The European Union is a unique and invaluable partner in the effort to integrate these countries into the West. The progressive realization of the EC single market has underwritten the prosperity of Western Europe. Its expansion to include the nations of Central and Eastern Europe holds the best hope of anchoring the democratic reforms they are currently undertaking. The EU now has Association Agreements with ten Central and Eastern European nations and has stated that it will begin negotiating the terms of their accession to full EU membership on completion of the Intergovernmental Conference, launched in March 1996. The EU is committed to spending over $12 billion in the 1995-99 period to assist those nations with the economic and other reforms necessary for membership. The EU is by far the largest donor to the countries of Central Europe, and the EU role will loom larger as countries graduate from the SEED program. Massive EU assistance and the process of bringing the Central Europeans into the EU will integrate these countries more fully into the West, strengthen democratic and economic reforms already undertaken, and add to overall European stability.

International Financial Institutions play an important role in leveraging scarce U.S. resources and in implementing assistance programs in Central Europe. The International Monetary Fund and multilateral development banks (MDBs), particularly the World Bank and the European Bank for Reconstruction and Development (EBRD), catalyze external support for economic stabilization, integration, and private sector transition work in Central and Eastern Europe. MDBs help Central European and Baltic countries prepare for integration into Europe. Together with the EU, they also lead the international effort for reconstruction in Bosnia. Infrastructure, energy, and environment are key areas of emphasis. The EBRD's private sector focus puts additional emphasis on reaching small-and medium-sized enterprises in the region, enhancing the use of financial intermediaries, and increasing the use of equity investments.

The United States also promotes this ongoing process of integration via the Organization for Economic Cooperation and Development (OECD). The Czech Republic, Hungary, and Poland have acceded to the OECD since December 1995, after making the significant reforms required for OECD membership.

Establishing strong, effective drug control institutions is essential to countering the challenges to development and democratic institutions from the illicit narcotics industry. Drug trafficking groups - including organized crime - are increasingly targeting Central Europe to smuggle both heroin and cocaine, recruit couriers, obtain chemicals for manufacturing illicit amphetamines, launder profits, and develop markets. The lack of effective border controls, legislation, and effective policy make the region ever more vulnerable.

The United States is assisting the governments in the region to respond to this challenge. This assistance - provided through the SEED program and separate International Narcotics and Law Enforcement (INC) funds - is focused on supporting the Central European governments to establish an effective counternarcotics strategy. Such a strategy is multi-faceted and includes the development of effective legislation and effective counterdrug institutions, including health, law enforcement, and legislation and judicial agencies. U.S. assistance includes training, commodities, and expert advice.

Expanding U.S. Prosperity

Transatlantic and U.S.-Canadian trade and economic relations are the object of high priority, ongoing diplomatic efforts. U.S. goal is to increase U.S. commerce, reflected in trade and investment, and in the process develop more high-paying, high-tech jobs. The United States will do so working with the EU and Canada to support the multilateral trading system, to resolve trade disputes and take tangible steps toward building a truly transatlantic marketplace.

In the year since the launch of the New Transatlantic Agenda, we have already seen important results. Joint U.S.-EU efforts resulted in an historic Information Technology Agreement (ITA), which, when finalized, promises to liberalize over $500 billion in trade annually. At the December U.S. - EU Summit, an agreement in principle on Mutual Recognition of Conformity Assessment (MRAs) covering key sectors, such as pharmaceutics, telecommunications and electrical machinery was announced.

A new and significant element of the economic and trade process with Europe is the Transatlantic Business Dialogue (TABD). Organized in Seville in November 1995, the TABD has developed in conjunction with government a sweeping series of recommendations for opening up transatlantic trade. The TABD was instrumental in achievement of the ITA and the MRAs and it is providing important support to U.S. efforts to seek tough new rules against bribery and a Multilateral Investment Agreement at the OECD.

In the commercial area, diplomacy and high-level advocacy support U.S. exports, for example in securing access to fair and transparent government procurement practices in Europe. Big Emerging Market programs in Poland and Turkey give special

encouragement to U.S. exports to those countries. The Department of Commerce implements this and a wide range of other trade promotion programs, for example Showcase Europe, a program designed to expand U.S. business activity throughout Europe, with special emphasis on small and medium-sized enterprises.

Trade and Development Agency (TDA) programs, currently involving eleven European countries, promote trade and investment through feasibility studies, technical assistance, conferences, and other activities. Infrastructure and modernization constitute a major sector of TDA support for U.S. exports and investment. Given the shortage of capital in the region, TDA emphasizes supporting the efforts of U.S. firms which are forming joint ventures and pursuing investment projects.

Two key economic institutions - the World Trade Organization (WTO) and the OECD - will facilitate trade and investment. The United States is working with the EU and Canada to ensure smooth operation of the WTO, so that it can resolve appropriate trade disputes. The United States is also helping to revitalize the OECD as a more global and outward-looking institution, while retaining its expertise in cutting-edge policy analysis and dialogue on economic and social issues.

Strengthening Our Global Partnership with Europe

The United States and Europe can accomplish more bilaterally than separately, especially as we confront the complex new challenges of international organized crime, narcotics trafficking, environmental degradation, and disease - problems that know no boundaries. That is why the United States so strongly committed to enhancing a global partnership of shared responsibility with the EU under the New Transatlantic Agenda, as well as augmenting bilateral cooperation with Canada and our European partners.

We hope to build a solid record of accomplishment with the EU in this endeavor. The EU has made an interim contribution in support of the Korean Peninsula Energy Development Organization (KEDO) and is considering membership on the executive board and a more substantial, sustained contribution. A U.S./EU health task force is meeting to launch a global surveillance and response network against communicable disease. U.S. and EU experts are meeting in the region to discuss the creation of a network of regional environmental centers in Russia, Ukraine, and the NIS, modeled after our successful collaboration in Central Europe. We are close to finalizing a chemical precursors agreement and are exploring ways to promote greater U.S.-EU and member state collaboration in fighting drugs in the Caribbean region. Through our high-level consultative process, we are working to coordinate and make more effective our development and humanitarian assistance in Central Europe and elsewhere.

In order to strengthen transatlantic exchanges, we have launched the Fellowship of Hope. This program will bring foreign affairs professionals across the Atlantic in both directions, so that our young leaders can work together and learn from each other.

There is much more to do - with the EU, bilaterally, and in the G-7/P-8 context.

Northern Ireland

Northern Ireland, scene of the last major ethnic/religious conflict in Western Europe, offers challenges but also gives ground for cautious optimism. The talks underway in Belfast offer an historic opportunity to achieve a just and lasting settlement. The United States continues to urge the restoration of the IRA cease-fire to allow all parties to participate in those talks. An important element in the process of peace and reconciliation is the political/economic revitalization of Northern Ireland and the border counties of Ireland. The concrete expression of U.S. desire to promote this revitalization is the International Fund for Ireland, which will continue to stimulate economic development and business activity in a region that has been affected by the conflict. In addition, the Department of Commerce is vigorously promoting U.S. investment and joint ventures between U.S. and Northern Irish and border county companies.

OUTLINE OF KEY RESOURCES BY OBJECTIVES

Promoting Prosperity

The Export-Import Bank, Trade and Development Agency, and Overseas Private Investment Corporation are the major Foreign Operations accounts that fund U.S. government efforts to promote U.S. prosperity. Department of Commerce trade promotion programs, and multi-agency diplomatic or advocacy efforts to reduce trade barriers also play a critical role. In addition, contributions to the OECD and WTO are contributions to U.S. prosperity.

Building Democracy

A fully-funded SEED Program is the key to fulfilling U.S. objectives in this category, although the United States also makes strong diplomatic efforts to enlist the cooperation and support of the European Union and other wealthy countries. The request level of $492 million will allow the continuation of existing programs, while funding high-priority programs centered around the former Yugoslavia.

In addition, a fully funded IMET program is key to fulfilling our need to address the proper role of a military in a democracy. This is accomplished through various Department of Defense (DoD) military training programs, focused on effective

defense resources management, improved civil-military relations and military justice, to include human rights.

Promoting Sustainable Development

The Multilateral Development Banks are the primary source of external support to promote sustainable development in Europe, although SEED programs, discussed earlier, also have a major impact on development in the region. A $4 million population stabilization program for Turkey will help to promote development in this critical country.

Promoting Peace

Foreign Military Financing, via grants and loan subsidies, is essential to extending NATO's zone of stability eastward. The request level of $70 million in grants will enhance the process of NATO enlargement, both vis-à-vis those countries admitted in the first enlargement, and those countries not admitted.

The FMF loan program bolsters the grant assistance and has the added function of ensuring military cooperation with Turkey and Greece. Twenty million dollars in subsidies to creditworthy Central European nations will support over $400 million in actual loans. Subsidized loan programs to Turkey and Greece of $175 million and $122.7 million, respectively, represent a sustainment level in those programs and a valuable framework of cooperation in one of the most potentially volatile regions of Europe.

IMET is also a key element in fostering defense cooperation. Our requested level of $13.75 million will provide essential increases in support to Partners for Peace, both those admitted to NATO in the first instance, and those which are not admitted.

Voluntary Peacekeeping funds of $25 million are requested to enable the OSCE to undertake its critical operational tasks. This currently features election monitoring in Bosnia. The funds permit a wide range of preventative diplomatic operations by the OSCE - in Latvia, Estonia, and the FYROM, as well as several NIS countries.

The Contributions to International Peacekeeping Activities (CIPA) account, plays a key role in Europe by funding peacekeeping operations on Cyprus (UNFICYP), in Bosnia (UNMIBH), and in FYROM (UNPREDEP). Arrears in U.S. contributions to the CIPA account put pressure on these as well as other UN Peacekeeping operations of interest to the United States. The arrears are also an irritant in bilateral relations with countries that are not being reimbursed by the UN because of U.S. non-payment.

An International Narcotics program of $0.5 million provides training and equipment to enhance Turkey's investigation and interdiction efforts.

The Anti-Terrorism Assistance program is devoted primarily to Italy, Turkey, Cyprus, Albania, Bosnia, and the FYROM.

Economic Support Funds bolster stability and the peace process in two volatile areas: Northern Ireland and the Aegean. Some $19.6 million will go to the International Fund for Ireland and $15 million to Cyprus, while the bulk of the funds - $50 million - will go to Turkey. This support is badly needed to help offset the economic costs to Turkey resulting from UN sanctions against Iraq.

Providing Humanitarian Assistance

Refugee programs constitute the bulk of Humanitarian Assistance in Europe. This effort is naturally concentrated in the former Yugoslavia, especially Bosnia.

CENTRAL EUROPEAN DEFENSE LOANS

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
FMF Loan Subsidy	-	20.000	20.000
FMF Loan Amount	-	242.500	402.000

OVERALL U.S. OBJECTIVES:

In the interest of contributing to the stability of the European continent, the United States has a clear and compelling rationale for nurturing expanded defense cooperation with the friendly, democratic states of Central Europe (CE) and the Baltics. Through the Central European Defense Loans (CEDL) program, the United States can contribute to regional stability by providing concrete support for the ongoing military reform efforts of the democratic CE and Baltic governments. Specifically, the U.S. supports, through equipment transfers, training and exchange programs, the reorientation of CE and Baltic militaries to defensive postures, regional cooperation based on uniform standards of NATO-compatible equipment, and expanded military cooperation with NATO forces both bilaterally and through the Partnership for Peace (PFP). The CEDL program will assist in the gradual enlargement of NATO by providing FMF loans to creditworthy Central European and Baltic States for acquisition of NATO-compatible equipment.

This program is separate and distinct from proposed assistance to PFP partners under the "Warsaw Initiative" program. The latter encompasses all PFP partners, including the NIS states. Furthermore, assistance provided under the Warsaw Initiative is for immediate facilitating of Partner participation in PFP activities (e.g., C^4I, communications equipment, NATO familiarization training, exercise support, etc.). The CEDL program, in contrast, will seek to remedy deeper infrastructure deficiencies (e.g., lack of airlift capability, incompatible radar and IFF systems, etc.), and thereby serve the broader goal of improved NATO compatibility. The program will also focus on supporting the efforts of CE and Baltic states to develop dedicated, NATO-compatible peacekeeping units.

STRATEGY:

Burdened by Soviet-trained and -equipped militaries and austere defense budgets, the CE states face manifold obstacles to closer integration with NATO. Through the CEDL program, the U.S. will support discrete, high priority projects in areas where NATO compatibility is deficient (e.g., radars, IFF, communications, transportation,

etc.). Where possible, funding will be used to support transfers of NATO-compatible Excess Defense Articles (EDA). Assistance provided under this program will focus especially on enhancing defensive capabilities of CE militaries in order to assist their ongoing re-orientation to defensive postures, help them rationalize their defense planning, and allow them to deter potential aggressors.

By focusing on qualitative improvements in defense infrastructure, the CE defense loans will allow some of the over-sized, Soviet-equipped CE militaries to continue downsizing and restructuring their forces while maintaining essential defensive capability. CE defense loans, by aiding the modernization process, will allow CE militaries to continue moving away from outdated, Warsaw Pact-era strategy and force structure toward a U.S. or European style defensively oriented military. The program will support the trend toward smaller, more capable, and more professional militaries.

CE defense loans will enhance the defensive military capabilities of participating CE and Baltic states by assisting in the acquisition of equipment and training such as: NATO-compatible airfield navigational aids; air defense equipment; computers for Defense Ministry use; transportation equipment, including vehicles and aircraft; and interrogators; ground-based radar upgrades; search-and-rescue equipment; command, control and communications upgrades; and airfield radars, navigational aids and instrument landing systems.

Virtually all the non-combatant CE states already maintain, or are in the process of developing, dedicated peacekeeping units deployable to multinational peacekeeping operations. However, these units lack basic NATO-compatible equipment, including communications, and transportation, thereby limiting their ability to participate effectively alongside U.S. or NATO units in international peacekeeping operations. The CEDL program will seek to remedy some of these deficiencies.

PERFORMANCE INDICATORS:

- NATO interoperability through CE acquisition of U.S. equipment;
- CE participation, alongside U.S. and NATO forces, in PFP peacekeeping exercises, in which CE participants draw on U.S.-provided training and equipment; and
- Deployment of CE peacekeeping units to UN or NATO peacekeeping operations.

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2. Encouraging reconciliation between nationalists and unionists throughout Ireland by operating on a cross-border and cross-community basis.

The Fund Board of seven members is appointed by the British and Irish governments. The chairmanship alternates. The Board is supported by a Secretariat staffed by officials seconded by the two Governments and headed by Joint Directors General based in Belfast and Dublin. Government departments from the North and South acting on behalf of the Fund assist with the day-to-day administration of the Fund's main work programs.

Cross-border cooperation projects have included the Ballinamore and Ballyconnell Canal Restoration Project. This activity linked the two main waterways in Ireland, the Erne and the Shannon, to develop and support important trade and business development for tourism.

PERFORMANCE INDICATORS:

- Increased employment; and
- Increased cross-border cooperation projects.

PARTNERSHIP FOR PEACE

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
FMF	53.100	66.900[1]	70.000

OVERALL U.S. OBJECTIVES:

The Partnership for Peace (PFP) is a U.S. initiative launched in January 1994 to promote stability and security throughout Europe. PFP comprises a broad program of activities designed to strengthen practical cooperation between NATO and twenty-seven PFP states mostly in Central Europe and the New Independent States (NIS). PFP is a major element in the development of a new European security architecture. PFP's principal purpose is to establish strong enduring security ties between NATO and all its PFP Partners, and to assist those Partners interested in joining NATO to meet the obligations of membership. As NATO prepares to issue invitations to certain countries to begin accession negotiations, efforts are underway to enhance PFP, making it even more effective, operational and credible for both Alliance members and for Partners. Specific objectives include:

- Increasing exchange of information and mutual understanding between Partners and Allies in national defense planning and budgeting processes;
- Implementing agreed guidelines and individual strategies for ensuring democratic control of defense forces; and
- Improving interoperability of Partner forces with NATO forces in joint missions in the fields of peacekeeping, search and rescue, humanitarian operations, and others as may be agreed in the future.

STRATEGY:

PFP helps to achieve the goal of a unified, secure Europe. PFP will continue to prepare countries for NATO membership. At the same time, PFP will also serve to allow those countries that are not initially to begin NATO accession negotiations to continue their active cooperation with NATO and other partners and, if desired, their preparations for possible future membership in NATO. At the June 3 North Atlantic Council (NAC) Ministerial, the United States and other Allies reaffirmed their

[1] Includes transfer of $6.9 million from SEED and FREEDOM Support Act funds.

commitment to enhance the scope and substance of PFP to ensure its continued success.

By developing the capacity of Partners to contribute to real-life operations, PFP will reduce demands on Allied forces and other resources. Each Partner is expected to contribute, in a manner commensurate with national interests and means, to the achievement of Partnership objectives. However, U.S. bilateral support for PFP programs will increase Partners' capacity for joint efforts and burden-sharing. Similarly, U.S. support for PFP will help ensure that Partners invited to join NATO are ready to accept all the military, political and economic burdens of NATO membership, and will help keep the door of NATO membership open to those who are not admitted initially. This support was established in July 1994, by President Clinton's Warsaw Initiative. The Warsaw Initiative is divided into two parts: a program to provide bilateral support for partner participation in PFP exercises, conferences, seminars and other non-exercise events and a program comprised of Foreign Military Financing (FMF) to purchase equipment, services and training to improve interoperability with NATO.

The climate of NATO enlargement makes it essential that FMF FY 1998 grant support be sustained, and indeed justifies an increase. We must provide the means for the earliest prospective NATO members to make their forces truly interoperable with NATO. There is also a strong imperative to increase support to those countries which are not invited to begin accession negotiations in the first instance.

The FY 1998 FMF program will fund a Regional Airspace Initiative in the Baltics. The program will also provide ongoing support for the Baltic Peacekeeping Battalion.

In the three years of its existence, PFP has been extremely successful in erasing Cold War lines of confrontation and in bringing former adversaries into a community of shared values, principles and interests. The participation of 13 Partners in the multinational Implementation Force (IFOR) in Bosnia demonstrated the value of PFP for real-life operations. Over 15 major PFP exercises were scheduled for 1996 and more are planned for 1997, with increasing participation and complexity. At the December 1996 NAC, Alliance Ministers approved a comprehensive package of PFP enhancements to expand the cooperative relationship between Allies and Partners.

Eight NIS became eligible for FMF for the first time in FY 1997. Sufficient funds were allocated in FY 1997 to start up programs focused largely on moving toward interoperability standards in terms of language training and communications equipment for earmarked units. Increased funding levels in FY 1998 and beyond will ensure program continuity and enhanced cooperation by the NIS in PFP. The Central Asia peacekeeping battalion and Ukrainian-Polish peacekeeping battalion will receive particular emphasis.

The DoD portion supported participation of partners in PFP and "in the spirit of PFP" exercises, as well as Partner attendance at PFP-related conferences, seminars, and other similar events. Continued FMF funds will help Partners:

- Train personnel capable of participating more actively and frequently in NATO/PFP seminars, conferences, and exchange programs on, inter alia, NATO's defense budgeting and planning processes; and civilian/democratic control of the military;

- Prepare and equip national forces dedicated to participating in PFP exercises;

- Meet NATO standards required for successful joint missions in peacekeeping, search and rescue, or humanitarian operations; and

- Participate in the new operations and endeavors resulting from the package of PFP enhancements approved by Ministers in December.

PERFORMANCE INDICATORS:

- Increased interoperability of Partners with NATO, as measured by acquisition of NATO compatible equipment and adoption of NATO command procedures, doctrine, and standards; and
- Participation of Partners in PFP exercises and in joint missions such as international peacekeeping, search and rescue, or humanitarian operations.

ALBANIA

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
SEED	21.000	27.000	30.000
FMF	2.525	1.600	1.600
IMET	0.432	0.600	0.600

OVERALL U.S. OBJECTIVES:

Albanian developments can have an impact in a volatile region of Europe. The large, unassimilated Albanian diaspora in neighboring Kosovo, Macedonia, and Montenegro presents a potentially destabilizing influence. Consolidation of democracy, regional stability, and free enterprise are the key U.S. interests affecting Albania, but Albania's long history of Stalinism and autarchy poses a high hurdle for political and economic reforms. The flawed parliamentary elections in mid-1996 represented a setback for democracy and rule of law. Our objective is the development of a democratic, secular state built on the rule of law, respect for human rights, and development of a market economy.

STRATEGY:

The U.S. strategy involves moving Albania toward a democratic path and employs a variety of incentives and penalties to encourage the broadening of dialogue between the governing and opposition parties; the drafting of a new constitution through an inclusive process; the adoption of a new constitution by referendum; and finally, the scheduling of transparent, free and fair parliamentary elections at the earliest opportunity.

Through FY 1996 the United States committed approximately $188 million to Albania's economic and political transformation and to address humanitarian needs, helping Albania achieve the highest growth rate in Europe. Priority areas have been promotion of agricultural development and a market economy, advancement of democratic institutions, and improvements in quality of life. This assistance has been affected by the need to exert political pressure on the government of Albania.

The Albanian military has set a course for establishing and maintaining a western-style, democratic military under civilian control. While their military capabilities are limited, their desire for reform is real. They are realistic in the assessment of their requirements. Their cooperation, e.g., on overflights, temporary basing of drones,

and operational access to territorial waters, has been impressive. Albania's successful hosting of the major exercise PEACEFUL EAGLE 96 was another step forward in the bilateral relationship - the first ever military exercise involving U.S., Albanian, Bulgarian, FYROM, Greek, Italian, and Turkish soldiers. Albania's hosting of the South Balkans Defense Ministerial in March 1996, showed its commitment to increased defense cooperation and confidence building among regional countries.

To support regional stability, the U.S. continues to provide military assistance, although at reduced levels. Albania will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. Grant EDA would be used to address basic Albanian outfitting and training needs, such as individual equipment and communications gear. Fully engaged in Partnership for Peace, Albania requires equipment and training to increase interoperability with NATO forces. IMET courses assist in the professionalization of the Albanian military along Western lines and promote civilian control of the military. IMET also enhances close military ties that allow the U.S. to influence the evolution of Albanian military policy. Albania may also be eligible for the Central Europe Defense Loan program.

We have encouraged Albania's constructive role in the volatile southern Balkans, recognizing its support for the Dayton Peace Process and moderate approach on Kosovo -- the troubled Serbian province populated 90 percent by ethnic Albanians. We have warned Serbia that any assault on the Albanian majority in Kosovo would lead to a strong American response.

PERFORMANCE INDICATORS:

- Continuation of a broad-based domestic political dialogue;
- An inclusive drafting process for the constitution, with approval by referendum;
- Further reform of legal systems on a democratic model;
- More responsible and accountable local government;
- Media free of government pressures;
- Transfer of state-owned assets to the private sector;
- Flourishing of private small business activity;
- Improvement of government fiscal policies;
- Continued moderation by the GOA in its regional policy;
- Albanian participation in PFP and bilateral exercises;
- Efforts directed against narcotics and organized crime;
- Promotion of U.S.-trained officers to positions of command and key staff;
- Increased interoperability with NATO, as measured by acquisition of NATO-compatible equipment and adoption of NATO doctrines and standards;
- Exchange of military information with other South Balkans countries; and
- Development of significant defense documents, in particular a defense law defining the role of the ministry of defense, a national security strategy, and a national military strategy.

BOSNIA-HERZEGOVINA

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
SEED	249.000	215.000	225.000
IMET	0.259	0.500	0.600

OVERALL U.S. OBJECTIVES:

Only in the past year has Bosnia-Herzegovina begun to emerge from a devastating conflict which, in turn, threatened to destabilize the rest of Central and Eastern Europe. Bosnia's infrastructure has been ravaged by three and a half years of war, a quarter million of its people have been killed and over half its population has been displaced, much of this the result of massive human rights violations. The ethnic tension which sparked the conflict remains and must be overcome for long term development to take place. The U.S.-brokered agreement that ended the war commits all parties to the preservation of Bosnia as a single state within its international boundaries. All parties participated in nationwide elections in September 1996. The President has identified the implementation of the Dayton Agreement as in the national interest, and as a top foreign policy priority for this Administration.

STRATEGY:

A broad interagency effort has been mobilized to assist in the implementation of the Dayton Agreement.

Eight thousand five hundred U.S. troops have deployed to Bosnia as part of the 30,000-member NATO-led Stabilization Force (SFOR), the follow-on force to IFOR, that is charged with deterring renewed hostilities and contributing to a secure environment for consolidation of the peace and further progress in the civilian implementation process. These troops have been given robust rules of engagement to carry out their mission and defend themselves.

The reconstruction effort in Bosnia is also a high priority, drawing upon significant resources. Programs to provide reconstruction assistance and economic and political reform will lay the basis for recovery, and will serve long-term U.S. interests in the region. The program includes humanitarian assistance, physical reconstruction, financial revitalization, and democratic and economic reform.

Over a three year period, the U.S. plans to contribute $600 million to an international reconstruction effort to rebuild Bosnia's shattered infrastructure. This effort will be a concrete example to all Bosnians of the benefits of peace over war.

In addition, the State Department and USAID will contribute $162 million in humanitarian assistance to relieve the immediate humanitarian crisis in Bosnia. Since the beginning of the conflict, the U.S. has provided over $1 billion to these efforts.

We also anticipate contributing $70 million for police training and monitors, $8.2 million for elections and human rights monitoring and $91.5 million for a variety of other implementation activities, including demining.

The United States will continue to coordinate an international effort to equip and train Bosnian Federation forces to allow them to defend themselves. A Presidential Determination authorizing the provision of USG equipment and services as part of this program was signed in July 1996.

IMET will facilitate closer bilateral ties with the United States, thereby providing an opportunity to influence the evolution of military policy in the Bosnian Federation. Bosnia will also be eligible in FY 1998 to receive Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. Grant EDA would be used to support the Train and Equip program in establishing a military balance in the region.

As part of the SEED program, the U.S. government will help design and implement democratization programs. This is particularly important in the support of Dayton-mandated elections and the effective functioning of new institutions established by those elections.

The SEED Program includes a number of measures designed to facilitate the transformation of the Bosnian economy.

PERFORMANCE INDICATORS:

- Continuation of a secure environment to carry out the various actions mandated by the Dayton Agreement, e.g., free and fair elections, a phased return of refugees, the establishment of human rights, arbitration and refugee commissions;
- Reconstruction of Bosnian infrastructure which will demonstrate the benefits of peace over war;
- Progress on the establishment of a military equilibrium in Bosnia upon the departure of SFOR;

- Development of independent political parties and independent media;
- Development of free market policies that support the growth of private sector enterprises, and an effective banking system; and
- Creation of effective public finance structure at the national, entity and municipal levels; including systems for effective tax and tariff collection, government budgeting, and inter-governmental revenue sharing.

BULGARIA

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
SEED	28.200	31.000	25.000
FMF	4.275	3.000	3.200
IMET	0.708	0.800	0.900

OVERALL U.S. OBJECTIVES:

Bulgaria occupies a key location on the troubled Balkan peninsula, bordering the Former Yugoslavia and the FYROM, as well as our NATO allies Greece and Turkey. The Bulgarian government has demonstrated a commitment to regional stability that must be encouraged. The United States has a strong interest in assisting Bulgarian efforts to complete the processes of economic and political reform and to integrate fully into Western institutions. U.S. foreign policy objectives include:

- The growth of a free market economy in which the majority of economic resources are privately owned and managed.
- The development of a tradition of democracy and pluralism.
- As part of a broader effort, to encourage Bulgarian integration into multilateral institutions and endeavors, and promote civilian oversight, modernization, professionalization and interoperability of the Bulgarian military with U.S. and NATO forces.
- Advancement of American business interests.

STRATEGY:

Since the fall of communism in 1989, economic reform has progressed in fits and starts. In 1996, despite several years of slow economic growth, long-festering problems in the financial and state enterprise sector erupted into a full-blown crisis. Our strategy to encourage a free market system includes high level diplomatic contacts, support for Bulgarian execution of mass privatization and structural reforms required by the International Financial Institutions (IFIs), and increasing the availability of financing to facilitate and increase growth in the private sector.

Bulgaria is a functioning parliamentary democracy with a freely elected government. Despite significant progress, problems with corruption and organized crime continue to exist. Our strategy to foster democratic institutions and pluralism includes high level diplomatic contacts, institutional support and grants to Bulgarian NGOs that empower citizens and local governments, monitoring the treatment of ethnic and religious minorities in Bulgaria, and training to increase the professionalism of the Bulgarian police force.

Bulgaria has been an active partner in the Partnership for Peace (PFP) and seeks expanded defense cooperation with the U.S. and our Allies. It has created a special force of 250 troops dedicated to training for peacekeeping operations and interoperability with PFP partners and NATO. IMET and FMF programs for Bulgaria are designed to help Bulgaria continue to move toward a better managed, defensively oriented, western-style military. Bulgaria will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. EDA equipment would be used to enhance the Bulgarian military's capabilities in order to support a greater role in international peacekeeping operations. Bulgaria may also be eligible for the Central Europe Defense Loan program.

By assisting Bulgaria in its efforts to abandon the Warsaw Pact doctrine and force structure inherited from the Communist period, the United States contributes to stability in this strategically important region. Equally important, U.S. military assistance, focused on professionalization and civilian oversight of the military, strengthens democratic institutions in Bulgaria.

While American trade and investment to date have been small, under the right political and economic conditions, Bulgaria could be a significant market for U.S. trade and investment. Our strategy includes advocacy of U.S. business interests, identification of opportunities and obstacles, and provision of information to the U.S. business community.

PERFORMANCE INDICATORS:

- Increased transfer of state-owned assets to the private sector;
- A more competitive and market-responsive private financial sector;
- Increased numbers of viable small and medium-sized private enterprises;
- More accountable local government;
- Expanded citizen participation in political decision making;
- Increase in U.S. exports to, and investment in, Bulgaria;
- Improvements in intellectual property enforcement;

- Deepening participation in the PFP and in international peacekeeping and humanitarian operations;
- Promotion of U.S.-trained officers to senior military or defense ministry positions;
- Increased interoperability with NATO, as measured by acquisition of NATO-compatible equipment and adoption of NATO military doctrine and standards;
- Exchange of military information with other south Balkan countries; and
- Development of significant defense documents, including a defense law defining the role of the ministry of defense, a national security strategy, and a national military strategy.

CYPRUS

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
ESF	15.000	15.000	15.000

OVERALL U.S. OBJECTIVES:

Cyprus' potential to develop into an important regional financial, commercial, and communications center is hampered by the unsettled Cyprus dispute, now decades old. The population exchange that ensued after the 1974 hostilities has left the Greek and Turkish Cypriot communities virtually separated. UN peacekeepers have been patrolling the heavily-militarized island since 1964. Cyprus continues to be a serious source of tension between Greece and Turkey. An intercommunal settlement would enhance regional stability and help Cyprus benefit fully from its strategic location at the crossroads of Europe, the Middle East, and North Africa. With its advanced economy, Cyprus continues to be a promising market for U.S. products and offers a prime location for U.S. exports to the region and beyond. U.S. foreign policy objectives in Cyprus include:

- A just, intercommunal settlement which will end the division of Cyprus and guarantee a secure future for both sides.

- Making the United States Cyprus' number one exporter and increasing exports through the year 2000.

STRATEGY:

In support of the UN Secretary General's mission in Cyprus, the United States has been actively engaged in diplomatic efforts to advance a Cyprus settlement. We seek the establishment of a bizonal, bicommunal federation that will guarantee a secure future for both Cypriot communities. Our diplomatic efforts have been undertaken by President Clinton and other senior Administration officials in Washington and in the field. Our embassies in the region engage on a daily basis with authorities and opinion leaders in Cyprus, Turkey and Greece.

Through program resources the U.S. seeks to promote intercommunal interchanges which will foster an appropriate climate for successful negotiations and will build a base for normalized cooperation under a future settlement. In planning and carrying out a wide range of bicommunal activities financed through ESF, Greek and Turkish

Cypriots can learn to work together productively to advance the economic and social development of their island. We will use ESF for bicommunal activities in the fields of health, environment, forestry, education, historic preservation and urban renewal.

To increase lines of communications between the two communities, we will use ESF funds to provide scholarships for Turkish and Greek Cypriot students and short-term technical training for target groups of community leaders. Extension of educational opportunities to promising young Cypriots can advance Cyprus' economic and social development. While in the United States, these students observe first-hand how the U.S. system works and how various ethnic communities resolve their differences. The educational program also sponsors and organizes bicommunal seminars, workshops, and lectures on the island on issues relevant to both communities.

Efforts to increase U.S. exports to Cyprus include aggressive solicitation of business, expansion of computer services to Cypriot importers interested in American products, and the hosting of trade events. The U.S. will urge the Government of Cyprus to protect U.S. intellectual property by strictly enforcing a new copyright law and passing a draft patents law.

PERFORMANCE INDICATORS:

- Genuine bicommunal cooperation in identifying, planning and implementing projects which benefit the entire island;
- Identification of projects which are relevant, make efficient use of resources, and have positive impact;
- Shared educational experience, value system and language among a select group of young Greek and Turkish Cypriots;
- Opportunities for short- and long-term interaction between the two communities;
- Increased U.S. exports to Cyprus; and
- Enforcement of Cypriot copyright law and passage of a new draft patents law.

CZECH REPUBLIC

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
SEED	3.700	-	-
FMF	8.900	8.500	8.300
IMET	0.795	0.800	1.300

OVERALL U.S. OBJECTIVES:

In the six years since the Velvet Revolution that ended communist rule, the Czech Republic has undergone a radical political and economic transformation and returned to the ranks of free-market democracies. Today, economic growth is rapid, privatization near complete, and unemployment very low. Political institutions have also matured rapidly; the Czech Republic is once again a fully functioning parliamentary democracy and its citizens enjoy the benefits of free speech, free assembly, and a vigorous, free press. On the foreign policy front, the Czech Government has supported U.S. positions in international fora. Czech troops took part in Desert Storm and 650 Czech soldiers now serve with distinction in SFOR. The Czech Republic has enthusiastically participated in the Partnership for Peace (PFP) and pushed aggressively for NATO enlargement.

It is of vital interest to the United States to assist the Czech Republic and other regional states in completing their democratic and free market transitions, and thus help preclude potential assaults on European security that could arise from undemocratic political movements, stagnant economic growth, or regional tensions. Key objectives are:

- A stable, democratic, market-oriented Czech Republic that will help advance stability and prosperity throughout the region and will continue to provide significant opportunities to American firms for potentially profitable regional access.

- Czech integration into Western institutions, through full NATO and EU membership.

- Combating anti-Roma discrimination in the Czech Republic via engagement with the Czech government, NGOs, and Roma leaders.

- Environmentally responsible development throughout the region.

STRATEGY:

No country embodies the success of U.S. policy towards Central and Eastern Europe more than the Czech Republic. U.S. assistance has played a key role in catalyzing economic and political change. Indeed, the Czech Republic has evolved into an important political, trade, and security partner of the United States.

The U.S. has contributed approximately $170 million in economic assistance under the SEED program since 1990, focused principally on improving housing and municipal infrastructure, developing NGOs and democratic institutions, and supporting privatization and enterprise restructuring. Given the success of this program to date, the U.S. economic assistance program is scheduled to be largely phased out by September 30, 1997.

Defense cooperation between the Czech Republic and the United States will continue, and even expand. The goals of our defense-sector engagement are to advance the broad objectives of NATO's Partnership for Peace, help the Czech Republic complete the restructuring of its armed forces, promote professionalization of the military, and reinforce civilian control. IMET and FMF programs will help produce a highly trained, mobile Western-style force structure capable of working side-by-side with the United States and NATO in such mutually beneficial endeavors as IFOR peacekeeping. The United States will also continue to train defense officials in defense planning, military doctrine, peacekeeping operations, and English as the language of peacekeeping.

The Czech Republic may also be eligible for the proposed Central Europe Defense Loan Program, which addresses infrastructure deficiencies in PFP and potential NATO member countries. The Czech Republic will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Transfer of EDA would supplement FMF Grant and Central Defense Loans, enabling the Czech Republic to operate effectively with NATO forces, for example in peacekeeping activities.

PERFORMANCE INDICATORS:

- A healthy banking sector with full Western-style oversight;
- Continued and enhanced participation in PFP exercises, international peacekeeping, and international humanitarian operations; expanded English language capacity of military forces;
- Increased interoperability with NATO, as measured by acquisition of NATO-compatible equipment and adoption of NATO command procedures, doctrine and standards;
- Successful "graduation" from SEED, beginning in 1997; and
- Improvement in the living situation of the Roma minority.

ESTONIA

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
FMF	1.500	1.500	4.100
IMET	0.386	0.500	0.650

OVERALL U.S. OBJECTIVES:

Estonia, one of three Baltic nations forcibly incorporated into the Soviet Union in 1940, regained its independence in 1991. The primary U.S. objectives in Estonia are to strengthen civil society; bolster democratic and market institutions; assist the integration of non-citizens into Estonian society; and encourage civilian-controlled, NATO-compatible defense forces. The United States seeks to ensure:

- The reintegration of a democratic, tolerant, and prosperous Estonia into the West.
- Increased Estonian peacekeeping capabilities via the Baltic Peacekeeping Battalion, which will help the Estonians build on their already successful participation in UNPROFOR.
- Estonian participation in IFOR, UNIFIL, and other peacekeeping and peace enforcement missions.
- Consolidation of the already successful transition to an open-market economy and fair market access for U.S. business.

We are also supporting Estonian efforts to enhance regional security by improving relations with Russia and by playing an active role in the Partnership for Peace (PFP), the OSCE, and other international institutions.

STRATEGY:

We will strengthen Estonia's democratic institutions, financial sector, and judiciary through regional SEED-funded programs. Although Estonia was graduated from bilateral economic assistance programs in September 1996, regional SEED-funded programs will continue to play an essential part in improving Estonia's judiciary, reforming the commercial code, and strengthening fiscal policy and management. Long-term U.S. Treasury advisors at the Ministry of Finance and Central Bank will continue to play a key role in strengthening budget-making, treasury, tax

administration, and banking supervision functions. Continued support through the SEED-funded law and democracy initiative, including training for judges, is needed to ensure independence and expertise for the Estonian judiciary.

FMF support for FY 1998 will largely focus on a Regional Airspace Initiative for the Baltics. We will also continue law enforcement training and cooperation to fight organized crime and corruption. Estonia's economy, and to a certain extent its political system, remain under pressure from mainly Russian-based organized crime groups. Conflict of interest among government officials is also a source of concern. The police remain ill-trained, underpaid, overwhelmed, and corrupt. Independent "security firms" (protection rackets) threaten to usurp the government's role to guarantee public safety. Continued SEED-funded training by U.S. law enforcement agencies such as Customs and the Drug Enforcement Agency (DEA) at the International Law Enforcement Academy (ILEA) in Budapest will help reverse these negative trends and protect the U.S. against spillovers from money-laundering and trade in illicit materials.

The U.S. will deepen bilateral military cooperation to demonstrate support for Estonian sovereignty and security and to strengthen civilian control, professionalism, and NATO interoperability in the armed forces. IMET produces a significant multiplier effect by training trainers and giving more junior officers the leadership skills to take over from officers still operating on Soviet guidelines. Estonia will also be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA would be used to enhance NATO interoperability and supplement FMF support for peacekeeping capability.

We will continue material support for the Baltic Peacekeeping Battalion (BaltBat) to ensure that the first battalion is ready to participate in peacekeeping/peace enforcement in 1997. U.S. supply of equipment is an essential complement to training provided by Nordic and UK officers. Replacement of worn-out equipment through additional funds for BaltBat will ensure that the first battalion is qualified to participate fully in peacekeeping or peace enforcement in 1997.

We will help Estonia participate even more actively in PFP and strengthen links with NATO. FMF will support cash-strapped Estonia's continued active participation in the full range of PFP exercises. FMF will also help Estonia focus on the practical, here-and-now steps toward NATO, and underscores our policy of keeping Estonia out of any "gray zone" between an enlarging NATO and Russia. Estonia may also be eligible for the proposed Central Europe Defense Loan Program, which addresses infrastructure deficiencies in PFP and potential NATO countries.

We will remove legislative, regulatory, and tariff barriers to U.S. trade and investment. U.S. traders and investors see Estonia's free-trade regime and pragmatic approach to privatization as conducive to doing profitable business, but they continue to feel shut out of Estonian markets by apparent insider arrangements with Nordic

competitors. Continued technical assistance from the programs of the American Bar Association (ABA/CEELI) and Department of Justice/Federal Trade Commission in the commercial law area are essential to help Estonia's government and parliament improve the trade and investment climate. A resulting increase in direct U.S. investment will enhance Estonian integration into the Western political and economic system.

PERFORMANCE INDICATORS:

- Creation of a central treasury function to eliminate the waste of separate accounts for each ministry;
- Increase in efficiency of tax collection to bring into the open the estimated 30 percent of GDP now in the parallel economy;
- Further consolidation of commercial banks into a viable number of well-capitalized, adequately supervised institutions capable of competitive intermediation in financial markets;
- Thorough prosecution involving organized crime and corruption by Estonian authorities;
- Closer cooperation with U.S. law enforcement investigations;
- Advancement of graduates of IMET programs to senior military or MOD positions;
- Fuller Estonian participation in the annual BALTOPS sea exercise and engagement in bilateral exercises similar to the summer 1996 JCET exercise in Lithuania;
- Estonian participation in IFOR, international peacekeeping, and regional PFP exercises;
- Demonstration of interoperability with NATO in all PFP exercises; and
- An increase in direct U.S. investment to a minimum of $20 million per year.

THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
SEED	14.200	16.000	16.000
FMF	0.750	1.500	2.100
IMET	0.249	0.300	0.400

OVERALL U.S. OBJECTIVES:

The key U.S. interests in The Former Yugoslav Republic of Macedonia (FYROM) are: regional stability, democracy, a prosperous market economy, and ethnic harmony. The FYROM is committed to political and economic reform and integrating more fully into the West. It has contributed to peace in the Balkans by hosting over 1,000 UN troops, of which half are from the United States. Based in the volatile Balkans and one of the poorest countries in Europe, the FYROM needs U.S. encouragement for its reformist tendencies to guarantee internal and regional stability. We have a compelling interest in helping the FYROM develop democratic, multi-ethnic institutions, free enterprise and a professional, Western-oriented military.

STRATEGY:

The FYROM is continuing its transition to a market-oriented economy. Privatization is proceeding, but slowly. The economy is coming out of a difficult period due to an embargo imposed by Greece and its observance of UN sanctions on Serbia, both of which were lifted within the last year. The FYROM's economic stabilization program, begun in 1994, helped stabilize the currency, reduce the fiscal deficit and decrease inflation. U.S. programs are aimed at supporting the stabilization program and helping the FYROM create the financial infrastructure necessary for a market economy.

Assisting the FYROM to build a multi-ethnic, democratic state will help consolidate internal and regional stability. The FYROM is a parliamentary democracy. Its constitution guarantees fundamental rights recognized under OSCE principles. The government generally recognizes these rights but ethnic tensions and prejudices persist, particularly in regard to the ethnic Albanian minority. While the FYROM leadership wants peaceful integration of all ethnic groups into society, it faces political resistance and the persistence of popular prejudices. Moreover, the economic crisis makes it difficult for the government to find resources to fulfill minority aspirations.

The United States is actively engaged in encouraging The FYROM to expand opportunities for ethnic Albanians.

The FYROM is key to stability among the nations of the Southern Balkans. Many of the problems that confronted the FYROM four years ago still remain: outstanding border issues with the Former Republic of Yugoslavia; a military imbalance between the FYROM and its neighboring states; potential civil unrest in the Serb province of Kosovo that could produce refugee flows into the FYROM; tension between ethnic groups involving the sizable Albania minority; and an economy in transition.

The United States is supporting FYROM's efforts to build a modern defense force closely allied with the West. The Yugoslav National Army took virtually all its equipment when it withdrew from the FYROM, leaving the 10,000 troop Macedonian army poorly equipped. Russia has shown strong interest in developing closer military ties, but the FYROM has made clear that it wants its future to be with the United States and our NATO allies. To this end, the FYROM as a member of Partnership for Peace (PFP), hosts over 1,000 UN troops (of which almost 500 are from the U.S.), and has a Bilateral Working Group on defense issues with the United States. With the possible termination of UNPREDEP in 1997, there is concern that a void will exist as the UN transitions out and the FYROM attempts to fill the void with its poorly equipped military. The U.S. will work with its allies to ensure that the transition goes smoothly and does not lead to increased instability in the region. The annual U.S.-FYROM Regional Security and Arms Control Dialogue covers a wide range of topics including European security architecture, nonproliferation, security assistance, arms control and the Balkan situation.

Among security assistance programs, IMET will enhance military professionalism, train Macedonians in U.S. practices, reinforce civilian oversight of the armed forces, and raise English language proficiency. FMF will enhance the operational and maintenance capability of the military and increase interoperability with NATO through training and the acquisition of NATO-compatible equipment. The FYROM will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. EDA would fill some gaps in the ill-equipped military which needs virtually everything, including vehicles, office equipment, and medical supplies. The FYROM may also be eligible for the proposed Central Europe Defense Loan program.

PERFORMANCE INDICATORS:

- Transfer of state-owned assets to the private sector;
- Competitiveness and market responsiveness of the private financial sector;
- Increase the number of viable small and medium sized private enterprises;
- Expanded citizen participation in political decision making;
- Participation of ethnic minorities in education and civil institutions;

- Promotion of U.S.-trained officers to positions of command;
- Increased interoperability with NATO, as measured by acquisition of NATO-compatible equipment and adoption of NATO doctrines and standards;
- Participation in PFP exercises;
- Exchange of military information with other south Balkans countries; and
- Development of significant defense documents, including a defense law defining the role of the ministry of defense, a national security strategy, and a national military strategy.

GREECE

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
FMF Loan Subsidy	24.438	3.230	12.850
FMF Loan	224.000	122.500	122.500
IMET	0.054	0.025	0.025

OVERALL U.S. OBJECTIVES:

Greece is a NATO ally with a strategic location in southeastern Europe, very close to volatile trouble spots in both the Balkans and Middle East. Greek support, therefore, is vital in helping the United States and NATO respond to threats in these areas. The key role of Greek base facilities during the Gulf War demonstrated Greece's strategic importance. Greek cooperation is also necessary to U.S. efforts to promote Aegean stability and progress toward a Cyprus settlement.

Major U.S. objectives are to strengthen Greece's ability to play a major, positive role in southeastern Europe, and to meet NATO requirements on the alliance's southern flank. The United States also has strong interest in helping Greece expand its participation in NATO operations and improve its interoperability with other NATO forces. The U.S. also seeks to increase cooperation with Greece in combating terrorism, and promoting U.S. business interests.

STRATEGY:

The FY 1998 FMF request will provide funds to sustain U.S.-origin systems already in the Greek inventory and will also allow continued refurbishment of U.S.-origin aircraft and naval vessels, as well as newer model equipment received through CFE (Conventional Forces in Europe Treaty) cascading. These goals will, in part, be supported by continuing provision of Excess Defense Articles (EDA) to Greece. Greece will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. In addition, the bilateral relationship under the Mutual Defense Cooperation Agreement (MDCA) includes both a U.S. obligation to assist in the completion of Greece's five-year defense modernization program, and an agreement for continued U.S. access to bases on Greek territory. FY 1998 IMET assistance will continue to provide Greek military personnel with training needed to improve interoperability with U.S. and NATO forces. By training Greek officers in the United States and establishing cooperative

ties with American officers, IMET will also enhance Greek military officers' understanding of U.S. foreign policy and defense concerns.

We will continue high-level diplomatic consultations with the Government of Greece on a range of important regional and global issues. Discussions will continue with Greek officials aimed at reducing tensions between Greece and Turkey in the Aegean, and at establishing mechanisms for addressing the underlying problems which have produced those tensions. We will also encourage active Greek cooperation with efforts to promote stability and economic development in southeastern Europe and to counter terrorism. Greek involvement and cooperation will also be essential to progress on Cyprus. U.S. officials will consult closely with the Greek government, as well as those of Cyprus and Turkey, in our efforts to promote a Cyprus settlement.

In the commercial field, U.S. officials will continue to lobby for fair treatment for American business in Greece, with particular emphasis on resolving problems in the fields of intellectual property rights and financial services.

PERFORMANCE INDICATORS:

- Sustainment of modern defense equipment;
- Advancement of IMET graduates to senior military or Ministry of Defense positions;
- Progress toward direct negotiations between Greece and Turkey on bilateral problems;
- Active Greek involvement in efforts to promote a Cyprus settlement and broader regional stability;
- Further cooperation in efforts to counter terrorism;
- Greek enforcement of laws to protect intellectual property rights; and
- Further lowering of barriers to investment.

HUNGARY

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
SEED	17.000	15.000	7.000
FMF	3.200	9.500	8.300
IMET	1.034	1.000	1.500

OVERALL U.S. OBJECTIVES:

Hungary lies in the heart of Central Europe, an area of historical ethnic conflict and suspicion that has been a significant source of geopolitical instability. Since 1989, Hungary has made considerable progress in building democratic institutions and a market-oriented economy. Hungary was admitted to the OECD in 1996, and its aggressive privatization program that includes telecommunications, energy, banking and transportation has attracted about $5 billion of U.S. direct investment. In 1995, Hungary played an active and constructive role as the OSCE Chairman-in-Office, and began hosting logistics bases for almost 4,000 U.S. military in support of the NATO Implementation Force for the Dayton Peace Accords. It is of vital interest to the United States to assist Hungary and other regional states to complete their democratic and free market transitions, and thus help preclude potential assaults on European security that could arise from regional tensions and poverty. Key objectives are:

- A stable, democratic, market-oriented Hungary that will help advance stability and prosperity throughout the region and will continue to provide significant opportunities to American firms for potentially profitable regional access.

- Integration into Western institutions, through full NATO and EU membership for Hungary.

- Environmentally responsible development throughout the region supported by the international Regional Environmental Center in Szentendre.

- Promotion of a coordinated anti-drug strategy, and a police and border force compatible with Western democratic norms, upholding human rights and capable of detecting and interdicting Weapons of Mass Destruction or terrorist-related smuggling, trained by the USG-Hungarian International Law Enforcement Academy (ILEA) in Budapest.

STRATEGY:

We are providing critical assistance to an economy in transition that is coping with problems of adjustment: relatively high unemployment and inflation, eroding real wages and savings, and declining living standards for many Hungarians, especially pensioners, dependent mothers and children. The SEED program will help assure rapid economic reform and continued macroeconomic progress (since 1995), especially through offering expertise to facilitate privatization, enterprise restructuring, and the transfer of technical business skills.

We will expand U.S.-Hungarian defense cooperation to advance the broad objectives of Partnership for Peace (PFP), help Hungary restructure its armed forces, enhance its peacekeeping capability, promote professionalization of the military, and reinforce civilian control. IMET and FMF programs will help re-orient the Hungarian armed forces toward a more defensively oriented, western-style force structure capable of working side-by-side with the United States and NATO in such mutually beneficial endeavors as IFOR and SFOR peacekeeping, and will establish channels of communication. Defense officials receive training in defense planning, military doctrine, peacekeeping operations, and in English as the language of peacekeeping. Assistance programs provide small-unit equipment, NCO training, tactical communications upgrades, and other materiel as possible. Hungary may also be eligible for the Central Europe Defense Loan program. These assistance programs are supplemented by transfer of Excess Defense Articles (EDA) for which Hungary will be eligible in FY 1998 under Section 516 of the Foreign Assistance Act.

In drug and law enforcement affairs, we will increase the management efficiency of the ILEA. We will provide antidrug assistance, including law enforcement training, legislative advice, counternarcotics equipment, and demand reduction assistance to target the expansion of drug trafficking and money laundering operations in and through Hungary.

We will provide resources to establish an environmental hub for Central Europe at Embassy Budapest.

PERFORMANCE INDICATORS:

- Continued transfer of state-owned assets to the private sector, and growing percentage of private sector GDP;
- A more competitive and market-responsive private financial sector;
- Increased soundness of fiscal policies, fiscal management, and the banking sector;
- A more economically sustainable and environmentally sound energy sector;
- Increased ability to participate in PFP, international peacekeeping, and international humanitarian operations, expand military capacity to operate on missions where English language is required;

- Promotion of U.S.-trained officers to senior military and defense ministry positions;
- Increased interoperability with NATO, as measured by acquisition of NATO-compatible equipment and adoption of NATO command procedures, doctrine and standards;
- More effective border control and better police force adherence to human rights norms throughout the region; and
- Hungarian adoption of antidrug legislation to implement the 1988 UN convention and development of a strong, coordinated antidrug policy.

LATVIA

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
SEED	3.700	3.000	3.000
FMF	1.500	1.500	4.100
IMET	0.388	0.500	0.650

OVERALL U.S. OBJECTIVES:

Latvia, one of three Baltic nations forcibly incorporated into the Soviet Union in 1940, regained its independence in 1991. Since then, the prime U.S. objectives in Latvia have been to help strengthen civil society, bolster democratic and market institutions, and encourage civilian-controlled, NATO-compatible defense forces. The United States will seek to ensure:

- The reintegration of a democratic, tolerant, and prosperous Latvia into the West.
- Increased Latvian peacekeeping capability via the Baltic Peacekeeping Battalion and NATO-compatible training for Latvian defense forces (which will open the door to Latvia's participation in IFOR and other peacekeeping missions).
- A successful transition to an open-market economy offering fair market access for U.S. business. We are also supporting Latvian efforts to enhance regional security by improving relations with all neighboring countries and by playing an active role in the Partnership for Peace, the OSCE, and other international institutions.

STRATEGY:

We are strengthening Latvia's financial sector, judiciary, local administration, and energy independence through targeted SEED support. Latvia slowly is recovering from a prolonged banking crisis, stagnant economic reform, and the 1995 electoral success of statist political parties. Long-term U.S. Treasury and Federal Reserve advisors in the Ministry of Finance and Central Bank will continue to play a positive role in strengthening budget-making, treasury, tax administration, and banking supervision functions even as SEED assistance is reduced. Continued support through the law and democracy initiative, including training for judges, is needed to achieve the reforms necessary to put the judiciary on solid footing and to assist in rewriting commercial and criminal codes. The local administration program promotes

decentralization of executive and fiscal power and enhancement of government efficiency and responsiveness by training local authorities in budget-making and management of municipal services. The USAID-run energy efficiency program is helping Latvia make steady progress away from over-reliance on Russia as the single source for energy.

The United States will continue law enforcement training and cooperation to fight organized crime and corruption. The Latvian economy and polity are thoroughly penetrated by organized crime groups. The police remain ill-trained, underpaid, and corrupt. Independent "security firms" (protection rackets) threaten to usurp the government's role to guarantee public security. Continued SEED-funded training by U.S. law enforcement agencies such as Customs and the FBI on-site and at the ILEA in Budapest will help reverse these negative trends and protect the U.S. against spillovers from money-laundering and trade in illicit materials.

The United States will enhance bilateral military cooperation to demonstrate support for Latvia's sovereignty and security and to strengthen civilian control, professionalism, and NATO interoperability in the armed forces. IMET has a significant multiplier effect by training trainers and giving more junior officers the leadership skills to take over from officers still operating on Soviet guidelines. Latvia will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA will be used to enhance NATO interoperability and supplement FMF support for peacekeeping capability.

FMF support for FY 1998 will largely focus on a Regional Airspace Initiative for the Baltics. The U.S. will also continue material support for the Baltic Peacekeeping Battalion (BALTBAT). U.S. supply of equipment is an essential complement to training provided by Nordic and UK officers. Replacement of worn-out equipment through additional funds for BaltBat will ensure that the first battalion is qualified to participate fully in peacekeeping or peace enforcement.

The United States will assist Latvia to participate actively in Partnership for Peace (PFP) and to strengthen links with NATO. FMF will support cash-strapped Latvia's participation in the full range of PFP exercises, help keep Latvia focused on the practical, here-and-now steps toward NATO, and underscore our policy of keeping Latvia out of any "gray zone" between an enlarging NATO and Russia. Latvia may also be eligible for the proposed Central Europe Defense Loan Program, which addresses infrastructure deficiencies in PFP and potential NATO countries.

The United States will seek to remove legislative, regulatory, and tariff barriers to American trade and investment. U.S. traders and investors continue to meet arbitrary and opaque laws and regulations in Latvia. Continued technical assistance from the programs of the American Bar Association (ABA/CEELI) and Department of Justice/Federal Trade Commission in the commercial law area should help overcome

these barriers. A resulting increase in direct U.S. investment will promote Latvian integration in to the Western political and economic system.

PERFORMANCE INDICATORS:

- Creation of a central treasury function to eliminate the waste of separate accounts for each ministry;
- Creation of a consolidated Finance Ministry budget-reporting mechanism which ensures tight month-to-month control of revenues and expenditures;
- Increase in efficiency of tax collection to bring into the open the estimated 30 percent of GDP now in the parallel economy;
- Consolidation of commercial banks into a viable number of well-capitalized, adequately-supervised institutions capable of competitive intermediation in financial markets;
- More thorough and rigorous prosecution of organized crime and corruption by Latvian authorities;
- Closer cooperation with U.S. law enforcement investigations;
- Advancement of graduates of IMET programs to senior military or Ministry of Defense positions;
- Latvian participation and leadership in bilateral exercises similar to 1996 JCET exercise in Lithuania;
- Latvian participation in regional PFP exercises and international peacekeeping;
- Demonstration of interoperability with NATO in all PFP exercises; and
- An increase in direct U.S. investment to a minimum of $20 million per year.

LITHUANIA

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
SEED	8.400	7.000	3.000
FMF	1.500	1.500	4.100
IMET	0.498	0.500	0.650

OVERALL U.S. OBJECTIVES:

Lithuania, one of three Baltic nations forcibly incorporated into the USSR in 1940, regained its independence in 1991. The prime U.S. objectives in Lithuania are to strengthen civil society, bolster democratic and market institutions, and develop civilian-controlled, NATO-compatible defense forces. The United States will seek to ensure:

- The reintegration of a democratic, prosperous Lithuania into the West.
- The success of the Baltic Peacekeeping Battalion (through which Lithuania seeks to participate in IFOR and other peacekeeping missions).
- A successful transition to an open-market economy offering fair market access for U.S. business. We also support Lithuanian enhancement of regional security through improvement of relations with all neighboring countries and assumption of an active role in the Partnership for Peace, the OSCE, and other international institutions.

STRATEGY:

The United States will strengthen Lithuania's financial sector, judiciary, local administration, environmental protection, and energy independence by targeted SEED support. Weakness in fiscal policy, energy pricing, and the banking sector; and a statist approach to problems of local administration underscore the need for continued bilateral SEED aid for at least a few more years. Long-term U.S. Treasury advisors at the Finance Ministry and Central Bank play a key role in strengthening budget-making, treasury, tax administration, foreign-exchange reserve management, and banking supervision functions. Continued support through the SEED-funded law and democracy initiative, including a long-term advisor at the Ministry of Justice and training for judges, is needed to help put the judiciary on a solid, independent footing. The USAID local administration program promotes decentralization of executive

fiscal power and enhancement of government efficiency and responsiveness by training local authorities in budget-making and management of municipal services. The USAID-run energy efficiency program is helping Lithuania manage the Chernobyl-type nuclear power plant at Ignalina and move to energy independence.

FMF support for FY 1998 will largely focus on a Regional Airspace Initiative for the Baltics. We will also continue law enforcement training and cooperation to fight organized crime and corruption. The Lithuanian economy is under pressure from local and Russian-based organized crime groups. Government corruption and market inefficiency continue to be problematic. The police are ill-trained, underpaid, overwhelmed, and corrupt. Private "security firms" (protection rackets) try to usurp the government's role to guarantee public safety. Continued SEED-funded training by U.S. law enforcement agencies (Customs, DEA, FBI) in-country and at the ILEA in Budapest will help reverse these negative trends and protect the U.S. against spillovers from money-laundering and trade in illicit materials.

The United States will deepen bilateral military cooperation to demonstrate support for Lithuania's sovereignty and security and to strengthen civilian control, professionalism, and NATO interoperability in the armed forces. IMET has a significant multiplier effect by training trainers and giving more junior officers the leadership skills to take over from officers still operating on Soviet guidelines. Lithuania will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA will be used to enhance NATO interoperability and supplement FMF support for peacekeeping capability.

We will continue material support for the Baltic Peacekeeping Battalion (BaltBat) to ensure that the first battalion is ready to participate in peacekeeping/peace enforcement in 1997. U.S. supply of equipment is an essential complement to training provided by Nordic and UK officers. Replacement of worn-out equipment through additional funds for BaltBat will ensure that the first battalion is qualified to participate fully in peacekeeping or peace enforcement in 1997.

We will help Lithuania participate more actively in PFP and strengthen links with NATO. FMF will support cash-strapped Lithuania's continued extraordinarily high level of participation in the full range of PFP exercises. FMF will also strengthen Lithuania's current focus on the practical, here-and-now steps toward NATO, and will underscore our policy of keeping Lithuania out of any "gray zone" between an enlarging NATO and Russia. Lithuania may also be eligible for the proposed Central Europe Defense Loan Program, which addresses infrastructure deficiencies in PFP and potential NATO countries.

The United States will seek to remove legislative, regulatory, and tariff barriers to U.S. trade and investment. U.S. traders and investors continue to meet arbitrary and opaque laws and regulations in Lithuania. Continued technical assistance from the programs of the American Bar Association (ABA/CEELI) and Department of

Justice/Federal Trade Commission in the commercial law area are essential to help the Lithuanian government and parliament remove these barriers. A resulting increase in direct U.S. investment will promote Lithuanian integration into the Western political and economic system.

PERFORMANCE INDICATORS:

- Creation of a central treasury function to eliminate the waste of separate accounts for each ministry;
- Creation of a consolidated Finance Ministry budget-reporting mechanism which ensures tight month-to-month control of revenues and expenditures;
- Increase in efficiency of tax collection to bring into the open the estimated 20-40 percent of GDP now in the parallel economy;
- Consolidation of commercial banks into a viable number of private, well-capitalized, adequately-supervised institutions capable of competitive intermediation in financial markets;
- Establishment of policies and prices to support sound energy management;
- Establishment of regional energy and environmental planning groups among the three Baltic states;
- More thorough prosecution of organized crime and corruption by Lithuanian authorities;
- Closer cooperation with U.S. law enforcement investigations;
- Advancement of graduates of IMET programs to senior military or Ministry of Defense positions;
- Lithuanian leadership in the annual BALTOPS sea exercise and in bilateral exercises similar to the summer 1996 JCET exercise;
- Continued strong Lithuanian participation in IFOR and PFP exercises, and in international peacekeeping;
- Demonstration of interoperability with NATO in all PFP exercises; and
- An increase in direct U.S. investment to a minimum of $20 million per year.

MALTA

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.030	0.100	0.100

OVERALL U.S. OBJECTIVES:

Strategically located in the Mediterranean in close proximity to Italy and Libya, Malta is a densely populated island with few natural resources with an economy largely dependent on foreign trade and services. U.S. foreign policy interests in Malta include ensuring Malta's pro-Western orientation and checking Libyan influence; promoting exports of U.S. goods and services; and using U.S. assistance to enhance Malta's ability to participate in regional security activities of importance to the United States, including matters involving counter-narcotics, counter-terrorism, and the interdiction of embargoed goods to restricted countries.

STRATEGY:

We are working with Malta to establish a professional Maltese military capable of participating in regional and international missions. IMET is a key element in this strategy. IMET courses will enhance the ability of Maltese security forces to conduct interdiction and anti-terrorism operations. Training also enhances bilateral ties with the United States and gives us the opportunity to influence security policy in Malta.

We utilize port calls by U.S. Navy ships to enhance ties with senior Maltese officials. These visits reached a record number in 1996. Accreditation of a Defense Attaché in 1996, the first accepted by Malta since 1970, also reinforces ties on security issues.

PERFORMANCE INDICATORS:

- Maltese participation in U.S., NATO and international missions;
- Maltese support for UN-sponsored sanctions on Libya;
- Improved armed forces' standards of maintenance and operational readiness; and
- Improved interdiction and anti-terrorism capabilities.

POLAND

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
SEED	46.000	40.000	35.000
FMF	16.475	12.000	12.200
IMET	1.021	1.000	1.500

OVERALL U.S. OBJECTIVES:

Poland is the largest state in Central Europe. In the past seven years, Poland has firmly established a parliamentary democracy based on a multi-party system and free and fair elections. The Polish government is committed to continuing the process of economic and political reform. Poland actively seeks integration with western institutions, including membership in NATO and the European Union. Poland was admitted to the OECD in 1996, reflecting its transformation to a market-based economy. It has completed Treaties of Friendship with all seven of its neighbors, and seeks to "export stability" in the region. Poland actively participates in a variety of multinational peacekeeping efforts, demonstrating its readiness to accept responsibilities as a member of the family of democratic nations. The United States has a strong interest in helping Poland develop strong democratic institutions and a prosperous, free market economy that contributes to European stability. Key objectives are:

- A stable democratic Poland that will help advance stability and prosperity throughout the region and integrate with Western institutions through full NATO and EU membership.

- Emergence of a competitive and environmentally responsible market-oriented economy that will provide significant opportunities to American firms for profitable market access.

- Civilian oversight, modernization, professionalization, and interoperability of the Polish armed forces with U.S. and NATO forces.

- Establishment and implementation of an effective counternarcotics strategy.

STRATEGY:

We will continue to provide critical assistance to an economy in transition with problems of adjustment. The Polish program has been the largest and among the most successful of the SEED country programs. SEED assistance stimulates private sector development, supporting privatization of regionally and municipally-owned enterprises; and fosters long-term relations between Polish and U.S. business schools to transfer technical skills. SEED also sponsors a number of programs to support development of local government and an independent media, two essential ingredients for the consolidation of democratic pluralism.

The Polish government has been willing to accept economic dislocation and hardship in order to make structural changes in its economy. This discipline has begun to pay dividends. The Polish economy has grown significantly and unemployment has begun to decline. However, the process of reform is only complete to some degree. Poland's capital markets have evolved gradually and systematically, but privatization has been disappointingly slow, in part because of public apprehension over massive unemployment. An active US-Polish cooperation on environmental security includes the promotion and testing of US environmental technologies for possible use throughout the region.

Expanded defense cooperation between Poland and the United States will contribute to stability in Central Europe and advance the broad objectives of PFP, including eventual NATO membership for some Partners. The IMET and FMF programs support continued downsizing, modernization and professionalization of Poland's armed forces and reinforce civilian control. A key aim is to help re-orient the Polish armed forces toward a more defensively oriented, Western-style force structure capable of working side-by-side with the United States and NATO. We will enhance Polish forces' peacekeeping capabilities. We also seek to assist Poles in their efforts to strengthen the institutional structures of civil-military relations, including the ongoing restructuring of the military chain of command which subordinates the military to the Minister of Defense and encourages parliamentary oversight.

Poland pursues a broad range of defense cooperation with the United States, including a variety of training and exchange programs, as well as bilateral and multilateral military exercises. Polish volunteer troops have been serving side by side with GI's in IFOR in Bosnia and we are doing so in SFOR. Poles have also participated with the U.S. in the successful Multi-National Force (MNF) in Haiti. In FY 1998, the United States will continue to train Polish defense officials in areas such as defense planning, civil-military relations, military doctrine, and peacekeeping. The FMF program supports English-language and NCO training, command and control upgrades, purchase of search and rescue equipment, purchase of small-unit equipment, as well as other requests aimed at strengthening Poland's ability to participate in PFP and work alongside the U.S. and NATO.

Poland may also be eligible for the proposed Central Europe Defense Loan Program, which addresses infrastructure deficiencies in PFP and potential NATO member countries. Poland will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. EDA would be used to supplement FMF Grant and Central Europe Defense Loans, enabling Poland to operate effectively with NATO forces, for example in peacekeeping activities.

Expanded antidrug and crime cooperation will assist Poland in countering the emerging drug and crime organizations that are smuggling illicit drugs through the region, opening markets, laundering funds, and producing illicit amphetamines. Specifically, the USG will provide assistance to support Poland's efforts to implement new counternarcotics legislation and to develop effective antidrug institutions.

PERFORMANCE INDICATORS:

- Transfer of state-owned assets to the private sector, and growth of viable small and medium-sized companies;
- A more competitive and market-responsive private financial sector;
- Stronger and more accountable local government;
- Continued transformation of the Polish legal system based on democratic and free-market principles;
- Further consolidation of civilian control over military;
- Increased participation in PFP and international peacekeeping and expanded military capacity to use the English language; and
- Increased interoperability with NATO, as measured by acquisition of NATO compatible equipment and adoption of NATO command procedures, doctrine, and standards.

PORTUGAL

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.769	0.800	0.800

OVERALL U.S. OBJECTIVES:

Portugal is a charter member of NATO and a member of the European Union. Less prosperous than most of its West European partners, Portugal is engaged in a long-term program of modernization in order to emulate the productivity and income levels of the more economically advanced EU countries. Consistent with its seafaring tradition, Portugal remains a strong Atlanticist nation and a close ally of the United States. Portugal continues to pursue close military cooperation with the U.S. The Lajes base agreement reached in 1995 allows U.S. forces broad access to this key military facility in the Azores. Such access contributed significantly to U.S. efforts during the Gulf war and the Somalia initiative. U.S. foreign policy objectives include Portuguese support for U.S. security architecture policy, and support for U.S. positions in the EU context. We also wish to maintain strong cooperation at the Lajes military facility. As a NATO ally, Portugal's ability to conduct military operations directly benefits U.S. security goals.

STRATEGY:

The U.S. is supportive of Portugal's force modernization effort, intended to strengthen its ability to play an active role in collective defense organizations and international peacekeeping efforts, e.g., in Bosnia and Lusophone Africa. Our efforts are also directed towards enhancing Portugal's Atlanticist orientation by building ties with future military leaders and reinforcing the existing preference for U.S.-manufactured defense equipment.

The IMET program bolsters this strategy by establishing close bilateral relationships between the U.S. and Portuguese militaries. Portugal will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. EDA also supports this effort, particularly in enabling Portugal to participate in international peacekeeping.

PERFORMANCE INDICATORS:

- Portuguese participation in international peacekeeping operations; and
- Continued Portuguese cooperation on key issues of European defense, and continued excellent access to Portuguese civilian and military decision-makers.

ROMANIA

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
SEED	26.800	33.000	33.000
FMF	9.275	6.500	7.900
IMET	0.758	0.800	0.900

OVERALL U.S. OBJECTIVES:

Romania is the largest country in south-Central Europe and is the land bridge between the former Soviet Union and the Balkans. Following decades of especially brutal and ruinous communist control, the challenges facing Romania in its transition to a democratic, free market-oriented society are great. Nevertheless, the Romanian people have enthusiastically chosen democracy and economic reform. Romania's number one foreign policy goal is "reintegration with the West." Within this context, Romania is particularly anxious to develop its relations with the U.S. The goal of the United States is a stable, Western-oriented, democratic Romania. U.S. foreign policy objectives in Romania are:

- Strengthen democratic practices, government policies and institutions;
- Accelerate economic reform;
- Reinforce stable relations between Romania and its neighbors; and
- Effective civilian oversight, modernization, and professionalism of the Romanian military, and greater interoperability with NATO and U.S. forces.

STRATEGY:

Romania is a functioning parliamentary democracy whose constitution guarantees fundamental rights recognized under OSCE principles. Free and fair elections for local government, parliament and the presidency were held in 1996. The political opposition won all three elections and there was a successful peaceful transition in political leadership. The new government is pledged to Romania's integration into Western security, political and economic institutions; economic restructuring and reform; and reform of the relationships between the national and local governments to strengthen local democratic institutions. Despite democratic reforms at the national level, the central government continues to exercise excessive influence over local

governments and other social institutions, and reform of the judiciary has progressed slowly.

Our strategy for strengthening democracy includes encouraging the Romanian government to support the institutionalization of democracy, economic reform and strengthening of the legal, social and judicial institutions which form the basis of a civil society. The U.S. will support the new government's pledge to fight government corruption and abuse of power. SEED-funded programs will assist local governments, the judiciary, the press and NGOs to effectively play a crucial role in establishing democracy and giving the people a voice in political decision-making. The Romanian government and public overwhelmingly endorse the goal of joining Western institutions. We will continue to remind the Romanians that democratic reforms are an essential precondition for joining the community of democratic nations.

The Romanian government was slow to implement economic reforms after the 1989 revolution. Average Romanian incomes are 20 percent lower than in 1989, when adjusted for inflation. With a per capita GDP of $1,560, Romania is one of the poorest countries in Central Europe. The economy has stabilized and grown in the past two years and inflation has declined slowly. However, Romania recently fell out of compliance with its IMF program. The new government has begun discussions with the IMF and the World Bank to bring Romania back into compliance with the IMF program. An excessive portion of the economy remains under government control and the private sector is hampered by bureaucratic controls and corruption. Major structural reform will be necessary to establish a market-oriented economy capable of competing effectively.

The U.S. strategy for accelerating economic reform includes urging the government to redouble its efforts to privatize state-owned enterprises and rescind policies, such as price and foreign exchange controls that run counter to the establishment of a market economy and discourage badly-needed foreign investment. We will continue to support the efforts of the IMF and other IFIs to implement economic reform and will provide targeted technical assistance to the government in privatization and the establishment of efficient capital markets.

Romania has made important efforts to improve its relations with neighboring countries. Historical grievances and ethnic tension between ethnic Romanians and the large Hungarian minority have strained relations between Hungary and Romania. However, on September 16, 1996, Romania signed a historic treaty with Hungary that not only established cooperative, friendly relations between the two countries, but committed both to a high standard of respect for and protection of ethnic minorities. Our strategy will be to urge the Government of Romanian to fully implement the treaty, especially as it pertains to minority protections, with the goal of assuring the Hungarian minority that security is assured in Romania. Subsequent to the recent

elections, the political party representing the ethnic Hungarian minority was given two ministerial posts in the new government.

Romania is an enthusiastic and active partner in Partnership for Peace (PFP). The Romanian military has made significant changes to become a smaller, defense-oriented force and has institutionalized civilian control of the military. Our FMF and IMET programs will help the Romanian military consolidate this progress and deepen the professionalism and civilian oversight of the military. Therefore, IMET strengthens democratic institutions in Romania.

IMET emphasizes areas such as defense planning, civil-military relations, military doctrine, and peacekeeping in order to improve Romanian understanding of U.S. practices and to expand cooperation between militaries. The FMF program provides English language and NCO training, tactical communications upgrades. medical equipment, and small unit equipment. Transfer of Excess Defense Articles (EDA) can supplement this FMF equipment program and Romania will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Romania may also be eligible to participate in the Central Europe Defense Loan program.

PERFORMANCE INDICATORS:

- Decentralization of central government control to local governments;
- Continued improvement in the effectiveness of an independent judiciary;
- Considerable progress on privatization of state-owned enterprises;
- Full compliance with IMF conditionality;
- Timely implementation of the treaty with Hungary;
- Deepening participation in PFP and in international peacekeeping;
- Promotion of U.S.-trained officers to senior military or defense ministry positions; and
- Increased interoperability with NATO, as measured by acquisition of NATO-compatible equipment and adoption of NATO standards and doctrine.

SLOVAKIA

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
SEED	16.000	15.000	8.000
FMF	3.550	6.000	3.000
IMET	0.473	0.600	0.600

OVERALL U.S. OBJECTIVES:

Slovakia's political and economic success is important to Central European stability and to U.S. interests. If reform stops and authoritarian rule prevails here, Slovakia will fail to meet its objectives of EU and NATO membership.

The key policy goals of the United States are to help the Slovak Republic create a stable, efficient, free-market democracy; promote Slovakia's good relations with its neighbors, encourage rapid integration with Euro-Atlantic security, political and economic organizations; and to press the Slovak government to pursue responsible export control and non-proliferation policies. Over the long term, the U.S. places a high priority on promoting U.S. investment in and trade with Slovakia. U.S. foreign policy objectives include:

- Further democratization and the establishment of effective, responsive, and accountable local governmental institutions, and greater citizen participation in national political life.
- The open flow of information and support for the independent media.
- Emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed, and acceleration of the pace of privatization.
- Reforms necessary for Slovakia to join the OECD by 1997, the target the government has set for itself.
- Integration of Slovakia into Western institutions, including the OECD, on the basis of adherence to democratic values.
- Adoption of responsible export control and non- proliferation policies.

STRATEGY:

American assistance for Slovakian transition to a market economy include: free-market technical assistance to formerly state-owned enterprises to help them become competitive, viable businesses; technical assistance with recapitalization to small and medium privatized companies; modernizing accounting systems; training and advising bankers; improving bank supervision; and assisting in the development of securities markets. Other activities provide advice and training in commercial and bankruptcy law, nuclear safety, environmental clean-up, health care, and local self-government.

Initiatives to support the development of democracy include assistance to the Slovak Judges' Association to promote an independent judiciary system and technical assistance to local non-governmental organizations. U.S. assistance helps local political activists and government officials develop stronger political skills, with an emphasis on improved constituency and intra-party communications and teaches community organizing skills to Slovak counterparts. Specialists work with Slovak educators to restructure schools and develop a teacher training program that fosters democratic ideals.

U.S. military assistance to Slovakia is part of our overall strategy for creating a stable, prosperous Europe. It is designed to facilitate Slovakia's participation in the Partnership for Peace as well as in international peacekeeping operations, such as UNTAES in Croatia (where the Slovaks have an engineering battalion); and to create greater interoperability between the Slovak military and NATO forces. U.S. military programs currently provide English language training, tactical communication equipment, and aim to consolidate and incorporate regional air space management through the Regional Air Space Initiative. This initiative aims to establish common air traffic control systems, both military and civilian, in at least four countries for safer, more efficient air traffic control and aircraft exchange.

Slovakia may also be eligible for the Central Europe Defense Loan program, which addresses infrastructure deficiencies in PFP and potential NATO member countries. Slovakia will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Transfer of EDA would be used to supplement FMF Grant and Central Defense Loans, enabling Slovakia to operate effectively with NATO forces, for example in peacekeeping activities.

The United States and Slovakia enjoy excellent military-to-military relations. The IMET program, by enhancing the professionalism of Slovak defense officials, training Slovaks in U.S. practices, and exposing Slovaks to the U.S. system of civilian oversight of the military, creates a stabilizing influence in Slovak politics and society.

PERFORMANCE INDICATORS:

- Protection of free speech, academic freedom, media independence, and NGOs;
- Progress of the privatization program, including state-owned banks;
- Protection of minorities, specifically in education and language;
- Establishment of independent news media;
- Establishment of a vigorous export control regime;
- Deepening participation in PFP and in international peacekeeping;
- Promotion of U.S.-trained officers to senior military or defense ministry positions; and
- Increased interoperability with NATO, as measured by acquisition of NATO-compatible equipment and adoption of NATO standards and doctrine.

SLOVENIA

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions

	FY 96 Actual	FY 97 Estimate	FY 98 Request
FMF	0.400	1.000	2.100
IMET	0.253	0.400	0.600
SEED	1.200	-	-

OVERALL U.S. OBJECTIVES:

Slovenia is moving rapidly toward integration into the Euro-Atlantic community of nations. Its immediate foreign policy goals are to join NATO and the European Union. In the five years since the breakup of the former Yugoslavia, Slovenia has become a democracy with a multi-party political system, a free press and an excellent human rights record. Slovenia's market economy has registered healthy growth in recent years, largely due to the economic reforms introduced shortly after independence. Slovenia now has the highest per capita income in Central Europe. Slovenia's successful democratic transition, economic transformation, peacefulness, and stability serve as an example to other nations in the region. The U.S. has a strong interest of supporting Slovenia's efforts to consolidate and build on its accomplishments. Key objectives are:

- Effective civilian oversight, modernization, professionalization, and interoperability with NATO of the Slovenian armed forces.

- Full integration into Euro-Atlantic community of nations, including such institutions as NATO and the European Union.

STRATEGY:

Slovenia has been eager to expand its excellent security relationship with the U.S. and NATO. It was the first non-NACC country to join the Partnership for Peace (PFP), and it played a key role in the transit of NATO forces bound for Bosnia as part of the Dayton Peace Agreement. U.S. support through the FMF program has helped Slovenia become an active participant in the PFP.

By focusing on English language skills, NCO training, NATO-compatible radios, and small-unit infantry training equipment, the FMF program has helped Slovenia create a rapid-reaction peacekeeping battalion that can be deployed alongside NATO in future operations. U.S. training under IMET has been essential in deepening the U.S.

security relationship. By enhancing the professionalism of Slovenian military officials, training officials in U.S. practices, and promoting civilian oversight of the armed forces, the IMET program continues to play a key role in shaping attitudes in Slovenia's military about the proper role of the armed forces in a democratic society.

In FY 1998, we will continue IMET training for Slovenian defense officials at U.S. facilities in areas such as defense planning and military doctrine. Our FMF program will continue to support English-language training, NCO training, and tactical communications upgrades, all aimed at strengthening Slovenia's ability to participate in PFP and work alongside NATO. Slovenia will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Transfer of EDA would be used to supplement the equipment aspect of FMF for these purposes. Slovenia may also be eligible to participate in the Central Europe Defense Loan program.

PERFORMANCE INDICATORS:

- Deepening participation in the Partnership for Peace (PFP), and in international peacekeeping and humanitarian operations;
- Promotion of U.S.-trained officers to senior military or defense ministry positions; and
- Increased interoperability with NATO, as measured by acquisition of NATO-compatible equipment and adoption of NATO doctrine and standards.

TURKEY

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
FMF Loan	320.000	175.000	175.000
FMF Loan Subsidy	34.962	36.770	33.150
IMET	1.095	1.400	1.500
ESF	33.500	22.000	50.000
DA	-	4.000	4.000
INC	0.400	0.500	0.500

OVERALL U.S. OBJECTIVES:

Turkey sits at the crossroads of Europe, the Middle East, and the New Independent States, playing a critical role in a wide range of issues vital to U.S. interests. We want to preserve Turkey's position as a democratic, secular nation in a region with weak democratic traditions and where political instability is commonplace. We seek therefore to strengthen Turkey's ability to defend itself, to bolster its democratic tradition through continued emphasis on human rights, and to help its economy grow and prosper. It is also essential to increase U.S. trade and investment in Turkey, as one of the ten Big Emerging Markets for U.S. goods designated by the Department of Commerce.

The United States' key goal is to cement current and future Turkish cooperation in regional matters such as maintaining the no-fly zone over northern Iraq, facilitating peaceful resolution of the Nagorno-Karabakh conflict through the OSCE's Minsk Group, and restoring stability to Bosnia. The U.S. encourages Turkey, as a regional power, to be a constructive contributor to U.S. policies in the Caucasus, Central Asia (where Turkey will play an important role in the export of huge Caspian oil reserves) and to cooperate in our approaches toward Iran and Iraq. Turkey will also be an essential partner in U.S. efforts to resolve the Cyprus situation and defuse tensions in the Aegean.

STRATEGY:

Achievement of key U.S. goals will depend largely upon diplomatic and political activity to maximize Turkish-U.S. cooperation in the broad range of issues where we have overlapping interests, including the Caucasus, stability in the northern Gulf area, lower tension in the Aegean, and a solution in Cyprus. Diplomatic resources will also be deployed to strengthen the Turkish democracy and ameliorate human rights

performance. We will also engage U.S. influence and expertise in a strong effort to help the Turkish government improve the trade and investment climate for U.S. exporters, meet its international obligations, offset the negative economic effects of Turkey's implementation of Iraq sanctions, and secure energy supplies from reliable sources.

The FY 1998 FMF program request will finance sustainment of U.S.-origin equipment in Turkey's inventory. Turkey's defense procurement has dropped considerably as a result of the economy's significant contraction from 1994 - 1996, and of the U.S. conversion of grant funding in 1993 to loan financing. Continued moderate levels of FMF will enable the Turks to continue to modernize and maintain their armed forces and carry out their essential security role in the region, with less "drag" effect on the civilian economy.

Turkey will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA, in almost all categories, will enable the Turks to continue to modernize and sustain their armed forces and carry out their essential security role in the region. Areas of greatest need are in communications, coastal and border surveillance (anti-narcotics and anti-terrorism) and transport.

Economic Support Funds (ESF) will help Turkey address the long term structural reforms necessary to sustain growth, and ease Turkey's entry into the European Customs Union. Maintaining ESF will help offset the economic costs of continued enforcement of UN sanctions against Iraq. ESF also supports women's health and family planning activities, along with targeted human rights programs.

Given the severe economic impact of Iraqi sanctions on the Turkish economy, the United States will need to exercise extreme sensitivity to Turkish economic needs, and pursue steps to meet those needs. Economic Support Funds (ESF) are the United States' principal tool in response to this problem. We will seek a careful review to evaluate whether additional measures can be provided to this key partner and ally.

IMET provides Turkish military personnel with the training needed to improve interoperability with U.S. and other NATO forces. IMET not only improves the professionalism of future leaders, but also reinforces U.S. concepts of the proper role of the military in a democratic society. Training also helps support Turkey's involvement in international peacekeeping operations.

U.S. counternarcotics assistance will provide training and equipment to enhance Turkey's investigation and interdiction efforts. Equipment provided to date only begins to meet needs in the largest cities. The FY 1998 request includes $235,000 for intelligence-gathering equipment to combat drug smuggling, $110,000 to continue a multi-year improvement of interdiction efforts, and $25,000 for demand reduction and public awareness.

PERFORMANCE INDICATORS:

- GOT willingness to support U.S. regional initiatives;
- Restraint in word and deed in the Aegean;
- Support for Cyprus settlement efforts;
- Reduced numbers of reported incidents of terrorism by the Kurdistan Workers Party (PKK);
- Decrease in complaints of human rights violations;
- Annual human rights report;
- Turkish international credit ratings;
- Increased legal actions against narcotics traffickers;
- Increased exports to Turkey;
- Passage of laws improving business/investment climate;
- Greater enforcement of intellectual property rights statutes;
- Completion of privatization in key sectors; and
- Increased operational readiness of the Turkish military.

THE NEAR EAST

THE NEAR EAST

OVERVIEW:

Securing a just, lasting, and comprehensive peace in the Middle East is a cornerstone of U.S. foreign policy. Peace in the Middle East was once just a vision for optimists. Now it is clearly attainable. The agreements achieved over the last two years between Israel and Jordan and between Israel and the Palestinians, coupled with the ensuing expansion of political and economic contacts and the long-standing peace between Israel and Egypt, form the basic building blocks of a comprehensive settlement of the Arab-Israeli conflict. Even as the region moves toward peace, there are still threats to our interests in the region, including access to the region s energy resources, demanding careful attention and monitoring. Forces of terrorism and rejection work against efforts to make peace. Opposition movements -- religious and secular -- that use violence and terrorism challenge some governments in the region. The pursuit of weapons of mass destruction by some states poses a long-term threat which must be countered. Iran, Iraq, and Libya remain sources of particular concern. Following are the principle U.S. objectives in the Middle East and North Africa, grouped under the broad foreign policy objectives of Promoting Peace, Promoting Prosperity, Building Democracy, Promoting Sustainable Development, Providing Humanitarian Assistance.

OVERALL U.S. OBJECTIVES:

PROMOTING PEACE

The greater part of U.S. foreign assistance resources, support the broad U.S. international affairs objective of "promoting peace." This includes the Administration's fundamental goals of achieving a comprehensive Arab-Israeli Peace; containing threats to energy supplies from the Gulf and regional stability posed by Iran, Iraq, and Libya; containing regional conflicts and hostilities; countering the proliferation of weapons of mass destruction; and combating the threats posed by terrorism, narcotics, and crime.

Achievement of a Comprehensive Arab-Israeli Peace: A just, lasting, and comprehensive Arab-Israeli peace, including full implementation of existing agreements between Israel and its neighbors, remains the number one U.S. priority in the region. The agreements achieved over the last two years between Israel and Jordan and between Israel and the Palestinians, the ensuing expansion of political and economic contacts between Israel and its Arab neighbors, and the long-standing peace between Israel and Egypt form the foundation of a comprehensive settlement of the Arab-Israeli conflict. While much work remains ahead and new challenges will always emerge, continuation of the Middle East peace process will remain fundamental to U.S. policy in the region.

- The U.S. brings to bear its full range of resources to support the parties' efforts to reach Israeli-Syrian and Israeli-Lebanese agreements, promote contacts and

normalization of relations between Israel and the Arab world, and broaden the scope of activities and regional participation in the Multilateral track. The majority of the Administration's Foreign Operations budget proposal for this region -- $5.2 billion - is intended to sustain and accelerate the Middle East peace process.

- The FY 1998 budget request includes traditional amounts of economic and military support for Israel and Egypt to meet the legitimate security needs of these countries and to promote continued economic reform and broad-based economic growth. Assistance strengthens a free and democratic Israel; helps maintain Israel's security, well-being and qualitative military edge; and facilitates peace negotiations and stability in the region.

- Assistance to Egypt reinforces that country's moderating influence in the region and helps it play a critical role in the negotiation process. Through diplomatic dialogue and economic and military assistance, we seek to preserve Egypt's role as a key partner in the peace process and in regional security; encourage warmer, deeper relations between Egypt and Israel; and enhance Egypt's ability to operate as a coalition partner in regional military operations.

- Regional ESF programs totaling $11 million will promote Arab-Israeli cooperation through support for technical cooperation and collaborative research, and funding for the Peace Process' five multilateral working groups in the areas of water, environment, regional economic development, refugees, and arms control and regional security.

- Central to U.S. support for the Middle East peace process is facilitation in the process of Israeli-Palestinian implementation of the Interim Agreement and aid to the Palestinian Authority to increase its economic growth and advance democratic institutions in the West Bank and Gaza. The $75 million ESF request for the West Bank and Gaza will promote Palestinian self-government through economic development and democratic institution-building. Assistance for this process, along with constant coordination with other donors, is essential for the formation of the political, economic, and institutional infrastructure necessary for self-government and economic viability.

- The U.S. continues efforts to expand and deepen Israeli-Jordanian ties while enhancing Jordan's economic stability, promoting its economic development, and building its military capabilities. The security assistance program for Jordan addresses both economic development and security needs. FMF military assistance will assure strong U.S. military influence and access and improved JAF readiness and interoperability with U.S. military missions.

- The Middle East/North Africa Economic Summit process has been central to U.S. efforts to establish the sound economic underpinnings of peace. We are working to

maintain the momentum of economic summits held in Casablanca, Amman, and Cairo as the process moves to Qatar in 1997. In addition, we are working to begin operation of new regional institutions, such as the Middle East Development Bank, which foster private/public partnership. As these economic contacts grow and deepen, the U.S. will persevere in its efforts to eliminate finally all vestiges of the anachronistic Arab boycott of Israel.

Contain the threat to energy supplies and regional stability posed by Iran, Iraq and Libya: Even as the Middle East moves toward peace, threats to U.S. interests remain and demand our careful attention and monitoring. Rogue states Iran, Iraq, and Libya continue to support terrorist groups in the region and beyond, develop destabilizing weapons, and work to undermine the peace process that the Palestinians themselves support.

- Iran, Iraq and Libya continue to pose distinct threats to the region's security and stability and to energy sources in the Gulf region. Most recently, Iraqi leader Saddam Hussein renewed his campaign of repression against the Iraqi people by an assault on the Kurdish city of Irbil and a subsequent roundup in the north of Iraqi oppositionists.

- The U.S. is working to achieve full Iraqi compliance with UN resolutions and continued support to coalition military operations enforcing UN Security Council resolutions against Iraq. We seek to maintain UN sanctions on Iraq in order to end the Iraqi buildup of weapons of mass destruction and the Iraqi missile program through vigorous monitoring, inspection, and destruction efforts by the UN Special Commission.

- To counter the dangerous and irresponsible policies of Iran, the U.S. is working actively to gain multilateral support to restrict trade with and investment in Iran, both to demonstrate to the Iranian regime that its sponsorship of terrorism comes with a price and to deny the Iranians the means to develop further their weapons of mass destruction programs.

- Libya continues to harbor terrorists, including the suspects in the PanAm 103 bombing, is seeking to develop destabilizing weapons of mass destruction, and openly flouts international sanctions. An active, high-level dialogue with U.S. allies in Europe and Canada is a key component of U.S. efforts to reduce threats posed by Iran, Iraq, and Libya.

Contain regional conflicts and prevent hostilities: The U.S.' continued commitment to the MFO safeguards the Egypt-Israel peace treaty. Through support for the MFO, the Israel-Lebanon Monitoring Group, and various UN peacekeeping operations, the U.S. seeks to prevent hostilities between Israel and its neighbors and maintain security along Israel's borders. The U.S. also supports UN Peacekeeping missions elsewhere in

the region including MINURSO's efforts to encourage a resolution of the conflict over the Western Sahara, and UNIKOM's monitoring of the demilitarization along Iraq-Kuwait border. U.S. FMF funds and military assistance have assisted Egypt in its provision of credible peacekeeping forces in UN operations such as Bosnia and Somalia. FMF funding will also support the new global initiative for Enhanced International Peacekeeping Capabilities (EIPC), including selected Near East countries. EIPC will encourage political willingness and enhance military capacity to support international peacekeeping operations.

Counter the Proliferation of Weapons of Mass Destruction and their Delivery Systems: The U.S. is working to promote universal adherence to, and full compliance with, global nonproliferation regimes and norms of behavior. The U.S. coordinates with other states to prevent the transfer of sensitive technologies and destabilizing arms sales to the region. In particular, we are working to prevent further development of Libya's chemical weapons program, to forestall Iran from obtaining weapons of mass destruction, and to achieve UN certification that Iraq is no longer in possession of -- or developing -- weapons of mass destruction or their delivery systems.

Combat the Threat of Terrorism, Narcotics, and Crime: The U.S. seeks to sustain bilateral and multilateral political and economic pressure on state sponsors of terrorism. U.S. diplomacy is working to compel state sponsors to renounce and curb terrorism, and to increase pressure on Libya to induce it to surrender the suspects in the Pan Am 103 bombing and comply with relevant UNSC resolutions. The United States seeks from all governments in the region the greatest possible assistance to U.S. and other governments' law enforcement and counterterrorism efforts. In concert with friends and allies, the United States is working to encourage governments in the region to address the social and economic conditions on which extremism thrives.

PROMOTING PROSPERITY

Maintain Full and Secure Access to the Energy Resources of the Persian Gulf: The maintenance of full and secure access to the energy resources of the Persian Gulf is a cornerstone of U.S. policy in the Middle East -- and vital to the protection of U.S. prosperity at home. In addition to contributing to promoting peace, a significant portion of the Administration's Foreign Operations budget proposal contributes to maintaining access to the energy resources of the Persian Gulf.

- Military assistance to Egypt aids in the development of a credible military force to take part in coalition operations. This was demonstrated in Egypt's provision of over 40,000 troops in the Gulf War. Military assistance to Egypt also assists in providing security to the Suez Canal, which serves both as an important international oil route and as a critical route for U.S. warships transiting to the Gulf. Our close relationship with Egypt helps assure critical permission for the overflight of U.S. aircraft bound for the Gulf.

- Assistance to Jordan's military increases its capabilities and bolsters Jordan's confidence in resisting Iraqi pressures. Access to Jordanian airspace and air bases can provide additional options should it again be necessary to confront Iraqi aggression.

- IMET funds provided to Morocco, Tunisia, Egypt, Lebanon, Jordan, Bahrain, Yemen and Oman helps increase military professionalism and the capabilities of these states to operate with U.S. forces.

Efforts to reduce the threats posed by Iran and Iraq and enhance security cooperation with the states of the Gulf Cooperation Council (GCC) -- Saudi Arabia, Oman, Bahrain, Qatar, UAE, and Kuwait -- are key components of U.S. policy in the Middle East. In pursuit of this objective, the U.S. seeks increased U.S.-GCC defense cooperation and GCC participation in regional military exercises; improved defense capabilities of GCC states through the provision of equipment and training; and reduced U.S. response time to military emergencies through agreements and improvements to interoperability, integration of command and control, and enhancements to sea/airlift.

Expand Trade and Investment Opportunities for the U.S. Private Sector: Expanded trade and investment by the U.S. private sector in the Middle East and North Africa and increased market share and investment opportunities for U.S. business remain key priorities. Specifically, we are seeking to support individual U.S. companies' approaches to host country decision-makers for trade and investment opportunities, as well as reduce barriers in the region to trade and economic growth, particularly in Egypt, Jordan, Israel, and the West Bank and Gaza. Active trade promotion efforts in most countries of the region support U.S. commercial objectives. In addition, the Overseas Private Investment Corporation, the Trade and Development Agency, and the Export-Import Bank remain alert for important private sector opportunities in the region.

BUILDING DEMOCRACY

Throughout the region, the United States is encouraging movement toward democratic political processes, adoption of the rule of law, greater respect for human rights, improved opportunities for women, and expansion of civil society institutions. Democratization, human rights, and political reform are important elements of our dialogue with governments of the region and a major focus of USIS activities. In addition, the U.S. encourages and supports through IMET programs the development of professional, apolitical military forces untainted by human rights violations.

The Middle East Regional Democracy Fund, inaugurated in FY 1997, will seek opportunities for developing democratic institutions in countries receiving little or no peace process-related economic assistance or AID-administered DA. The fund will undertake small, highly focused programs targeting movement toward democratic

political processes, adoption of the rule of law, greater respect for human rights, improved status for women, and expansion of civil society institutions. In FY 1998, we expect that the Middle East Regional Democracy Fund would be expanded and could include programs in Oman, Tunisia, Morocco, and Jordan.

PROMOTING SUSTAINABLE DEVELOPMENT

The U.S. is working to promote economic development activities that enable sustainable improvements in living standards, reduce poverty, and encourage the sustainable use of the region's natural resources. U.S. policies encourage economic development opportunities for both men and women and emphasize private entrepreneurs and markets, microenterprises, and openness to world trade for goods, capital and technology. Additionally, the U.S. seeks to promote region-wide peace, stability, and cooperation so that scarce resources now devoted to arms procurement may eventually be diverted to economic and social development.

ESF-funded programs in Egypt help increase agricultural production and incomes, emphasizing liberalizing market controls. ESF-funded programs have had success in increased agricultural productivity and crop changes, as well as horticultural development. On-going USAID-administered programs in Morocco, Lebanon, Jordan, and Yemen will contribute to our goals of sustainable development, poverty reduction, and free-market policies in these countries.

Protection of the environment is an essential part of development. Water resources in the region are limited and in some countries are already critically stretched. Without adequate environmental protection, long-term development is undermined, resources for needed environmental investments will be inadequate, and environmental protection efforts may fail.

PROVIDING HUMANITARIAN ASSISTANCE

Approximately three million people in northern Iraq remain dependent on UN and bilateral relief programs to sustain themselves in a hostile environment. Over the past five years, the U.S. has provided $116 million of humanitarian assistance through the Department of Defense and USAID's Office of Foreign Disaster Assistance (OFDA). This included $6 million of emergency food aid and $28 million of other activities to improve health, water and sanitation services, upgrade shelter and resettle displaced persons in urban areas. This relief program has helped reduce the chances that Iraq's northern population would flee to neighboring countries. As in 1991, such a humanitarian crisis could pose serious risks to political, economic and military stability in northern Iraq and in the region. The U.S. also continues to support implementation of UNSCR 986 (oil-for-food) to provide relief to all the Iraqi people, including those in the north, without allowing Saddam Hussein's regime to take advantage. Following changes in the security situation in the aftermath of intra-Kurdish clashes and an attack

on the northern Iraqi city of Irbil by Iraqi military forces in the fall of 1996, OFDA officials were withdrawn from northern Iraq, and the U.S. bilateral program ended with almost all of its program goals fulfilled. Relief efforts are currently implemented through UN agencies with contributions from the U.S. and others. In November 1996, the U.S. announced $11 million in additional contributions to UN agencies for programs in northern Iraq.

In the West Bank, Gaza, Jordan, Syria, and Lebanon, U.S. contributions permit the UN Relief and Works Agency (UNRWA) to provide education, health, relief, and social services to Palestinian refugees. The U.S. also continues to make an annual grant, consistent with Congressional earmarks, to the United Israel Appeal to support the resettlement of Jews in Israel.

Humanitarian demining assistance funds for Jordan are used to supplement Jordanian and Israeli efforts to clear the land mines from their common border and thus enhance economic development in the Jordan river valley.

BANK FOR ECONOMIC COOPERATION AND DEVELOPMENT IN THE MIDDLE EAST AND NORTH AFRICA (MEDB)

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
ESF	-	1.000	52.500

OVERALL U.S. OBJECTIVES:

The Bank for Economic Cooperation and Development in the Middle East and North Africa (MEDB) is the result of a historic joint proposal by Egypt, Israel, Jordan, and the PLO and is a key element of the effort to strengthen the economic foundation essential to a lasting peace in the Middle East. Based on the President Clinton's pledge of support, the U.S. has led the process to bring the MEDB to fruition. The Bank has been designed to address clearly identified economic needs in the region in ways that cannot currently be met by existing bilateral or multilateral programs. It will leverage resources for investment and development, emphasizing co-financing with the private sector as well as existing financial institutions. The Bank will be small; its total capital will be $5 billion, of which $1.25 billion will be paid-in. The U.S. share will be 21 percent ($262.5 million paid in five annual installments.) Membership will be open only to parties that subscribe to core principles: support for the peace process and commitment to removing barriers to regional commerce, including the boycott of Israel. Each borrower must also be proceeding steadily toward a market-oriented economy that promotes private initiative.

STRATEGY:

1. Promote private sector growth and entrepreneurship.

The region possesses vast human resources and entrepreneurial spirit yet considerable risks and obstacles continue to impede full realization of potential. The MEDB will help overcome impediments by being an innovative financing institution that will act more like a merchant bank than a traditional development bank. In its operations, the Bank will offer a broad range of financial instruments: direct loans, equity, support for small and medium enterprises through intermediaries, guarantees, and technical assistance. There will be no concessional window (although the MEDB will be able to administer voluntarily contributed trust funds that could offer concessional rates). Unlike in most operations of existing institutions, a sovereign guarantee will not necessarily be required.

2. Support regional development projects, particularly transborder infrastructure.

The history of political conflict in the region has left a legacy of economic fragmentation. While pursuing integration into the global economy, the region must also establish regional linkages. Improved regional systems for water, electricity, transport and telecommunications are vital underpinnings of a healthy regional economy -- and of a vibrant private sector that is essential for sustainable development. The MEDB will seek innovative ways to promote projects of regional benefit, especially through private participation whenever possible.

3. Enhance regional economic policy dialogue and coordination through a regional forum.

The Bank's regional economic policy dialogue forum is a feature unique to development banks that addresses the legacy of economic and political fragmentation in the Middle East and North Africa. Successful regional economic development requires greater regional cooperation and consistency in a broad range of areas. The Forum will be under the guidance and control of regional parties. It will not have a voice in financial decisions of the MEDB but by providing a venue for addressing policy obstacles to related to investment and development. For example, Forum activities such as policy harmonization could make transborder electricity projects sustainable and bankable. Successful Bank operations would in turn demonstrate the tangible rewards of cooperation and encourage additional progress. As more reform and cooperation flows from this synergy, private investment flows should increase, particularly the return of hundreds of millions of dollars of flight capital.

PERFORMANCE INDICATORS:

- Increased private sector investment;
- Return of flight capital;
- Expanded regional infrastructure;
- Acceleration of privatization of state owned enterprises;
- Enhanced regional economic policy harmonization; and
- Expansion of regional projects.

ISRAEL-LEBANON MONITORING GROUP

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
PKO	0.992	1.200	2.000

OVERALL U.S. OBJECTIVES:

After two weeks of major hostilities between Israel and armed groups in southern Lebanon, the United States--in consultation with Syria--brokered the April 26, 1996 Understanding to end the crisis and prevent a renewed escalation of violence. The Understanding established a Monitoring Group comprising the United States, France, Syria, Lebanon, and Israel to monitor the Understanding's prohibition against armed groups carrying out attacks into northern Israel and its prohibition against all parties' targeting civilians or using civilian populated areas for launching attacks. In the absence of formal peace agreements among Israel, Syria and Lebanon, the Monitoring Group promotes stability in the volatile southern Lebanon region by helping to limit civilian casualties and by providing an important confidence building forum for all parties.

STRATEGY:

Provide the parties with a viable alternative to military escalation.

After decades of intermittent hostilities in southern Lebanon and along the Israeli-Lebanese border, the ILMG is the first face-to-face setting in which all parties to the conflict can quickly address specific grievances instead of resorting to military escalation. The group's ability to convene rapidly after an alleged violation of the Understanding and its success in issuing unanimous recommendations to enhance compliance with the Understanding have earned it credibility and praise in the region.

PERFORMANCE INDICATORS:

- Restraint in the use of force by all sides;
- Increased protection of civilians; and
- Cooperation and interaction between Israeli, Syrian, and Lebanese representatives to the Monitoring Group.

MIDDLE EAST MULTILATERAL WORKING GROUPS

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
ESF	3.000	3.250	5.000

OVERALL U.S. OBJECTIVES:

The multilateral negotiations in the Middle East peace process grew out of the 1991 Madrid Peace Conference as a complement to the bilateral talks. In January 1992, five working groups were established to address regional issues: Arms Control and Regional Security, Environment, Regional Economic Development, Refugees, and Water Resources. A Steering Group was established to coordinate the activities of the working groups. These groups promote the discussion of regional issues among Israelis and Arabs and bring to bear the expertise and resources of the international community to support concrete, visible projects which contribute to the long-term peace, stability, and prosperity of the Middle East. The U.S. and Russia serve leading roles as co-sponsors of the peace process and chair two of the groups; the European Union, Japan, and Canada head the others. Current participants include Algeria, Bahrain, Egypt, Israel, Jordan, Kuwait, Mauritania, Morocco, Oman, Palestinians, Qatar, Saudi Arabia, Tunisia, United Arab Emirates, Yemen, and over thirty extra-regional parties. The multilateral groups, particularly the Regional Economic Development Working Group, contribute to the development of multilateral regional institutions emerging from the Middle East/North Africa Economic Summits.

STRATEGY:

1. Encourage multilateral interaction and cooperation between the parties to the Middle East peace process.

The multilateral working groups complement the bilateral negotiations and agreements reached between Israel and her Arab neighbors by facilitating increased interaction and cooperation among the parties on issues of regional concern. Early contacts between Israelis, Palestinians, and Jordanians in the multilaterals played a key role in the achievement of the Israel-Palestinian Declaration of Principles of September 13, 1993, the Israel-Palestinian Interim Agreement of September 28, 1995, and the Israel-Jordan Peace Treaty of October 26, 1994. Moreover, in consolidating security arrangements after their peace treaty, Jordan and Israel drew heavily on concepts and methods which had been discussed in the multilateral track. The multilateral groups are also well-positioned to play a complementary role in the achievement and implementation of

future agreements, including the Israel-Syria and Israel-Lebanon tracks, as the parties work to achieve a just, lasting, and comprehensive peace.

2. Promote regional peace, stability, and economic development.

Each multilateral group has undertaken an active program of workshops, feasibility studies, and concrete projects involving a number of regional parties. Several of these projects are resulting in the creation of regional institutions in which Arabs and Israelis participate cooperatively. Projects supported by the U.S. in FY 1995 and FY 1996 include the establishment of the Middle East Desalination Research Center, regional water data banks, the Middle East-Mediterranean Travel and Tourism Association, an electronic communications network, and a Regional Business Council. The creation of the Tourism Association and Business Council was announced at the 1995 Middle East/North Africa Economic Summit in Jordan, now an annual event which grew out of the multilateral process and which is playing a key role in promoting regional economic development through a public-private partnership.

In FY 1997, the U.S. will support follow-on activities related to these projects, as well as new institutions, such as regional security centers, that will facilitate dialogue and cooperation among the parties. In addition, the Arms Control and Disarmament Agency, with the assistance and financial support of other agencies, continues to sponsor training course in arms control for regional parties to educate them about the security and economic benefits derived from agreed arms control and non-proliferation measures. Israel was the first regional state to participate in this course. Two course are scheduled for FY 1997 for Arab parties. It is anticipated the additional courses will be offered in FY 1998.

3. Facilitate contacts between Israel and a wider group of Arab parties in the Gulf and Maghreb.

The Multilateral Working Groups provide a vital forum to promote contacts between government officials, military officers, private sector representatives, and technical experts from Israel and Arab states in the Gulf and Maghreb. Such contacts helped spur recent moves by Morocco, Mauritania, Oman, Qatar and Tunisia to begin normalizing relations with Israel. Working group meetings have now been held with Israeli participation in seven Arab states: Egypt, Jordan, Oman, Bahrain, Qatar, Morocco, and Tunisia.

PERFORMANCE INDICATORS:

- Continue expansion of normalization of relations with Israel.
- Expansion of participation in the Regional Business Council.
- Institution of Asia and Europe divisions of the Middle East-Mediterranean Travel and Tourism Association (MEMTTA).

- Expand participation in the Peacenet internet connections.
- Expand activity at the Middle East Desalination Research Center, including private sector participation.
- Increase regional private sector participation in the Regional Business Council.
- Development of a Middle East Regional Environment Center.
- Establishment in Cairo of the Middle East Development Bank.

MIDDLE EAST REGIONAL COOPERATION

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
ESF	7.000	7.000	7.000

OVERALL U.S. OBJECTIVES:

A key aspect of the Middle East peace process is for Israelis and Arabs to work together at every level (policy makers, technical experts, etc.) on a wide range of issues. The Middle East Regional Cooperation (MERC) Program, which began after the conclusion of the Camp David accords in 1979 as a Congressionally-mandated program, promotes mutually beneficial technical cooperation between experts in Israel and its Arab neighbors. Initially Arab participation was limited to Egypt for many years. Since 1993, participation has expanded to include, in addition to Egypt, Jordan, the Palestinians, Morocco, and Lebanon. MERC-supported projects promote and strengthen Israeli-Arab ties by demonstrating that peaceful cooperation can yield tangible benefits for those involved. The program is managed by USAID's Bureau for Global Programs.

STRATEGY:

1. Encourage technical cooperation between Israeli and Arab experts.

The MERC Program supports Israeli-Arab experts on cooperative projects in a wide range of technical areas, including agriculture, health, water resources, marine studies, the environment, and the social sciences. The Program operates by reviewing proposals submitted jointly by Israeli-Arab teams. Thus, Arabs and Israelis are encouraged to work together from the development and submission stage of a proposal through to the implementation of a funded project. By encouraging broader participation in the program, the U.S. intends to maintain, and increase where possible, the numbers of Israelis and Arabs participating collaboratively in MERC projects.

2. Implementation of regionally important technical projects.

Under the peace process ongoing discussions between Israeli and Arab officials have led to numerous ideas and proposals for cooperative projects in a range of technical areas. Some of the projects are being proposed by officials from the region; other projects are proposed by NGO's and universities. In FY 1995, in an effort to respond directly to the U.S. foreign policy objective of supporting MEPP, the MERC Program

began to look at how it might support and complement the peace process by funding relevant proposals. In FY 1998, the MERC Program will continue to look for opportunities to fund projects that support and complement the technical topics being discussed in the peace process, including water resources, wastewater treatment, marine pollution, environmental health, environmental management, and dryland agriculture.

PERFORMANCE INDICATORS:

- Expand cooperation between Israeli and Arab technical experts.
- Increase number of projects that support and complement the peace process.
- Streamline procedures for solicitation and review of projects to ensure timely responsiveness.

MIDDLE EAST REGIONAL DEMOCRACY FUND

FOREIGN ASSISTANCE RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
ESF	-	0.7500	5.000

OVERALL U.S. OBJECTIVES:

Throughout the Middle East and North Africa, the U.S. is encouraging movement toward political pluralism, adoption of the rule of law, greater respect for human rights, improved opportunities for women, and expansion of civil society institutions. These building blocks of democratic society are closely linked with the fundamental U.S. interests of political stability, economic development, expanded trade and investment opportunities, and international cooperation.

STRATEGY:

Democratization, human rights, and political reform are important elements of our dialogue with governments of the region. In order to expand on this dialogue to promote political reform, adherence to international norms for human rights, and respect for the rule of law, funds are being requested in FY 1998 to continue the Middle East Regional Democracy Fund. This fund will seek opportunities for developing democratic institutions in countries receiving little or no peace process-related economic assistance. These will be small, highly focused programs targeting core U.S. foreign policy objectives including movement toward democratic political processes, adoption of the rule of law, greater respect for human rights, higher status for women, and expansion of civil society institutions. The Middle East Regional Democracy Fund will support programs managed by local and U.S. non-governmental organizations. Planned programs in FY 1997 include:

- Assistance to the Elections Commission in Yemen in preparation for 1997 parliamentary elections.
- A program to provide modern police training, to the extent permissible under law, in investigative techniques to members of the Lebanese Internal Security Forces -- training that will include a significant human rights component.

The Democracy Fund would be expanded in FY 1998 to include possible programs in Oman, Tunisia, Morocco, and Jordan.

PERFORMANCE INDICATORS:

- Credible, transparent, free and fair multi-party elections with fewer instances of electoral fraud and higher voter turnout;
- Representative and accountable government at national, regional, and local levels as evidenced by more independent legislatures and local councils whose members understand the legislative process;
- Commitment to the rule of law, including respect for human rights, a strong legal system, and an independent judiciary, as evidenced by improvements in the administration of justice and increased independence of judicial officials able to make fair (if at times unpopular) decisions;
- A freer and more open press;
- A strong and participatory civil sector, including free trade unions and non-governmental organizations;
- Growth in the number and effectiveness of grassroots political and human rights organizations, reflecting higher political participation and a more diverse civil society; and
- Increased participation of women in political institutions.

MULTINATIONAL FORCE AND OBSERVERS

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
PKO	15.410	15.500	16.000

OVERALL U.S. OBJECTIVES:

The Egyptian-Israeli Peace Treaty and its security arrangements monitored by the MFO are cornerstones of the Middle East peace process. The MFO is a critical component of the Israeli-Egyptian peace treaty. It serves as a model confidence building measure and security arrangement in the context of the ongoing peace negotiations between Israel and its neighbors. Attaining a comprehensive peace between Israel and all of its neighbors is essential to protecting U.S. security interests in the Middle East and is a goal toward which we must sustain our vigorous diplomacy and support.

STRATEGY:

1. Preserve the peace between Egypt and Israel.

The MFO is an important part of the peace between Egypt and Israel. In addition to an established system to monitor treaty compliance, the MFO offers an effective liaison system between the Egyptian and Israeli defense forces. The United States has a firm political commitment to finance one-third of the annual MFO budget, with the other two thirds provided by Israel and Egypt. Subject to Congressional authorization and appropriations, the U.S. is committed to support the MFO's mission until the Parties to the agreement which created the MFO mutually agree that the MFO is no longer necessary. The MFO's long-standing effectiveness is apparent in the continued compliance with the treaty and in the excellent cooperation between Egyptian and Israeli officials in the treaty's liaison system.

2. Demonstrate that confidence building measures are viable alternatives to military occupation of strategic territory.

The MFO also plays a central role in the broad context of the peace process as a possible model for security arrangements elsewhere and confidence building measures elsewhere. Furthermore, it allows Israel to concentrate on peace negotiations with neighbors on its other borders secure in the knowledge that its border with Egypt is monitored effectively.

PERFORMANCE INDICATORS:

- Egyptian Israeli compliance with Treaty security arrangements; and
- Cooperation and interaction between Israeli and Egyptian officials.

ALGERIA

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.075	0.075	0.075

OBJECTIVES:

Algeria is the world's tenth largest country, has the second largest military force in Africa, and is a major foreign policy concern to NATO allies in Europe. After four years of profound crisis, Algeria has undertaken steps to redress some of the political, economic, and social problems underlying the current conflict between armed insurgents and the Algerian military. Algeria held multiparty presidential elections in 1995 and follow-on legislative and municipal elections are planned for 1997. U.S. businesses have substantial investments in Algeria's important oil and gas sector, and Algeria is a major market for American grain exports. The U.S. has a clear interest in increasing stability by promoting pluralism and combating terrorism in Algeria, and in promoting regional peace and security by encouraging Algeria's support of the Middle East peace process.

STRATEGY:

1. Help train a professional Algerian military which respects human rights and understands and respects the principle of civilian control.

The IMET program in Algeria gives the U.S. a measure of influence to encourage reform within an Algerian military establishment gradually moving along a path toward greater pluralism. IMET programs increase Algerian participants' awareness of international norms of human rights, foster greater respect for the principle of civilian control of the armed forces, and ultimately will improve the Algerian military's interoperability with U.S. and NATO armed forces.

2. Promote democratization and the rule of law in Algeria.

Through continued diplomatic contacts with both the Government and opposition elements, the U.S. works to encourage a political solution to the civil conflict in Algeria by promoting pluralism and the rule of law.

3. Continue to encourage Algeria's participation in the Middle East peace process.

Algeria participates in all five working groups of the multilateral peace process. Through continued diplomatic engagement, the United States will encourage the Algerian government to increase its multilateral involvement in the peace process and contacts with Israel.

PERFORMANCE INDICATORS:

- Fewer reports of human rights violations;
- Scaling down of Algeria's violent civil conflict; and
- Steps toward democratization such as credible legislative and municipal elections.

BAHRAIN

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.108	0.125	0.175

OVERALL U.S. OBJECTIVES:

The U.S. has a strong interest in maintaining its close, long-standing relationship with the island state of Bahrain. Its strategic location in the Arabian Gulf provided useful access for U.S. military forces during the Gulf War. Bahrain plays a key role in the security component of this relationship, hosting the U.S. Fifth Fleet and the Naval Central Command and its predecessor organizations since the end of World War II. In recognition and support of its significant contributions, Bahrain will again be eligible in FY 1998 to receive grant EDA under Section 516 of the Foreign Assistance Act. Grant EDA would be used to help modernize and increase the capabilities of the Bahrain Defense Forces. A range of military equipment can enhance Bahrain's self defense and increase its capability to operate as a coalition partner in confronting regional threats such as Iran and Iraq, as best evidenced by the Bahraini commissioning of the Bahrain Amiri Naval Ship BANS SABHA in September 1996, formerly the USS JACK WILLIAMS (FFG-24) which was provided as a grant EDA. The BANS SABHA typifies shared U.S. and Bahrain a interest in maintaining access to critical oil and gas reserves under free market conditions, ensuring freedom of navigation in the Persian Gulf, and supporting the stability of friendly countries in the region. Bahrain accepted a temporary aircraft deployment as part of the U.S. force enhancement in response to Iraq's military moves in September 1996. Bahrain participates in all five multilateral working groups of the Middle East peace process and supported the Gulf Cooperation Council (GCC) decision to end enforcement of the secondary and tertiary aspects of the boycott of Israel. We have a strong interest in continuing to enhance relations between Bahrain and Israel. The U.S. has encouraged Bahrain to address the underlying economic and political causes of its domestic unrest.

STRATEGY:

1. Enhance regional security through cooperation between U.S. and Bahraini forces.

The U.S. has a three-tier approach to improving security cooperation with Bahrain and other Gulf states in an effort to contain the threat to regional security posed by Iran and Iraq:

- Assisting Bahrain to strengthen its military through U.S. defense sales, training and joint air, land and naval exercises;
- Encouraging regional defense cooperation among the Gulf states through the Gulf Cooperation Council's (GCC) collective security arrangements; and
- Expanding bilateral security cooperation.

The provision of grant articles of excess defense articles (EDA) is intended to supplement foreign military sales to Bahrain to help modernize and increase the capabilities of the Bahraini Defense Forces. A range of military equipment will be provided to enhance Bahrain's self defense and to increase its capability to operate as a coalition partner in confronting regional threats. Provision of grant EDA also recognizes and supports Bahrain's significant contributions in providing assistance to the U.S. Fifth Fleet Headquarters in Manama and hosting of occasional Air Force deployments to deter and confront Iraqi aggression.

2. Help develop a professional Bahraini military which understands U.S. security perspectives in the region and accepts the principle of civilian control of the armed forces.

IMET programs will strengthen the Bahraini military's understanding of U.S. objectives in the region, improve cooperation, and promote professionalism. In enhancing interoperability with U.S. and NATO armed forces, IMET programs also serve to strengthen an important regional ally and reinforce the importance of a strong, cooperative relationship, both politically and militarily.

3. Continue close commercial and economic relations.

Through bilateral negotiations, the U.S. will continue to encourage the effective implementation of intellectual property laws and pursue the negotiation of a bilateral investment treaty. The U.S. will also continue to use bilateral diplomatic contacts as well as the U.S.-GCC Economic Dialogue to encourage the dismantling of barriers to foreign investment, promote adherence to major Intellectual Property Rights conventions, and encourage further GCC regional economic integration, all of which would assist U.S. business in the region.

4. Encourage continued Bahraini participation in the Middle East peace process.

Bahrain participates in all five multilateral working groups and has greatly increased economic and commercial contacts with Israel. The U.S. will continue to engage the Bahraini government through diplomatic contacts to encourage it to expand its relations with Israel.

PERFORMANCE INDICATORS:

- Improved interoperability between U.S. and Bahraini military forces;
- Improved implementation of intellectual property rights (IPR) legislation and accession to the major international IPR conventions; and
- Improved economic, commercial and political relations with Israel, including withdrawal of its support for the remaining elements of the Arab League boycott.

EGYPT

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
ESF	815.000	815.000	815.000
FMF	1,300.000	1,300.000	1,300.000
IMET	1.009	1.000	1.050

OVERALL U.S. OBJECTIVES:

Egypt is a pivotal country in the Arab world, a member of the UN Security Council, and a key U.S. ally in the Middle East. The U.S.-Egyptian relationship is one of shared regional and international interests, including the pursuit of Arab-Israeli peace, regional development, international stability and peacekeeping, and the stemming of terrorism. As our principal Middle East coalition partner, Egypt participates in a number of annual joint military exercises and has contributed to international peacekeeping efforts such as Rwanda, Somalia and, most recently, Bosnia. U.S. naval vessels make regular transits of the Suez Canal and calls to Egyptian ports, and utilize their facilities for routine repairs and maintenance. The U.S. seeks to promote regional peace and security through Egypt's continued participation and leadership in the Middle East peace process. Given this key role, the U.S. has a strong interest in maintaining its long-established security relationship and in supporting Egypt's critical role as a moderating influence in the region and as a contributor to peacekeeping operations.

STRATEGY:

1. Help modernize the Egyptian armed forces.

FMF programs will help ensure that Egypt remains a key player in the region's pursuit of peace and stability. The Egyptian armed forces are well into a long-term modernization program aimed at replacing antiquated Soviet equipment with more up-to-date U.S. equipment. This FMF request will allow the Egyptian government to continue five major programs (armor modernization, F-16 and Apache programs, Hawk modernization, and frigate acquisition), upgrade secondary systems, and increase its concentration on interoperability and sustainment. Supporting such modernization is crucial to maintaining the military balance in the region -- demonstrated by the Egyptian commitment to Desert Storm -- and strengthening the security of those states at the forefront of the Peace Process.

By 1998, the following programs should be completed: fielding of the TOW anti-tank system; acquisition, and maintenance infrastructure for 36 Apache helicopters; and basic infrastructure for 160 F-16 aircraft acquired through the Peace Vector I through IV programs. Two Knox Class and two Perry Class frigates were transferred in 1994 and 1996, respectively. An additional two Perry frigates are being pursued with current plans being to transfer the third ship in 1998 and the fourth in 1999. Knox infrastructure improvements will be completed by 1998. Perry frigate infrastructure construction will begin in 1997.

Egypt will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. This assistance supplements FMF and supports key U.S. foreign policy objectives in Egypt, including bolstering the peace process and regional stability. These articles assist in the preparation of a credible force for coalition operations against regional threats such as Iran and Iraq as well as forces for international peacekeeping and support the extensive joint U.S.-Egyptian military training program.

2. Continue U.S. training for Egyptian military officers.

Participation in extensive military-to-military exercises, such as Bright Star, and the training courses provided by IMET enhance professionalism in the Egyptian military and improve coalition interoperability with U.S. armed forces. IMET training also introduces Egyptian military officers to U.S. traditions of democracy, human rights, and civilian control of a professional military, as well as U.S. training concepts.

3. Bolster Egyptian economic reform and a strong U.S.-Egyptian Partnership for Economic Growth and Development.

ESF-funded programs target infrastructure development and policy reforms essential to basic economic growth. We work closely with the Egyptian government to encourage policy reforms which promote macroeconomic growth and support structural change in the agricultural, trade, and financial sectors. Under the auspices of the U.S.-Egypt Partnership for Economic Growth and Development led by President Mubarak and Vice President Gore, we have successfully encouraged privatization of public sector enterprises and promoted private sector investment and trade in a market-oriented framework. We continue to work closely with Egypt to expand these reforms. Reform-generated economic growth will contribute to internal stability essential to Egypt's important role in the Middle East peace process. ESF-funded programs are heavily involved in infrastructure development, including water, sewers, electricity and telephones. U.S. programs have assisted Egypt in developing its tourism sector, protecting the environment, and in the preservation of Egypt's priceless antiquities and monuments.

4. Continue to encourage Egyptian support for the Middle East peace process

As the first Arab country to sign a peace treaty with Israel, Egypt plays a critical role in the Middle East peace process. The U.S. will continue to engage the Egyptian government in all aspects of the peace negotiations at the highest possible levels. USIS will support the peace process through information and exchange programs.

5. Enhance U.S.-Egyptian cooperation against terrorism

The Egyptian government has amply demonstrated its opposition to terrorism, particularly by serving as host for the Sharm-el-Sheikh Summit of Peacemakers in March 1996. The establishment of a Legal Attaché office at the U.S. Embassy in Cairo enhances joint anti-crime and anti-terrorism efforts.

6. Increase Egypt's integration into the regional economy

Egypt was host to the 1996 Middle East-North Africa Economic Conference, which seeks to promote greater regional economic integration and increased private sector investment in the region. Participation in the Cairo Conference, as well as other multilateral institutions such as the Middle East Development Bank and the "Peacenet" internet network will help promote private sector interests and integrate Egypt into the regional economy.

PERFORMANCE INDICATORS:

- Implementation of economic reform measures, as discussed in the biannual meetings of the U.S.-Egypt Partnership for Economic Growth and Development;
- Privatization of 40 public sector companies;
- Reduction of tariffs to a maximum of 60 percent;
- Transfer of at least five joint venture banks to private sector majority ownership;
- Reduction in population growth and infant mortality rate;
- Continued creation of new jobs to meet the growing annual need;
- Enhanced capabilities to participate in coalition military and international peacekeeping operations; and
- Measures to enhance civil service reform.

ISRAEL

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
ESF	1,200.000	1,200.000	1,200.000
FMF	1,800.000	1,800.000	1,800.000
CT	50.000	50.000	0.000

OVERALL U.S. OBJECTIVES:

The commitment to Israel's security has been a cornerstone of U.S. foreign policy since the creation of the State of Israel in 1948, and the U.S. remains firmly committed to supporting the Israelis in taking risks for peace in the region. With $3 billion in funding for FY 1998, the U.S. will reaffirm its unshakable commitment to Israel's security and well-being and our national interest in securing a just and comprehensive peace between Israel and all its Arab neighbors.

The historic accords which Israel has reached with Egypt, the Palestinians and Jordan represent significant progress toward regional peace and security. Israel has taken significant risks for peace, risks which the United States is committed to recognize and reduce to a minimum. Progress toward peace and increasing Israeli Defense Force capabilities has decreased the immediate threat to Israel, but a longer-term threat remains from countries such as Iraq and Iran, which continue to pursue the development and acquisition of weapons of mass destruction and their delivery systems. The United States also shares with Israel concerns related to the security of the eastern Mediterranean.

Economic growth in Israel has averaged six percent since 1990, as the economy has become increasingly sophisticated and technologically advanced. Real GDP growth in 1995 was 7.1 percent, but slowed to 4.4 percent in 1996. Israel still faces economic challenges associated with absorbing over 750,000 immigrants since 1989 in a country of only five million. Increased domestic demand associated with high immigration has contributed to a widening trade deficit, which reached $12.3 billion in 1996. The immigration surge has also required a rapid increase in Israel's supply of housing, expansion of its infrastructure, and sizable investments in new plant and equipment. Concurrently, the substantial expenditures associated with the implementation of the peace agreements with the Palestinians and Jordan have exacerbated Israel's domestic budget deficit.

STRATEGY:

1. Help train and equip a professional and technologically-advanced Israeli military.

The U.S. is committed to maintaining Israel's qualitative edge. Toward this end, FMF will allow Israel to continue funding and follow-on support for major multi-year procurement programs such as new F-15I fighter aircraft purchases, combat systems for the SAAR-5 corvettes, F-15 A/B avionics upgrades, AIM-120 missile, MLRS, and support for Israel's Apache and Blackhawk helicopter squadrons. Other objectives include long-term initiatives, such as the "Arrow" Anti-tactical Ballistic Missile (ATBM) program and other missile defense programs.

Israel will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. In addition to supporting the peace process and regional stability, the provision of excess defense equipment supports the wide variety of joint activities and programs that mark the close U.S.-Israeli military-to-military relationship, including joint efforts to combat terrorism.

2. Assist a stable, growing Israeli economy.

ESF provides Israel the funds it needs to promote economic reforms and encourage economic growth. ESF also ensures steady progress to reduce the fiscal deficit, efforts to lower trade barriers, and institute policies designed to decrease the budget deficit as a percentage of GDP. USIS programs work to promote the bilateral and multilateral benefits of developing a more liberal Israeli environment for American investment and business, stressing the benefits of a closer partnership with the U.S.

3. Continue to pursue progress in the Middle East peace process.

The Multilateral Working Groups address crucial projects of water, the environment, refugees, regional economic development, and arms control and regional security. International donors have pledged over $2.9 billion in economic assistance to the Palestinians, including $500 million over five years by the United States. Seven Arab countries have established economic, commercial or political relations with Israel. Continued effort by the U.S. continues to be required to ensure progress on the bilateral tracks of the negotiations. All the parties in the region continue to look to the U.S. as an honest broker and the primary mediator in the bilateral peace negotiations.

4. Cooperate in the fight against terrorism

After a series of terrorist bombings in Israel that led 27 countries to speak out against terrorism at the 1996 Sharm-el-Sheikh Summit of Peacemakers, Congress approved an amendment to the FY 1997 budget that provided Israel with $100 million (including

$50 million in FY 1996 funds) for counterterrorism equipment and training. The U.S. and Israel will continue to cooperate in the fight against terror attacks through mechanisms established by the April 30, 1996 U.S.-Israel Counterterrorism Cooperation Accord.

PERFORMANCE INDICATORS:

- Economic growth of 4 percent.
- Unemployment rate below seven percent.
- Reduction of budget deficit to 2.8 percent of GDP.
- Continued progress on the bilateral and multilateral peace negotiations.
- Maintain U.S. position as the largest single exporter to Israel.

JORDAN

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
ESF	7.200	10.000	25.000
FMF	100.000	30.000	45.000
IMET	1.202	1.600	1.700
DA	1.600	4.500	2.500

OVERALL U.S. OBJECTIVES:

Strategically positioned, both politically and geographically, Jordan's constitutional monarchy consistently has been a positive force in the Middle East peace process. Jordan's bold and courageous decision for peace with Israel in 1994 was an important step toward a comprehensive peace in the region. U.S. assistance to Jordan supports a stable and moderate government committed to democratization and an active participant in the search for a peaceful solution to the region's problems. The United States also supports King Hussein's difficult political decisions on behalf of peace and his Government's efforts to maintain stability and promote Jordan's long-term economic viability.

STRATEGY:

1. Encourage Jordan's continued participation in the Middle East peace process, promote its cooperation with Israel, and reinforce its orientation away from Iraq.

The signing of the 1994 peace treaty with Israel and the opening of international borders has paved the way for collaboration in trade, tourism and other activities in a number of fields. Water management agreements have been reached; integrated approaches to the Jordan Rift Valley are being developed; and issues relating to the environment, agriculture, health and energy resources are being discussed. Greater cooperation with Israel, particularly in the sphere of economic coordination, is now foreseen. The State Department and USAID are working closely with the U.S. National Oceanic and Atmospheric Administration on the development of a joint Jordanian/Israeli Marine Park in the Gulf of Aqaba. These U.S. agencies are also assisting the Government of Jordan to develop environmental standards and a Jordanian national park policy.

Jordan participates extensively in the multilateral peace negotiations as was demonstrated by King Hussein's personal role in the Palestinian-Israeli negotiations on Hebron. The U.S. will encourage Jordan's continued involvement in the peace process. It hosts the Secretariat of the multilateral Regional Economic Development Working Group (REDWG) and the principal Regional Security Center of the Arms Control and Regional Security (ACRS) Network. It has also joined the Regional Business Council and the Middle East-Mediterranean Travel and Tourism Association.

2. Assist economic development through projects that promote broad-based economic growth.

ESF funds USAID programs in Jordan aimed at eliminating threats to Jordan's economic growth including a major financing gap resulting from inadequate foreign exchange earnings and an increasingly serious water shortage. DA funds provide assistance to expand family planning services given Jordan's excessively high population growth rate. Jordan's severe debt burden, combined with its small economy and dependence on external assistance, dictate a shift toward increasing its foreign exchange earnings. USAID has assisted Jordan in promoting economic reforms needed to improve its investment climate (such as eliminating export licenses, simplifying customs procedures and automating export incentive systems) and in redrafting laws identified as barriers to increased trade and investment. USAID programs will continue to encourage Jordan's liberalization process, including the provision of technical assistance to support areas such as customs reform and investment promotion. The Peace Corps is due to begin operating in Jordan, working in rural areas on income generation, particularly among women, and on ecotourism in the newly-formed national parks.

3. Improve water quality and conservation.

Water shortages are now a problem that threatens to be a national catastrophe in five to ten years. Virtually all known sources of water in Jordan have been tapped, and a significant portion of USAID's activities is directed toward water conservation and re-use. ESF funded programs laid the groundwork for awarding a $10.6 million contract to a U.S. firm to upgrade a major Stabilization Pond System to mitigate water pollution. ESF funding will permit construction of additional treatment facilities for conversion of wastewater as well as feasibility studies and infrastructure pilot projects involving the private sector to allow upgrades for more water supply and sewage systems. USIS will work through the exchanges program to promote environmental initiatives in Jordan.

4. Equip and train a modernized Jordanian armed forces able to secure its borders.

U.S. military assistance enhances Jordan's important role in contributing to the peace and security of the region and supports Jordan as it pursues new areas of strategic and economic cooperation with Israel and enforces UN sanctions against Iraq. Jordan's total FMF allocation supports the delivery and maintenance of a squadron of F-16's -- crucial to sustaining Jordan's strategic and security interests in the region -- provided under a no-cost/low-cost lease agreement. This assistance assures strong U.S. military influence, access, and promotes JAF interoperability with U.S. forces of military missions and international peacekeeping operations. The U.S. also will seek to meet JAF ground force's sustainment and upgrade requirements through any additional resources that may become available. Jordan will be eligible in FY 1998 for Excess Defense Articles under Section 516 of the Foreign Assistance Act. The provision of grant excess defense articles (EDA) reflects the U.S. commitment to enhance the capabilities of the Jordanian Armed Forces for self-defense, particularly against neighboring Iraq, to contribute to international peacekeeping operations and coalition efforts against regional threats, including terrorism; and to assist in border security and demining.

5. Help professionalize the Jordanian military.

IMET funding for Jordan will continue to promote a well-established, Western orientation within the Jordanian officer corps and facilitate interoperability in doctrine, tactics and training. IMET also supports Jordan's new emphasis in light infantry and special operations skills, as well as its increasing need for logistics and maintenance expertise to sustain its aging equipment. Jordan has embraced the E-IMET program, exceeding its E-IMET quota in recent years and becoming the first Arab state to host a Mobile Training Team from the Defense Resources Management Institute.

PERFORMANCE INDICATORS:

- Continue high-level involvement in the Middle East peace process, including the multilateral negotiations and regional institutions;
- Continue enforcement of UN sanctions against Iraq;
- Enhance military capabilities;
- Improved water management and availability for agriculture and potable water demands;
- Increase in foreign investment and in export-import activity and earnings;
- Increase stability of Jordan's foreign exchange regime; and
- Enhance capabilities to protect the Kingdom, support the peace treaty with Israel, and participate in international peacekeeping operations.

LEBANON

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
ESF	2.000	12.000	12.000
DA	-	-	-
IMET	0.474	0.550	0.600

OVERALL U.S. OBJECTIVES:

The U.S. maintains close ties with Lebanon to help preserve its independence, sovereignty, and territorial integrity and further national reconciliation. The U.S. believes that a peaceful, prosperous and stable Lebanon can make an important contribution to stability and a comprehensive peace in the Middle East. For this reason, the U.S. has publicly committed to support Lebanon's reconstruction and national reconciliation following 17 years of civil war.

STRATEGY:

1. Encourage Lebanese engagement in the Middle East peace process.

The U.S. engages the Lebanese government at the highest levels to secure continued progress in peace negotiations between Lebanon and Israel. Secretary Christopher brokered an Understanding between the two countries in April 1996 which led to the cessation of hostilities and the creation of a Monitoring Group to reduce tensions along the border. The "Israel-Lebanon Monitoring Group" (ILMG), with full U.S., French, Israeli, Syrian, and Lebanese participation, has been functioning smoothly, providing an important confidence-building measure, and helping to avoid escalation of conflict along the Israeli-Lebanese border.

2. Help stabilize the Lebanese government to enable it to re-establish control throughout the country and provide basic public services.

Instability in Lebanon has proven consistently detrimental to the prospects for a comprehensive peace in the region. ESF, together with Development Assistance, funds programs across Lebanon's broad ethnic, religious and political spectrum. This assistance supports the reconstruction of basic infrastructure, including water, electricity, telecommunications and the rehabilitation of housing in areas hard hit by war and intense poverty. These funds assist the government in supplanting the social services provided by the terrorist group Hizballah. They are also used to train civilian

administrators in providing efficient services, thereby increasing the citizenry's confidence in government capabilities and authority.

In the April 1996 Understanding the U.S. also agreed to organize a Consultative Group to support the reconstruction of Lebanon which will work to attract economic assistance from the wider international community. In keeping with this commitment, the U.S. hosted a "Friends of Lebanon" conference in December 1996 as a demonstration of strong international support for Lebanese reconstruction.

ESF also supports American-system universities in Lebanon, specifically the American University in Beirut and the Lebanese American University. While other programs assist immediate reconstruction requirements, these universities provide the intellectual capital for Lebanon's longer-term development.

3. Provide training support and other assistance to professionalize the Lebanese Armed Forces, bolstering its respect for human rights and civilian leadership.

Training for Lebanese military officers complements our efforts to provide the Lebanese Armed Forces (LAF) the support it needs to assert central government authority and to maintain stability throughout Lebanese territory. In the aftermath of the civil war, enhancing the professionalism of the armed forces is an essential step toward rebuilding one of the few national institutions commanding the respect and approval of the average Lebanese citizen. IMET-funded training and education has afforded LAF personnel an opportunity to experience U.S. traditions of democracy, respect for human rights, and civilian control of the military. The military has demonstrated increasing capability to maintain internal security and to deploy in areas previously outside government control. It has also continued to demonstrate respect for civilian control. Continuing support will help ensure LAF's capability to deploy into occupied regions such as southern Lebanon as part of a regional peace.

Lebanon will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. The provision of grant EDA to Lebanon supplements a small but active foreign military sales program to restore the capabilities of the LAF, which were destroyed during the civil war. The program is designed to provide a variety of military equipment to build a credible force that will contribute to internal security and eventually support the restoration of Lebanese sovereignty over the entire territory of Lebanon. In so doing, it contributes significantly to regional security and stability. Additionally, the establishment of governmental control over all the areas of Lebanon will deny terrorists the free use of operational and training bases, address narcotics production, and allow the eventual demining of significant areas in south Lebanon.

4. Help develop strong political and social institutions to strengthen the process of democratization and to reinforce law enforcement capabilities.

Continued support for Lebanese government institution-building promotes U.S. goals of regional stability, democratic development and political pluralism while helping bolster Lebanese law enforcement capabilities. ESF-funded U.S. AID and USIS programs encourage greater political pluralism by helping to advance the status of women, judicial independence and human rights.

5. Assess training requirements and if appropriate train Lebanese law enforcement agencies to increase law enforcement cooperation and stem counterfeiting, drug trafficking, money laundering and other criminal activity.

Counternarcotics and counterfeiting interdiction training provided by the U.S. law enforcement agencies would strengthen the capabilities of Lebanese law enforcement agencies on issues of crucial importance to U.S. economic and physical security. Law enforcement assistance further supports broader Lebanese government efforts to end the use of its territory for money laundering, counterfeiting and drug trafficking.

PERFORMANCE INDICATORS:

- Increase effectiveness of Lebanese Armed Forces and police in projecting government authority and interdicting counterfeiting and narco-trafficking.
- Improve human rights performance.
- Lebanese government commitment to reduce terrorist incidents launched from Lebanese territory and to the protection of civilians living in conflicted areas in south Lebanon.
- Improvements to water, electricity, telecommunications, and other infrastructure.
- Increase effectiveness and credibility of the Lebanese government and other institutions.
- Continue progress in reconstruction and national reconciliation.
- Continue Lebanese government commitment to the Lebanon-Israel peace negotiations and a comprehensive regional peace.

MOROCCO

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
DA	13.758	15.200	15.672
IMET	0.830	0.800	0.900

OVERALL U.S. OBJECTIVES:

The Kingdom of Morocco is a stable constitutional monarchy that maintains close ties to the U.S. and other Western countries and serves as a moderating influence in its relations with other Islamic, Arab, and African countries. Under King Hassan II, Morocco stands as a bulwark against the extremism which has caused instability elsewhere in the region. Morocco has supported U.S. efforts in the United Nations, including dispatching troops to Somalia and Bosnia as well as the multinational forces in Saudi Arabia during the Gulf War. Morocco continues to play a significant role in supporting and advancing the Middle East peace process. Moreover, Morocco's demonstrated readiness to uphold commitments to the U.S. under the 1982 Base Access and Transit Agreement underscores Morocco's importance as a reliable partner in the region.

The U.S. has a strong interest in ensuring continued Moroccan support for the Middle East peace process and international peacekeeping; maintaining a high level of military cooperation and access to Moroccan military facilities; promoting regional stability; and is assisting the development of professional, apolitical military forces. The U.S. continues to support efforts to resolve the Western Sahara conflict, a major element in the maintenance of regional stability. In addition USAID-funded programs are working to reduce the involvement of the state in the economy, increase bilateral trade and investment, and assist the Moroccan government to provide basic health services and housing to the population.

STRATEGY:

1. Encourage Morocco to continue playing a constructive role in the Middle East peace process.

Morocco's leadership in promoting trade ties with Israel and between Israel and its neighbors continues to facilitate regional economic integration. Casablanca hosted the first Middle East-North Africa Economic Summit in 1994, an event which marked the first time that Arab and Israeli business people gathered together to network and

develop business projects. Morocco also hosts the Economic Summit Executive Secretariat, which works to advance the public-private partnership, promote contacts, share data, and foster private sector investment in the region.

2. Maintain close relations and interoperability between U.S. and Moroccan forces.

Morocco and the United States have enjoyed close military-to-military relations for decades, and up to 1993, Morocco was a recipient of U.S. grant military financing assistance. Since then, the provision of grant Excess Defense Articles (EDA) continues to assist Morocco to maintain and modernize its military. Morocco will be eligible in FY 1998 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. The U.S. and Morocco also hold joint military exercises and meet at regular Joint Military Commissions. IMET programs play an important role in U.S. assistance to Morocco. As IMET graduates move onto more senior military positions, they should display continued support for U.S. initiatives, greater sensitivity to issues of resource management, and more respect for human rights. These programs helps develop Morocco's capabilities to provide forces for regional coalition defense, such as during the Gulf War, for self-defense, and the provision of forces for international peacekeeping. It also supports U.S.-Moroccan joint military training exercises.

3. Improve Morocco's trade and investment climate.

The United States will encourage accelerated Moroccan economic policy reforms and participation in new regional institutions; Morocco is already a member of the Middle East-Mediterranean Travel and Tourism Association (MEMTTA). High-level trade missions and cooperation with Moroccan and American private sector organizations will strive to improve the trade and investment climate while also promoting U.S. exports.

PERFORMANCE INDICATORS:

- An economic atmosphere more conducive to foreign investment, including increased economic liberalization and continued privatization of state-owned enterprises.
- Deepening of relations between Morocco and Israel and continued Moroccan role in the Middle East peace process.
- Continue absence of overt hostilities in the Western Sahara and movement toward a peaceful settlement.
- Enhance peacekeeping capabilities, including greater interoperability of U.S. and Moroccan forces by increasing knowledge of and appreciation of U.S. military doctrine and procedure and providing more Moroccan officers with English language skills.

OMAN

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.119	0.150	0.200

OBJECTIVES:

Oman's location, wrapped around the southeastern corner of the Arabian Peninsula and guarding the southern approaches to the Strait of Hormuz across from Iran, makes it an essential partner in preserving freedom of navigation in the Gulf and a key participant in regional strategic planning. Oman has been a leader in support of U.S. efforts to promote regional security and stability and was the first country in the Gulf with which the United States negotiated a security cooperation agreement in 1980. This important bilateral relationship has continued to grow, with provision of major military equipment through transfers of excess defense articles (EDA). Oman will again be eligible in FY 1998 to receive grant EDA under Section 516 of the Foreign Assistance Act. Grant EDA would be used to strengthen Oman's military capabilities for self-defense, allowing Oman to resist the pressures of its regional neighbor, Iran. It also enhances the capability of the Sultan's Armed Forces (SAF) to participate in regional and coalition defense against the twin threats of Iran and Iraq, particularly regarding the strategic Straits of Hormuz. The provision of naval EDA also helps combat narcotics trafficking, smuggling and terrorism. Oman has been a key supporter of the Middle East peace process and of normalization with Israel, and the two countries have opened reciprocal trade representation offices in Tel Aviv and Muscat.

STRATEGY:

1. **Provide training to develop a professional Omani armed forces which understands U.S. security objectives and cooperates closely with the U.S. military.**

Oman maintains a small but effective defense force which is undergoing a concentrated program of modernization and an accompanying decline in influence of expatriate elements. IMET supports Oman in this process and improves cooperation with the U.S. The IMET program supports enhanced interoperability with U.S. forces in the event of joint operations in the region. In addition, continued association with U.S. military equipment opens the potential for future purchases of such equipment.

2. Continue close cooperation on a range of security-related issues.

Through diplomatic initiatives and military cooperation, the U.S. will work to maintain Omani support for key U.S. positions on regional security, including counterterrorism, counternarcotics, and support for UN sanctions on Iran, Iraq and Libya. The U.S. will also encourage further Omani cooperation with its GCC partners on defense and security issues.

Oman has proven itself to be a valuable Gulf coalition partner and a particularly valuable host for prepositioned U.S. military equipment. The provision of grant excess defense articles (EDA) strengthens the military's capabilities for self-defense, allowing Oman to resist the pressures of its regional superpower neighbor, Iran. It also enhances the capability of the Omani Armed Forces to participate in regional and coalition defense against the twin threats of Iran and Iraq, particularly regarding the strategic Straits of Hormuz. The provision of EDA also helps combat narcotics trafficking, smuggling, and terrorism.

3. Continue close commercial and economic relations.

Through bilateral negotiations, the United States will continue to encourage the effective implementation of intellectual property laws and pursue the negotiation of a bilateral investment treaty. The United States will also continue to encourage the dismantling of barriers to foreign investment and promote further GCC regional economic integration, which would assist U.S. business in the region, through the U.S.-GCC Economic Dialogue. The U.S. is providing assistance to Oman as it processes its application to the World Trade Organization.

4. Assist continued Omani participation in the Middle East peace process.

Oman participates in all five working groups of the multilateral peace process and hosts the Middle East Regional Desalination Research Center. The U.S. will continue to encourage the Omani government to expand its relations with Israel, with which Oman has exchanged trade representation offices.

PERFORMANCE INDICATORS:

- Improve implementation of intellectual property rights legislation and accession to the major international IPR conventions and the World Trade Organization;
- Improve economic, commercial and political relations with Israel, including withdrawal of its support for the remaining elements of the Arab League boycott; and
- Improve interoperability between U.S. and Omani military forces.

TUNISIA

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.816	0.800	0.900

OVERALL U.S. OBJECTIVES:

Independent since 1956, Tunisia has made significant economic and social progress and has become a model of development in the Third World. Prudent fiscal policy has resulted in a higher standard of living for the average Tunisian and the creation of a stable middle class. Situated between an unpredictable Libya and a politically-uncertain Algeria, Tunisia shares with the U.S. many of the same political-military concerns and interests in the region. Tunisia has long been a supporter of the Middle East peace process; it has hosted three working group meetings of the Multilateral Peace Process since 1993, and it serves as the seat of the Middle East-Mediterranean Travel and Tourism Association (MEMTTA), a regional institution created by the multilateral peace negotiations. Relations with Israel should be further developed; Tunisia exchanged interests sections with Israel in April and May 1996.

STRATEGY:

1. **A Tunisian military capable of operating and maintaining U.S.-origin equipment to enhance interoperability with U.S. forces and participation in international peacekeeping operations.**

In spite of historical ties to France, the bulk of Tunisia's military equipment is of U.S.-origin and is considered to be of high quality. There are 16 military exercises planned for 1997 between the U.S. and Tunisia involving all three service branches. An active military exercise program should be maintained; combined exercises between the U.S. and Tunisia have become more complex as Tunisian expertise has increased.

Tunisia has relied for a number of years on a limited amount of U.S. assistance in building the capabilities of its armed forces. Tunisia will be eligible for grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA would be provided to strengthen Tunisia's capabilities to defend itself against the threats of its much stronger neighbors. These articles would also support joint U.S.-Tunisian military exercises and can also be of help in demining areas mined during the Second World War. The Tunisian armed forces have done an exceptional job of utilizing and maintaining EDA.

2. A Tunisian military which respects human rights and understands and accepts the principle of civilian control.

Democratization and human rights are key issues in U.S.-Tunisian bilateral relations. The Tunisian government has mandated programs and seminars devoted to human rights awareness among the officer corps as part of its overall democratization program. IMET-funded training and education affords an opportunity to share and teach U.S. traditions of democracy, respect for human rights, and civilian control of the professional military. IMET funding also enables members of the Tunisian officer corps to gain expertise in U.S. defense resource management and apply that expertise to the Tunisian armed forces. The Tunisian Armed Forces have decided to adopt U.S. military doctrine and training methodologies.

3. Greater political pluralism and exchange of ideas.

The number of USIS-sponsored speakers visiting Tunisia has increased in recent years, as has the number of Tunisians nominated to travel to and study in the United States. These exchanges have exposed Tunisians, both official and non-governmental, to U.S. views on human rights, the role of an independent judiciary, the operations of opposition political parties, freedom of the press, and other fundamental institutions and concepts which form the basis of civil society.

PERFORMANCE INDICATORS:

- Improve political freedoms for opposition parties, NGOs, and other civic organizations;
- Improve interoperability of Tunisian and U.S. military forces;
- Maintenance of Tunisian support for UN sanctions against Libya, Iran and Iraq;
- Continue Tunisian involvement in the Middle East peace process; and
- Enhance contributions to international peacekeeping operations.

WEST BANK AND GAZA

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
ESF	75.000	75.000	75.000

OVERALL U.S. OBJECTIVES:

The West Bank and the Gaza Strip, with a total population of about 2.5 million, is undergoing major change as Israel and the Palestinians implement the Interim Agreement of September 1995. The U.S. is fully committed to supporting the peace process as the parties implement the Interim Agreement and continue permanent status negotiations, which began May 5, 1996. A stable economy is a vital to viability of new political structures, including the new, democratically elected Palestinian Legislative Council. The economies of the West Bank and Gaza are now severely depressed. The situation in Gaza is especially bleak, with unemployment hovering near 50 percent and the population growth rate at 3.1 percent. At least 15 percent of the population of the West Bank and Gaza live below the poverty line. Combined GDP for both areas is estimated at $3.4 billion in 1995. The Palestinians need extensive economic assistance to help them create effective institutions of self-rule and to translate the peace agreements into real and lasting changes on the ground. Without this change, and a U.S. capacity to provide leadership in the international donor community, progress in promoting regional peace may be jeopardized.

STRATEGY:

1. Assist market-oriented economic development and a growing private sector.

It is vital that the Palestinians in the West Bank and Gaza realize tangible benefits from the new political realities made possible by the Interim Agreement and other Israel-PLO accords. In the longer term, economic stability is a vital guarantee for the viability of the new Palestinian entity in the West Bank and Gaza Strip. To provide a stable foundation for long-term prosperity and self-rule, ESF programs stress economic development based on private sector activity and regional economic cooperation. Assistance programs focus on job creation activities, improving the quality and sustainable use of water resources, and promoting sustained production of goods and services by Palestinian producers. The U.S. will also work with the World Bank and the other members of the Ad Hoc Liaison Committee to continue the international effort to provide economic assistance to the Palestinians; donors have provided about $1.2 of the $2.4 billion in economic assistance pledged to date.

2. Help develop a capacity for self-governance and efficient management of municipal institutions.

ESF-funded assistance programs place special emphasis on the building of democratic institutions, providing technical assistance for the development of effective, independent, and transparent administrative structures and democratic policy-making institutions, and assisting the establishment and functioning of efficient management and operation of municipal institutions. USIS will continue a series of intensive exchanges to assist the Palestinian Authority in building institutions in two key sectors--judicial and legislative.

3. Encourage continued progress in the Middle East peace process.

The U.S. will continue to engage the Palestinian Authority at the highest levels to maintain progress in the Middle East peace process. Continued implementation of the Interim Agreement, stringent counterterrorism measures, and ongoing participation in permanent status talks are of the highest priority. USIS will use an aggressive plan of information outreach and people-to-people exchanges to demonstrate the viability and benefits of the peace process.

PERFORMANCE INDICATORS:

- Further progress in Israel-Palestinian negotiations, including permanent status talks;
- Create jobs in the West Bank/Gaza; and
- An increase in Palestinian exports.

YEMEN

FOREIGN OPERATIONS RESOURCES:

(Dollars in Millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.050	0.050	0.075

OVERALL U.S. OBJECTIVES:

Yemen, with half the indigenous population of the Arabian Peninsula, sits astride some of the world's most important shipping lanes at the mouth of the Red Sea. Yemen has made great strides in democratization, with free and fair parliamentary elections in 1993 and the next election scheduled for April 1997. Yemen has implemented an ambitious program of economic reform with the assistance of the IMF and has taken steps to expel foreign extremist elements. The U.S. relationship with Yemen has improved markedly. The U.S. was actively involved in and strongly supportive of the 1993 elections and continues working to strengthen Yemen's democratic institutions. Budget considerations forced the USAID mission to close in September 1996, but USAID's ongoing maternal health assistance program will continue through FY 1998.

STRATEGY:

1. **Encourage a stable and cooperative military relationship between the United States and Yemen and Yemeni understanding of U.S. security perspectives in the region.**

IMET for Yemen supports U.S. objectives related to the establishment and maintenance of a Yemeni military supportive of democratic and economic transition and committed to a durable pattern of cooperation with the West. The FY 1997 and 1998 IMET program will focus on English language instructor and officer training. We also hope to send U.S. instructors to Yemeni military colleges to help strengthen Yemen's democratic institutions and foster democratic pluralism, rule of law and all aspects of human rights.

2. **Continue to encourage economic development and the provision of basic services.**

USAID will continue to administer a number of programs that promote economic development and assist in the provision of basic services, such as health care, to the Yemeni population.

3. Continue to engage the Yemeni government on key bilateral issues such as human rights, democratization, and regional stability.

The United States will continue to encourage a diplomatic dialogue with the government of Yemen on issues of bilateral concern. The United States welcomes Yemen's success in expanding political participation and will remain engaged to encourage continued progress. USIS will encourage fora for discussions among Yemeni opinion-makers about human rights and democratization. Regional Democracy ESF will support Yemen's 1997 parliamentary elections.

PERFORMANCE INDICATORS:

- Continue improvement in maternal health conditions as measured by international standards;
- Increase number of English-language qualified officers in the Yemeni military; and
- Yemeni parliamentary elections accepted as legitimate, free and fair by international observers and the Yemeni people.

NEW INDEPENDENT STATES

NEW INDEPENDENT STATES

OVERVIEW:

The policy of the United States in the former Soviet Union is designed to foster security, stability and prosperity; to support the continued independence and self-determination of the New Independent States (NIS); to develop constructive relationships with this crucially important region; and to prevent the emergence of another significant threat to U.S. national security. Our assistance program is designed to support the new independent states as they make the transition to market economies and democracies as responsible members of the international community. Nothing is more important to our national interest and security. This transition will take time; hence, we will launch in FY 1998 a new initiative -- the Partnership for Freedom -- that will build on achievements to date and reorient our assistance program, first for Russia and the other NIS, toward longer-term and more cooperative activities to spur economic growth and develop lasting links between our peoples.

OBJECTIVES:

The United States will pursue a set of interlocking objectives:

- To encourage and help the firmly to establish their sovereignty in accord with the principle of self-determination, to democratize and to develop growth-oriented market economies;

- To seize the resulting opportunities for American business throughout the NIS and to increase trade and investment in the NIS;

- To encourage the integration of the NIS into international political, security and economic institutions, and to construct a durable security structure for Europe and the Eurasian region;

- To limit and reduce the threat from weapons of mass destruction and prevent the proliferation of such weapons, components, and expertise;

- To promote the development of stable, cooperative relations among the NIS, based upon international norms, to help prevent conflicts in the region which could endanger global or regional stability.

STRATEGY AND RESOURCES:

Political stability and economic prosperity in the new independent states of the former Soviet Union are the long-term guarantors of responsible political and economic behavior. Hence, the United States has supported economic reforms, privatization and

democratization in parallel with security programs across the NIS as the most practical means to advance stability and prosperity. While progress has been made, recent events show that reform is still tenuous. Controversy surrounded the election in Armenia last fall and U.S. businesses continue to struggle against the bureaucracy in Ukraine. But perhaps the best example is the tension leading up to the presidential elections in Russia last summer; 40 percent of Russian voters cast ballots for opponents of the reformist government. This opposition groundswell is rooted in Russia's economic distress. The assured success of reform in the NIS depends on a generational transformation, which will take time. These factors call for a new assistance initiative, the Partnership for Freedom (PFF).

The Partnership for Freedom will build on the results of the technical assistance program so far; but the new initiative will narrow and change the focus: first, to investment and economic growth and second, to anti-crime programs and cooperative activities designed to promote more normal bilateral relationships between the United States and the NIS states. The objectives of the Partnership for Freedom are:

- To help the NIS translate macro-economic stabilization into economic growth; and

- To support U.S.-NIS relationships, partnerships and linkages that will have an impact on society at a community level and help achieve generational transformation.

The two programmatic components of the Partnership for Freedom are:

- Cooperative activities designed to mobilize foreign and domestic capital, to promote U.S. trade and investment, and to ensure better access for and treatment of U.S. businesses; and

- Cooperative activities to promote democracy and civil society including anti-crime and law enforcement activities, endowments for selected foundations and partnership activities including institutional, city, university, hospital and individual partnerships and support for cooperative activities in environment, health, science, technology and energy.

These activities emphasize mutually-beneficial, cooperative, joint ventures, recognizing that some NIS countries, such as Russia, have made progress to the point where technical assistance as such can be phased out in favor of more normal bilateral activities such as exchanges, partnerships, trade and investment. This in turn will permit increases in technical assistance in countries where needs remain critical.

To fund these Partnership for Freedom activities, phase down the technical assistance in Russia, maintain nuclear reactor safety programs and increase technical assistance to those NIS countries who remain farther back on the reform path--specifically the

countries of Central Asia and the Caucasus regions whose strategic location and natural resources make them important to our interests--will require the additional resources requested for FY 1998.

Implementation of reform in many of the NIS has made these countries eligible for membership in international organizations, such as the IMF, World Bank and WTO. Membership in such organizations ties these countries into a web of obligations that reinforce democratic reform and market reforms and adherence to international norms.

The United States has also sought to ensure inclusion of the NIS in the creation of a new security architecture for Europe. The United States was instrumental in creating NATO's Partnership for Peace (PFP) program which has attracted all of the NIS except Tajikistan. Further, as enlargement looms, NATO has initiated an intensified relationship with Russia of dialogue and cooperation. The United States has cooperated with Russia and the other NIS in addressing specific security problems such as implementing the peace accord in Bosnia where both Russian and Ukrainian troops are working with American and Allied forces. The United States aids NIS and Eastern European PFP activities through the Warsaw Initiative (WI). Begun in 1994, the WI is a bilateral program that provides funding to facilitate NIS and Eastern European participation in PFP. The WI goal is to improve interoperability with NATO and Allies. The program consists of two elements: DoD support for NIS and Eastern European participation in exercises, conferences and other events and Department of State security assistance in the form of Foreign Military Financing (FMF). The NIS were not authorized to participate in this portion of the program through 1996 without Presidential Determinations of eligibility. Eight of the NIS are expected to obtain authorization and are budgeted to receive FMF in FY 1998.

The U.S. also has a strong and growing bilateral military contacts program. In addition, the IMET program is also a distinct and important contributor to U.S. policy goals in this region. IMET courses help strengthen civilian and democratic control of the military and enhance ties between the United States and foreign military organizations. The United States has cooperated with Russia and the other NIS in addressing specific security problems such as implementing the peace accord in Bosnia. Selected NIS countries may also share in a new FMF program of Enhanced International Peacekeeping Capabilities (EIPC). EIPC funding will enhance the national peacekeeping capabilities of selected NIS countries and will secure European support for EIPC "focus" countries.

The United States continues to focus much of its diplomatic efforts on arms control and nonproliferation. We are providing assistance to accelerate arms control reductions through the Cooperative Threat Reduction Program and to secure nuclear materials through the Material Protection, Control and Accounting programs. Funding for these activities is requested in other appropriations. We have also helped Russia, Ukraine, Kazakstan and Belarus to improve their export control systems so that they have an effective mechanism to pursue and enforce nonproliferation policies. Funding for this

effort is included in the Nonproliferation and Disarmament Fund in the State appropriation request. Science Center and final Defense Enterprise Fund resources are included in this foreign operations request.

To promote stability, the United States has encouraged the normalization of relations among the states of the region as well as the resolution of conflicts among or within the states. We are continuing our active diplomacy on the conflict in Nagorno-Karabakh and have promoted principles which encourage investment, development and marketing of the vast energy resources of the Caspian basin.

The stakes for the United States and the world in this volatile and strategic region clearly justify the increase in resources embodied in the Partnership for Freedom.

ARMENIA

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
FSA	**85.000**	**95.000**	**80.000**
PFF	-	-	24.500
TA/HA	-	-	55.500

OVERALL U.S. OBJECTIVES:

A democratic, independent, sovereign, secure and prosperous Armenia will help ensure the stability of the Caucasus as a whole and help the region fulfill its potential as a gateway from the Caspian Sea and Central Asia to the West. Armenia, currently the largest per capita recipient of U.S. assistance in the NIS, has faced extreme economic hardship since gaining independence in 1991. It has also been greatly affected by the conflict over Nagorno-Karabakh. Nonetheless, the Government of Armenia has taken steps to privatize agriculture and industry and has made some progress in observing democratic principles and human rights. Armenia is committed to close relations with the United States, and its critical location in the Caucasus and influential diaspora community make it a compelling interest for the United States. U.S. foreign policy objectives in Armenia are to:

- Promote a peaceful, negotiated resolution to the conflict over Nagorno-Karabakh;
- Provide support and practical assistance for democratization, human rights, and market reform;
- Alleviate suffering of the most vulnerable segments of the Armenian society;
- Promote exports of U.S. products to Armenia, and U.S. investment in Armenia;
- Encourage Armenia to develop an effective export control system in order to prevent the proliferation of weapons of mass destruction or conventional arms; and
- Encourage the Armenian Government to develop a non-aggressive and collaborative security policy and to participate more fully in the Partnership for Peace (PFP).

STRATEGY:

Given the declining but continuing need to provide humanitarian assistance to Armenia, we will continue to increase the proportion of technical assistance, decrease the

proportion of humanitarian assistance and undertake the exchange and partnership components of the Partnership for Freedom activities in FY 1998.

Our strategy for providing support for democratization, human rights, and market reform will focus on both diplomatic and assistance efforts. We will continue to engage the government in a dialogue on these issues as well as work with the media, non-governmental organizations and universities. In addition, we will encourage the government to enact legislation that promotes human rights, democracy and an open economy.

To help resolve the Nagorno-Karabakh conflict, we will support the cease-fire in the area and encourage and assist continued Armenian participation and further progress in bilateral as well as multilateral efforts such as the Organization for Security and Cooperation in Europe (OSCE) Minsk Group. Specifically, we need to encourage direct Armenian-Azerbaijan dialogue to facilitate a peace settlement.

Our strategy for alleviating suffering of the most vulnerable segments of the Armenian society involves continuation of USG assistance efforts, particularly through the provision of food, natural gas and kerosene.

To promote exports of U.S. products to Armenia and encourage U.S. investment in Armenia, investment activities of the Partnership for Freedom are planned; in addition we will support Armenia's admission to the WTO, move forward on remaining bilateral agreements, and promoting business opportunities in Armenia.

To encourage the Armenian Government to develop an effective export control system, we are assessing the current export control system and developing a plan to provide training or equipment.

Our strategy for encouraging the Armenian Government to develop a non-aggressive and collaborative security policy involves USG efforts to assist the Government of Armenia in improving relations with Turkey and Azerbaijan and, as N-K developments allow, to encourage the Government of Armenia's foreign and security policies to become more multidirectional. We also need to continue to encourage Armenia's participation in broader security fora, such a Partnership for Peace and CFE. At this time, U.S. policy precludes direct bilateral support for Armenian participation in PFP through the Warsaw Initiative until progress is made on resolution of the Nagorno-Karabakh conflict.

PERFORMANCE INDICATORS:

- Progress with Azerbaijan toward a settlement of the Nagorno-Karabakh conflict;
- Development of political parties;
- Improved performance of elections;

- Additional progress on privatization in key sectors, including energy and communications;
- Reduced frequency of complaints regarding human rights of detainees and arrestees;
- Passage of laws improving U.S. business opportunities; and
- Completion of process by which Armenia joins WTO; and
- Armenian participation in PFP.

AZERBAIJAN

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
FSA	**12.000**	**16.430**	**31.500**
PFF	-	-	4.000
TA/HA	-	-	27.500

OVERALL U.S. OBJECTIVES:

The involvement of U.S. oil firms in the development and export of Azerbaijani oil is important for the diversification of world oil supplies and for U.S. energy security and promoting U.S. exports. The development of an independent, secure, democratic and prosperous Azerbaijan will benefit U.S. economic and strategic interests. Our relationship with Azerbaijan will influence the course of our bilateral relationship with Russia and affect the role that Iran is able to play in the Caucasus. U.S. leadership in achieving a settlement of the Nagorno-Karabakh conflict, in the context of the efforts of the OSCE's Minsk Group, will be a major contribution to resolving a tragic dispute. U.S. foreign policy objectives in Azerbaijan are to:

- Promote the growth of a U.S. business presence in Azerbaijan and encouraging economic reform;
- Help the parties resolve the Nagorno-Karabakh conflict;
- Encourage Azerbaijan to move forward on development of democratic institutions and adherence to human right norms;
- Assist the consolidation of a secure, independent Azerbaijan that plays a positive role in the political and economic development of the Caucasus region;
- Provide humanitarian assistance to refugees and internally displaced people; and
- Encourage Azerbaijan to develop an effective export control system to prevent the proliferation of weapons of mass destruction or conventional arms.

STRATEGY:

To continue to effectively promote American investment opportunities in Azerbaijan, we must continue U.S. diplomatic efforts to encourage the Government of Azerbaijan

to stay on track to support oil development, to sign bilateral investment and tax treaties, to support American companies, and to follow economic reform progress, particularly privatization and tax reform.

The eight and a half year conflict over Nagorno-Karabakh has left 780,000 Azerbaijanis uprooted from their homes and twenty percent of Azerbaijan's territory occupied by ethnic Armenian forces. The conflict has hindered economic and political development. We will need to continue to demonstrate high-level interest in resolving the conflict through regular visits -- supported by the Embassy -- of our Special Negotiator, senior-level Administration officials, and members of the OSCE. In addition, we will need to engage the government on various aspects for peace, from military to humanitarian. This will require trips to the front battle lines as well as refugee camps. We will need to continue assistance to the refugees and displaced people, from current efforts to provide food, shelter and medical aid to eventual resettlement assistance following a peace agreement.

Due to legislative restrictions on aid to the Government of Azerbaijan, USG support for democratic reform will be limited to programs for non-governmental organizations, independent political parties and media, as well as exchanges with non-government groups and individuals, including young Azerbaijani students. We will also need to continue an active dialogue with the government on the importance of adhering to internationally accepted principles on treatment of political prisoners, opposition parties and press. Where possible, we will encourage responsible nonproliferation activities. At this time, legislation precludes materially supporting Azerbaijani participation in Partnership for Peace or the Warsaw Initiative.

To assist in a secure Azerbaijan, limited assistance activities will focus on support for U.S. trade and investment in the private sector and non-governmental exchanges and training. We will need to continue to direct technical and humanitarian assistance programs (within the legislative restrictions), that will have regional benefits and engage in regular bilateral dialogue with Azerbaijan on security issues.

PERFORMANCE INDICATORS:

- Progress with Armenia toward resolution of the Nagorno-Karabakh conflict;
- Improved business opportunities for U.S. businesses;
- Progress in the development of democratic institutions and human rights practices;
- Progress toward privatization of state-owned enterprises; and
- Azerbaijani participation in PFP.

BELARUS

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
FSA	**5.000**	**5.010**	**4.900**
PFF	-	-	2.000
TA/HA	-	-	2.900
IMET	0.279	0.300	0.300

OVERALL U.S. OBJECTIVES:

The United States has an interest in an independent, democratic Belarus with an economy based on market principles. U.S. engagement, on a selective basis, could encourage a Belarusian commitment to political and economic reform. Achievement of these objectives has been made difficult by the actions of President Lukashenko.

Since taking office in 1994, President Lukashenko has resisted economic reforms and has increasingly denied basic human rights to his opponents and impeded the activities of the independent media. Since Belarus' widely-condemned November 1996 referendum, Lukashenko has concentrated power in his hands and greatly strengthened the executive branch at the expense of other branches of government and of the people of Belarus.

Deterioration in the political climate has been matched by a wavering in the government's commitment to economic reform during 1996. As a result, the International Monetary Fund (IMF) suspended the stand-by agreement that it had concluded with Belarus in September 1995. The lack of progress on economic reform was reflected in a continuing economic decline in 1996.

On a more positive note, Belarus did comply with the terms of the Treaty on Conventional Forces in Europe and completed destruction of Treaty-Limited Equipment by April 1996, and the Belarusian Government completed the withdrawal of Russian nuclear weapons in 1996 becoming a nuclear-weapons-free state. U.S. foreign policy objectives in Belarus seek to:

- Promote a stable and cooperative relationship between Belarus and the U.S. and its allies;

- Assist Belarus' transition to transparent and accountable governance through democratic political processes;

- Foster the emergence of a market-oriented economy;
- Assist Chernobyl victims; and
- As part of a broader effort, integrate Belarus into multilateral institutions and endeavors, promotion of civilian oversight, modernization, professionalization, and interoperability of the Belarusian military with U.S. and NATO forces.

STRATEGY:

The overall strategy of the United States for supporting development of a market-oriented economy in Belarus will center on the continued engagement of U.S. and international institutions to the degree possible, given the government's attitude toward reform and relations with the West. The U.S. will seek to protect existing U.S. investments and commercial interests through the U.S. Department of Commerce-led Business Development Council; the embassy will energetically uphold the interests of U.S. investors under the new Bilateral Investment Treaty. To the extent possible, USAID will continue its support for small-scale privatization, democratization and development of private, non-governmental organizations. USAID plans to engage and support more individuals and institutions offering hope for reform, to reach out to newly emerging civic groups and to support independent media. Participation by Belarus in the Partnership for Peace (PFP) is intended to support military reform. We will encourage nonproliferation activities. Where possible through exchanges and training programs, Belarus' citizens and media will be exposed to Western models of governance and professional training. The International Military Education and Training (IMET) program will contribute to democratic reform by fostering responsible defense resource management, an improved military justice system, and greater respect for the principle of civilian control of the military.

PERFORMANCE INDICATORS:

- Resumption of IMF stand-by agreement;
- Increase in private sector businesses and land reform;
- Increased exposure of legislative issues in national media;
- Continued military reform and appropriate downsizing;
- Maintenance by the military of an apolitical stance; and
- Promotion of IMET graduates to senior military or ministry positions.

GEORGIA

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
FSA	**22.000**	**25.770**	**41.900**
PFF	-	-	15.000
TA/HA	-	-	26.900
FMF	-	**0.600**	**0.750**
IMET	**0.302**	**0.275**	**0.375**

OVERALL U.S. OBJECTIVES:

An independent, sovereign, secure and prosperous Georgia will help ensure the stability of the Caucasus as a whole and help the region fulfill its potential as a gateway from the West to the Caspian Sea and Central Asia. Located between Russia, Turkey, and the Caspian and Black Seas, Georgia serves as an important transit corridor for investment in, and the export of oil and other products out of, the larger region. It also serves as the major corridor for humanitarian aid to Armenia and displaced people in the region. Supported by a new constitution and a democratically-elected, progressive parliament, President Shevardnadze's Government has met all IMF targets and instituted laws supportive of more accountable government, increased foreign investment, and improved compliance with international human rights standards. The United States supports this reform agenda through humanitarian assistance, institution-building, and training. Based on progress so far, Georgia will participate in the cooperative activities of the Partnership for Freedom and will also receive technical assistance to support reform. The United States support the development of democratic institutions, free-market practices and ties to the West. Specific objectives seek to:

- Enhance Georgian and regional independence, security and prosperity;
- Expand economic reform and a more open economy;
- Continue progress toward a democratic and transparent system of government;
- Progress toward settlement of separatist disputes in regions of Abkhazia and South Ossetia;
- Effective use of humanitarian aid, as assistance resources are shifted from humanitarian to institution-building activities;

- Encourage Georgian support for nonproliferation efforts and development of an effective export control system; and

- Development of a professionalized Georgian defense establishment that enjoys close cooperation with the United States and actively participates in Partnership for Peace (PFP).

STRATEGY:

The United States' strategy for supporting Georgian independence and security reflects the belief that these objectives are most likely to be achieved in an open economy and in a democratic and outward-looking society. Regional cooperation, particularly in regard to transport, communications and energy, will be encouraged through diplomatic contacts and assistance programs as an effective vehicle for ensuring the stability and prosperity of Georgia and the entire Caucasus region. We will support participation in western-oriented security initiatives, including PFP programs and exercises. Military exchanges, including a program with the State of Georgia's National Guard, will be used to enhance understanding of the western civil-military model. The International Military Education and Training (IMET) program will contribute to democratic reform by fostering responsible defense resource management, an improved military justice system, and greater respect of the principle of civilian control of the military. FMF will allow Georgia to obtain additional training and material to improve its military's interoperability with NATO. Specific assistance programs will help Georgia protect its national resources and control its borders and ports. Georgia will benefit from the exchange and partnership components of the Partnership for Freedom, but in FY 1998 most assistance to Georgia will take the form of increased technical and sustained or reduced levels of humanitarian assistance.

Encouragement of economic reform and the development of a more open economy will focus on Georgian legislative and institutional reforms. Diplomatic contacts and legal advisors will work with members of parliament to encourage legislative initiatives supportive of reform, and technical advisors will work with those responsible for implementing specific reforms. The United States will continue to target institution-building assistance toward sectors where the reform commitment and potential is greatest and be willing to withhold assistance where there is a resistance to reform or corruption. Coordination with other donors, including the European Union, the International Financial Institutions, and individual countries will increase the leverage of our efforts.

America's strategy to encourage progress toward a democratic and transparent government will again make use of a combination of diplomatic efforts and assistance resources. Diplomatic contacts will be used to articulate international standards and expectations, while institution-building assistance will be used to assist Georgian officials and institutions meet those standards. Parliamentary reform initiatives will be

encouraged and supported by technical and legal experts, with special emphasis on judicial and criminal reforms. Political party development will be a priority for democratization assistance, as will development of a responsible press and independent civic organizations, including those focusing on human rights issues. Development of local government legislation and structures will be encouraged, and local elections will then become a priority in our diplomatic and assistance efforts.

The United States will encourage progress toward settlement of disputes in Abkhazia and South Ossetia. This will involve working with the UN, the OSCE and the "Friends of Georgia" (France, Germany, United Kingdom, Russia and the U.S.) to press the parties to negotiate seriously. We will increase bilateral contacts with the parties to reinforce this expectation. We will support a role for peacekeepers from the Commonwealth of Independent States and UN observers in order to discourage a return of hostilities and violence as long as the parties demonstrate a commitment to the negotiating process. We will support the human rights and humanitarian programs of the UN and the OSCE to build confidence, to encourage cooperation between the parties and to address the needs of displaced people and returnees.

To encourage the Georgian Government to develop an effective export control system, we will develop training programs in legal foundations and enforcement techniques. We will support Georgian participation in nonproliferation programs, such as the International Science and Technology Center.

The United States' strategy of shifting assistance resources from humanitarian programs to institution-building efforts reflects Georgia's changing needs as a result of the success so far of its reform programs. Humanitarian assistance will focus on "most vulnerable groups", including people displaced from their homes by regional conflicts and who are housed in communal shelters. Partnership for Freedom activities will include support for U.S. investors in Georgia, including through the Caucasus enterprise funds.

PERFORMANCE INDICATORS:

- Increased level of cooperation among the three Caucasus states on a range of projects and issues, particularly in the area of energy, transportation and communications;
- Establishment of formal bilateral security dialogue;
- Expanded participation in PFP;
- Promotion of IMET graduates to senior military or ministry positions;
- Progress toward assuming responsibility for controlling its borders and territorial waters;
- Enhanced indigenous ability to control land and sea borders;
- Additional progress on privatization in key sectors, including energy and communications;

- Passage of additional reform-oriented legislation conducive to international investment and trade;
- Passage of additional land reform legislation;
- Completion of process by which Georgia joins WTO;
- Scientists involved in ISTC projects;
- Development of political parties;
- Conduct of local elections;
- Reduced frequency of complaints regarding abuse of human rights of detainees;
- Decreased complaints concerning restrictions on independent press;
- Continuation of bilateral negotiations between Georgian officials and representatives of the Abkhaz separatist regime;
- Success of the joint UN-OSCE Human Rights Office in Sukhumi; and
- Adoption of a formal program to target humanitarian assistance to most vulnerable groups.

KAZAKSTAN

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
FSA	**33.000**	**34.830**	**52.000**
PFF	-	-	28.500
TA/HA	-	-	23.500
FMF	**-**	**1.250**	**1.500**
IMET	**0.388**	**0.400**	**0.550**
INC	**0.100**	**0.100**	-

OVERALL U.S. OBJECTIVES:

Kazakstan's strategic location at the crossroads of Russia, China, and Central Asia, coupled with vast energy resources only now being tapped, make its stability and prosperity vital to U.S. long-term interests. The U.S. seeks to guarantee its interests by promoting three broad outcomes: 1) the development of a transparent and accountable government, which responds to the needs and wishes of Kazakstanis through democratic processes; 2) the emergence of a competitive, market-oriented economy, with a climate conducive to investment; and 3) the forging of a stable relationship between Kazakstan and the U.S. and its allies, especially through OSCE and demilitarization, nonproliferation and Kazakstan's active participation in Partnership for Peace (PFP), and its participation in activities that promote regional stability, like the Central Asian peacekeeping battalion CENTRASBAT. Based on progress so far, Kazakstan will benefit from full participation in the Partnership for Freedom, as well as increased technical assistance resources.

STRATEGY:

Under the Partnership for Freedom initiative, Kazakstan will participate in cooperative activities to promote economic growth and linkages between Americans and Kazakstanis. With increased technical assistance resources, the U.S. will promote the development of the new parliament as an independent branch of government and will design training programs for newly-elected parliamentarians. Employing civic-education programs, the USG will introduce and encourage the concept of accountability of elected officials to constituencies. Advocacy training and small grants to NGOs will promote the concept of grass roots and participatory democracy. Kazakstani observers will be invited to the U.S. to observe elections in this country and establish contacts with elected officials here. An active, independent media -- already in place -- will be encouraged to promote political pluralism and diversity of thought.

Although receptive to western-style democracy, Kazakstan's recent emergence from totalitarian rule, coupled with still authoritarian tendencies, suggest that progress will be fitful, but generally positive.

Kazakstan is already committed to developing a market-based economy; USG assistance is intended to facilitate progress and ensure equitable market access for U.S. business, especially in the rational development of the country's oil and gas resources. Partnership for Freedom activities to promote investment, eliminate barriers to trade, support International Financial Institution (IFI) loans and project-related training will further encourage economic growth. USG technical assistance efforts have been instrumental to the introduction of legislation reforming tax and fiscal laws. Additional technical assistance includes programs which support a nascent securities exchange, streamlining bureaucratic procedures for registering new businesses and joint ventures, and support for Kazakstan's application for accession to the WTO/GATT. Critical to success will be USG-sponsored Partnership for Freedom seminars on combating organized crime and bilateral investigation and punishment for financial crimes. Corruption and the tangle of bureaucracy currently limit foreign investment; reducing the influence of the criminal element will promote transparent business practices.

Kazakstan remains strongly committed to nonproliferation of weapons of mass destruction. We continue to encourage this commitment through support of Kazakstani projects in the International Science and Technology Center and other activities. The U.S. will also continue to work with Kazakstan to prevent proliferation through development and enhancement of an effective export control system, including the enactment of related laws, creation of a licensing process and an effective enforcement capability.

Denuclearization of Kazakstan has been essentially completed with assistance under the DoD Cooperative Threat Reduction Program. The U.S. is now working with the Kazakstani Government on dismantlement, elimination and redirection of weapons of mass destruction infrastructure such as that at the former Soviet facility designed for biological weapons production at Stepnogorsk, Kazakstan. The U.S. will also continue to encourage military-to-military contacts and dialogue to strengthen bilateral relations and lay the groundwork for Kazakstan's increasingly active role in Partnership-for-Peace training and joint exercises such as the scheduled September 1997 peacekeeping exercise. Both the Department of Defense (DoD) and FMF portions of the Warsaw Initiative will support these efforts, as well as the development of the CENTRASBAT, which Kazakstan has formed with Uzbekistan and Kyrgyzstan. Kazakstan's continued participation in the CENTRASBAT will enhance regional stability and security. IMET programs have been received enthusiastically in the past by Kazakstani officers and promote armed forces support for democratic and economic transition.

PERFORMANCE INDICATORS:

- An increasingly active, confident, and independent legislature begins to exert effective influence in national affairs;
- Individual parliament members will begin to introduce legislation responsive to constituent and national needs, recognizing election to parliament is a job, rather than a sinecure;
- Independent media continue constructive criticisms and highlight human rights abuses; government responds constructively;
- Kazakstan pays outstanding debts to U.S. businesses;
- Large-scale privatization auctions are completed;
- The Ministry of Justice simplifies company registration requirements;
- Foreign investment increases significantly, indicative of confidence in Kazakstani economic reform and stability;
- Progress in Kazakstan's accession to the WTO;
- Kazakstan's armed forces participate actively and effectively in PFP exercises;
- Implementation of national policy and military capacity to support and participate actively and effectively in PFP exercises and in regional peacekeeping/conflict prevention activities such as the CENTRASBAT;
- Facilities previously used for weapons of mass destruction are successfully dismantled and converted to civilian use;
- Scientists and engineers formerly tied to these facilities find useful civilian employment; and
- IMET graduates begin to move into senior military positions.

KYRGYZSTAN

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
FSA	**19.000**	**18.400**	**36.500**
PFF	-	-	20.000
TA/HA	-	-	16.500
FMF	-	**0.650**	**0.850**
IMET	**0.225**	**0.250**	**0.325**
INC	**0.050**	**0.050**	-

OVERALL U.S. OBJECTIVES:

Kyrgyzstan has distinguished itself through early, consistent, and aggressive economic reform and a commitment to democratization. The overriding U.S. goal in Kyrgyzstan is that this process continue while contributing to the establishment of strong ties to the West. Kyrgyzstan's isolation and limited resources, however, challenge its efforts to become an economically viable, independent state. With the holding of free and open presidential elections in December 1995 and large segments of the population still awaiting positive results from the country's sweeping economic reforms, Kyrgyzstan is now at a crucial point in its political and economic development. The new resources included in this budget request will enable the United States to increase the level of technical assistance provided to Kyrgyzstan to support the development of democratic institutions and market mechanisms, as well as the cooperative activities under the Partnership for Freedom --exchanges, partnerships, trade and investment. U.S. technical assistance will continue to focus on assisting Kyrgyzstan's transition to a free-market system, building democratic institutions, supporting civilian authority over the military, encouraging economic reform, and providing humanitarian assistance to help soften serious hardships during the difficult period of economic transition. U.S. foreign policy objectives in Kyrgyzstan seek to:

- Continue progress by Kyrgyzstan on democratic reforms and respect for the rule of law, separation of powers and individual rights;

- Further progress in Kyrgyzstan toward an efficient market economy with an appropriate social safety net while promoting U.S. business;

- Promote increased participation in OSCE, a stable and cooperative military relationship between Kyrgyzstan and the U.S., and Kyrgyzstani participation in

Partnership for Peace (PFP) and the Central Asian peacekeeping battalion (CENTRASBAT);

- Encourage commitment to nonproliferation including development of an effective export control system to prevent the proliferation of weapons of mass destruction or destabilizing transfers of conventional arms;

STRATEGY:

Kyrgyzstan will participate in the cooperative Partnership for Freedom activities -- programs to promote economic growth and linkages between Americans and Kyrgyzstanis. It will also receive increased technical assistance to support the development of democratic institutions and market structures. Kyrgyzstan has shown the most promising democratic development in Central Asia. Increased technical assistance will be targeted to help develop the judicial and legislative branches as effective counterweights to the executive. Equally important will be support to the non-governmental sector, particularly the independent media. Training and technical assistance will be provided to the judiciary and attorneys (through CEELI) and to law enforcement agencies (through the Anti-Crime Training and Technical Assistance program). The parliament will receive support for a strengthened role in the government. Seminars will be offered to political parties, and other groups committed to democratic reform. Local government reform will be promoted through increased technical assistance in municipal finance and management. Finally, the development of non-governmental organizations and an independent media will be encouraged through increased technical assistance and small grants (from the Eurasia Foundation and the embassy-administered Democracy Fund).

Considerable progress has been made in reforming Kyrgyzstan's economy, including lowering inflation rates, currency stability, and overall level of macroeconomic stability. Partnership for Freedom activities will support economic growth through investment, including an active program of the Central Asian-American Enterprise Fund. The U.S. technical assistance strategy will increasingly focus on ensuring a legal and regulatory environment that promotes private sector growth. A Eurasia Foundation program will support small business development. The USG will assist in Kyrgyzstan's application for accession to WTO/GATT to increase international trade. Increased U.S. technical assistance programs will work for improvements in tax administration, including greater use of computers and the introduction of a taxpayer information system. A Treasury advisor is helping to improve budgetary classification and ensure more effective budget management. Reforms in revenue generation and budget allocation will also be encouraged. Assistance activity in capital market development will concentrate on developing the main institutions of an effective financial market. U.S. assistance concerning social sector reform will focus on health, with the aim of introducing market-based approaches that increase individual choice and reliance on the private sector. A pilot project is under way in the Karakol region

featuring introduction of insurance plans, family group practices, cost-accounting and more efficient patient-discharge programs.

The United States encourages Kyrgyzstan's commitment to nonproliferation of weapons of mass destruction through activities such as the International Science and Technology Center. In addition, our strategy for encouraging the Kyrgyz Government to develop an effective export control system includes an assessment of the current export control system and the subsequent development of a plan to provide needed training or equipment assistance. Encouraging Kyrgyzstan's participation in the PFP and CENTRASBAT will support greater regional security. Under the Warsaw Initiative, Kyrgyszstan will be provided assistance to participate in PFP exercises; FMF will also be provided for equipment and training to enhance Kyrgyzstan's capability to operate jointly with NATO forces in peacekeeping, search and rescue, humanitarian and other operations. Such assistance can help address near-term problems which limit Kyrgyzstan's ability to engage in PFP and participate in PFP exercises. This assistance also supports greater defense and military cooperation between the U.S., NATO and Kyrgyzstan. International Military Education and Training (IMET) for Kyrgyzstan will contribute to democratic reform by fostering responsible defense resource management, an improved military justice system and respect for the principle of civilian control of the military. IMET will also provide professional military education for senior military officers and English language training.

PERFORMANCE INDICATORS:

- A constitutional and legal framework and judicial process which are more transparent and provide more secure individual rights;
- Multiple private media outlets free of government control;
- Improved management and delivery of governmental services at the both the central and municipal level which are more responsive to local needs and desires;
- Passage and implementation of commercial laws conducive to business development and investment;
- Increase in the number of private businesses of all sizes;
- Progress toward Kyrgyzstan's accession to the WTO;
- Improvements in tax collection and administration;
- Increase in the number of firms trading on the stock exchange;
- Increase in the size of the private health care sector;
- Participation with U.S. and NATO forces in PFP and multilateral activities employing U.S.-provided training and improved interoperability of forces through U.S.-provided equipment;
- Implementation of national policy and military capacity to support and participate in regional peacekeeping/conflict prevention activities such as the CENTRASBAT; and
- Promotion to senior military or defense ministry positions of graduates of U.S. IMET programs.

MOLDOVA

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
FSA	**23.000**	**23.140**	**32.800**
PFF	-	-	16.000
TA/HA	-	-	16.800
FMF	-	**0.800**	**0.550**
IMET	**0.273**	**0.250**	**0.350**
INC	**0.050**	**0.050**	-

OVERALL U.S. OBJECTIVES:

Moldova's political and economic reforms have made it a leader among the NIS countries. With assistance from the United States, the EU and the international financial institutions, Moldova has established a stable currency, privatized enterprises, freed consumer prices, and dramatically reduced inflation. Moldova also is a leader in its respect for human rights, its free and fair elections, and its commitment to peaceful settlement of ethnic and separatist disputes. Given its progress to date, Moldova will participate fully in the Partnership for Freedom cooperative activities and will benefit from increased technical assistance to support its continuing transition to market democracy. U.S. foreign policy objectives in Moldova are to:

- Support the consolidation of Moldova's fledgling, market-oriented economy;
- Promote Moldova's democratic development;
- Seek timely withdrawal of Russian troops from the Trans-Dniester;
- Support the further development of Moldova's civilian-controlled, professionalized defense establishment and its greater interoperability with NATO and U.S. forces; and
- Encourage Moldova's commitment to nonproliferation including development of an effective export control system to prevent the proliferation of weapons of mass destruction or destabilizing transfers of conventional arms.

STRATEGY:

Moldova will benefit from both the Partnership for Freedom program--cooperative activities designed to foster economic growth and civil society -- and increased technical assistance to support the establishment of democratic institutions and market mechanisms.

Our strategy for supporting the continued development of a competitive, market-oriented economy centers around the continued transfer of assets to private ownership and management. Increased technical assistance will include support for the drafting and implementation of land privatization legislation, completion of the privatization process and adjustment of new enterprises as they restructure to compete globally. Cooperative Partnership for Freedom activities will complement this technical assistance with emphasis on capital mobilization and support for U.S. trade and investment in Moldova. Exchanges and partnerships under the Partnership for Freedom initiative will expand contacts between Americans and Moldovans. The mission's capacity to foster democratic development will improve with the arrival of a full-time public affairs officer; a new defense attaché will promote an increase in Moldova's already active participation in PFP. The Warsaw Initiative will support Moldova's participation in PFP exercises and events, and FMF will further develop Moldova's peacekeeping units and interoperability with NATO. U.S. support for Russian withdrawal from the Trans-Dniester will benefit from increased reporting and close coordination with the Government of Moldova. The International Military Education and Training (IMET) program will contribute to democratic reform by fostering responsible defense resource management, an improved military justice system, and greater respect for the principle of civilian control of the military. Our strategy for encouraging Moldova to develop an effective export control system includes an assessment of their current system and development of an action plan to address their most immediate needs.

PERFORMANCE INDICATORS:

- Bring mechanisms into operation to convey and title land;
- Increase percent of privatized enterprises that complete share registration and hold first meeting by end 1997;
- Increase size of International Visitor's Program in Moldova; and
- Continued PFP participation and promotion to senior military or defense ministry positions of graduates of U.S. IMET programs.

RUSSIA

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
FSA	**137.000**	**95.440**	**241.500**
PFF	-	-	221.500
TA/HA	-	-	20.000
FMF	-	**3.000**	**1.500**
IMET	**0.760**	**0.800**	**0.850**
INC	**0.600**	**0.600**	-

OVERALL U.S. OBJECTIVES:

The United States has an overriding interest in Russia's further development of a civil society and a growth-oriented market economy and its full integration into the mainstream of world political and economic relationships. The benefits to the United States of a non-threatening and reforming Russia are direct and tangible. These benefits include reduced defense requirements, reduction of the threat from Russia's approximately 7,000 strategic nuclear weapons and other weapons of mass destruction, prevention of proliferation of weapons expertise, enhanced cooperation in resolving regional security issues, expanded opportunities to export U.S. goods and to assist in the development of a vast country with great natural wealth, cross-fertilization of scientific and technical knowledge among some of the world's leading scientists, and increased cooperation on global environmental issues.

By the same token, were Russia's economy to stagnate, its progress toward democracy can reverse. Under these circumstances, Russia would again pose a serious threat to U.S. national security. The United States must stay engaged. Given Russia's progress to date on economic reform, our assistance will focus primarily on the cooperative activities of the Partnership for Freedom. This initiative will encourage economic growth through regional investment and will foster direct and personal linkages between Americans and Russians. U.S. foreign policy objectives in Russia seek to:

- Develop a competitive, growing, market-oriented economy, including improvements in the climate for foreign business, trade and investment;

- Encourage transparent and accountable governance based on democratic principles, in part by expanding grass-roots ties between the people of the U.S. and Russia;

- Promote a stable, cooperative military relationship between the U.S. and Russia, including increased military contacts both bilaterally and through the Partnership for Peace, continued Russian participation in programs to reduce weapons of mass destruction and prevent proliferation;

- Engage Russia in a constructive dialogue on export control issues;

- Promote the resolution of conflicts on Russia's borders and the normalization of Russia's relations with its neighbors; and

- Cooperate to resolve regional conflicts.

STRATEGY:

Our overarching strategy with regard to Russia is the development of a cooperative relationship in which we continue to work together in areas of common agreement. At the same time, we must do everything we can to see to it that economic conditions in Russia do not provide any grounding for a reversal of democratic progress, and the renascent threat to U.S. national security which would result. For FY 1998, we propose a dramatic change in the tools we will use to that end. The Partnership for Freedom is a central component of our efforts. The development of civil society, suppression of crime, establishment of extensive links between Americans and Russians, and above all economic growth will help strengthen this cooperative relationship that serves the U.S. national interest.

We will continue to have our policy differences with Russia; we have serious policy differences even with some of our principal NATO allies and Japan. We will seek to manage these differences without confrontation, recognizing that today's Russia is far more congenial to our international agenda than was the USSR. Our Partnership for Freedom efforts must proceed on a separate track. Partnership programs are not government-to-government in nature, nor are they designed to induce or reward policy behavior. The PFF is a means to stimulate private economic growth in order to forestall an over-the-horizon national security threat to the United States.

The United States will continue to emphasize Russia's integration into western economic and security structures and help to develop legal and institutional infrastructure to stimulate commerce, foreign trade and private investment. Over the past few years, Russia has defined itself as a constitutional state in which popular suffrage is a prominent factor. Russia is clearly a pluralistic state which has taken definitive steps in monetizing and privatizing its economy. U.S. assistance will focus on supporting and reinforcing these trends, even as the nature of that assistance changes

from support for reform of economic and government institutions to cooperative activities that keep Americans and Russian constructively engaged.

Technical assistance as such will largely phase out in Russia in FY 1998. Any such assistance under the Partnership for Freedom will focus on tax administration and collection, accounting standards and other changes needed to help attract investment from the United States and the rest of the industrialized world. International trade and the development of markets for U.S. businesses will be stimulated through the Partnership for Freedom's emphasis on regional investment and economic growth; the import of U.S. goods and services will be facilitated through a variety of programs administered by the Department of Commerce, OPIC, the Ex-Im Bank and the Trade and Development Agency. The U.S.-Russian Investment Fund (TUSRIF) will continue providing equity investments and loans to companies in Russia's growing private sector. We will provide assistance to the energy sector and to pilot environmental projects at the regional level as a means of catalyzing the development of sustainable and market-oriented energy and environmental policies.

Partnership for Freedom activities will also help develop civil society and the rule of law. We will dramatically increase our assistance to help reduce crime and corruption. Our approach to supporting the continued development of political pluralism and strengthening of democratic institutions will concentrate on support for independent media in regions outside of the capital. In addition, significant resources will be devoted to a program that links U.S. and Russian communities, providing training opportunities for young entrepreneurs and other reformers. By giving American communities a stake in the process, we hope to increase the potential for sustainability. Bilateral assistance in law enforcement training and cooperation will remain a priority, given the rise of crime both internationally and domestically in Russia.

The U.S. will continue its policy of broad engagement with the civilian and military leadership of Russia on critical security interests including the prevention of the proliferation of weapons of mass destruction and cooperative efforts to enhance European security. Programs include the International Science and Technology Center, which puts former Soviet weapons scientists to work on peaceful civilian projects, and the Defense Enterprise Fund, which provides funding for enterprises making the conversion to private ownership and civilian production. The U.S. will work to reinforce participation in international efforts to address plutonium disposition. We will encourage the evolution of Russia's existing export control system to bring it in line with internationally accepted standards. We will also continue to provide training through the International Military Education and Training (IMET) to contribute to democratic reform by fostering responsible defense resource management, an improved military justice system, and greater respect for the principle of civilian control of the military. Through the Warsaw Initiative the U.S. will provide Foreign Military Financing (FMF) and material support to improve the interoperability of Russia's peacekeeping units with NATO and facilitate Russian participation in NATO's

Partnership for Peace program and for joint operations in peacekeeping, search-and-rescue and humanitarian activities.

PERFORMANCE INDICATORS:

- Achieving and implementing U.S.-Russian agreements on arms control and nonproliferation;
- Russian participation alongside U.S. and NATO forces in PFP, the Bosnia Stabilization Force, and multilateral activities leading to improved cooperation between NATO, U.S. and Russian military forces;
- Demonstrated willingness to engage with the U.S. constructively on major international issues;
- Increased investment in productive, viable joint ventures converting weapons of mass destruction production capability to civilian production;
- Establishment of city-to-city connections providing links between entrepreneurs, local government officials and other reformers;
- Passage and implementation of commercial laws conducive to business development and investment;
- Progress towards completing the WTO accession process;
- Improvements in tax administration and development of a more efficient budgetary process;
- Promulgation of energy policies and legislation that support subsector restructuring and commercial market development of energy efficiency and related environmental technologies and services;
- Progress on major environmental issues;
- Provision of civilian employment alternatives to a majority of scientists and engineers with critical weapons expertise;
- Promotion of IMET graduates to senior positions.

TAJIKISTAN

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
FSA	**4.000**	**4.41**	**15.400**
PFF	-	-	6.000
TA/HA	-	-	9.400
INC	0.200	0.200	-

OVERALL U.S. OBJECTIVES:

Tajikistan is still at a crossroads: it has survived a bloody civil war which uprooted half a million people and resulted in tens of thousands of deaths, and is now embarked on a UN-brokered peace process with the goal of national reconciliation. The United States has an interest in promoting democracy and market reform in this country, in conflict resolution, and in preventing instability there from spreading throughout the region. Most U.S. assistance will continue to be targeted at humanitarian needs and social sector restructuring. Tajikistan will also benefit from the exchange and partnership components of the Partnership for Freedom initiative -- programs to promote economic growth and linkages between Americans and Tajiks. The focus will increasingly shift from dealing with the immediate humanitarian needs resulting from the civil war and the economic crisis which followed, to addressing more long-term developmental needs. Funds will continue to be channeled in a large part through American Private Voluntary Organization (PVOs), with a view toward strengthening local community organizations and strengthening the ability of Tajiks to build and sustain their own economic recovery. Efforts will also be made to leverage funding from other donors and to help shape the broader donor effort. If the Tajik Government and opposition agree on a general peace accord in 1997, some U.S. assistance may be directed toward implementation of this agreement. To the extent possible, we would encourage the Tajik Government to begin development of an export control system to meet proliferation objectives. Tajikistan is not a member of the Partnership for Peace (PFP) and is not eligible for support under the Warsaw Initiative.

STRATEGY:

Through the increased technical assistance associated with the new initiative, we will assist Tajikistan's transition to transparent and accountable governance and the empowerment of citizens through democratic political processes. As Tajikistan has had limited success in implementing real political reforms, technical assistance in the area of democracy building has also been limited. Our efforts have focused on providing

the successor generation with training opportunities in the U.S., and on improving access to Western sources of information. Professional and academic training programs will receive increased support. FREEDOM Support Act-funded information centers in the areas of law and student advising will also receive additional emphasis.

With the additional resources provided under the new initiative, we will be able to foster comprehensive economic reform and social sector restructuring in support of the emergence of a market-oriented economy. Programming efforts will continue to focus on the ongoing economic and social crisis, with a view toward building local capacity and offering new approaches to development which can eventually be extended on a national level. USAID-funded American PVOs will remain a significant programming vehicle for at least the next two years, and an increased emphasis will be placed on developing Tajik partner groups and ensuring sustainable approaches to development. The activities of the Central Asian-American Enterprise Fund will be used to support the development of private business (one equity investment already has been made; another four, as well as several small business loans, are under consideration). Depending upon the government's progress towards meeting international economic commitments, Tajikistan might also receive technical assistance on the preliminary phases of WTO/GATT accession. Short-term training programs will continue, with greater emphasis on in-country training, conferences and seminars as well as short-term technical assistance in economic restructuring and privatization. Medical partnerships with American hospitals will be a primary vehicle for social sector restructuring, especially in improving maternal and pediatric care.

We will also assist Tajikistan to manage the transition period to peace and national recovery, especially by addressing humanitarian needs arising out of the conflict and its aftermath. USAID programs in Tajikistan have focused largely on responding to emergency and humanitarian needs stemming from the conflict. These needs are shifting as refugees and internally displaced people have been returning to their homes and are reintegrating into Tajik society and the economy. Food and health assistance needs are particularly acute in the southwest and the central Garm Valley. USAID funds an array of emergency relief activities involving international organizations and a number of U.S. private voluntary organizations (PVOs). Activities have a special focus on providing food, medicine and shelter. PVOs have played a major role in the delivery of U.S. assistance activities to date, utilizing transportation provided by the Coordinator's Office to move donated and Defense Department excess commodities and USAID-funded commodities with FSA funding, while USDA has continued to provide assistance through its PL-480 program.

PERFORMANCE INDICATORS:

- Passage of laws and regulations in key areas related to macroeconomic reform;
- Evidence of improved financial stabilization;
- Increase in the number of private businesses;
- Increased privatization of agriculture;
- More effective responses of the public health system to outbreaks of specific diseases; and
- Increased number of local-level health care facilities using, on a consistent basis, quality assurance procedures and systems.

TURKMENISTAN

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
FSA	**4.000**	**4.460**	**6.000**
PFF	-	-	2.000
TA/HA	-	-	4.000
FMF	0.000	0.500	0.250
IMET	0.213	0.250	0.300
INC	0.080	0.080	-

OVERALL U.S. OBJECTIVES:

Energy-rich Turkmenistan borders Afghanistan, Iran, the Caspian Sea and Central Asia's two largest countries, Kazakstan and Uzbekistan. With export routes still limited to the old Soviet pipeline system, Turkmenistan has been unable to reap much benefit from its sizable natural gas reserves, fourth largest in the world, or its oil. After four years' hesitation and extensive consultations with the IMF, Turkmenistan implemented an economic stabilization and reform program in 1996, an essential first step towards a transition to a market-oriented economy. Given the relative lack of progress in Turkmenistan, our assistance will continue to focus on limited technical assistance and exchanges. The Government continues to be authoritarian but has announced plans to open a human rights and democratization center at the Parliament. Key United States foreign policy objectives in Turkmenistan are:

- Democratic and market-based reforms and respect for basic human rights;
- Full development of Turkmenistan's energy resources and diversification of its gas and oil export routes;
- Business and investment opportunities for American firms, especially in the energy sector;
- Greater integration of Turkmenistan into Western security institutions, including continued and greater participation in the Partnership for Peace (PFP); and
- Encourage Turkmenistan's commitment to nonproliferation and development of an effective system of export controls to prevent the proliferation of weapons of mass destruction or destabilizing transfers of conventional arms.

STRATEGY:

Our strategy for promoting political and economic reform and respect for basic human rights consists of three major parts: 1) persuading the Government of Turkmenistan to relax central control of political and economic life; 2) contributing to the development of a new, reform-minded generation of leaders through training and exchange programs, and 3) supporting the development of reformed legal codes through technical assistance to the Parliament and judicial system. At the diplomatic level, we will continue to emphasize in all contacts that genuine reform is a necessary prerequisite for the deeper ties that Turkmenistan hopes to build with the United States and other democratic, industrialized countries. Exchanges will focus on exposing young Turkmen to democratic and market-based society before they grow set in the ways of centralized control. We hope to support the development of the few independent non-governmental organizations in Turkmenistan with micro-grants from the embassy democracy program. We have identified technical advisors to work with Parliament's democratization and human rights institute when it opens. In addition, final plans are being made for the placement of permanent legal advisors from the ABA/CEELI program.

The U.S. strategy for development of Turkmenistan's energy sector consists of: 1) political support for multiple pipeline routes and a legal regime for the Caspian Sea conducive to private investment; and, 2) the USAID-funded Central Asia energy initiative that will assist in creating a legal and institutional infrastructure for rational development of the country's oil and gas resources.

The strategy of the United States for promoting opportunities for American business consists of: 1) intense advocacy for U.S. firms doing business in Turkmenistan, and 2) equity and small business loan projects from the Central Asian-American Enterprise Fund (CAAEF), which opened its office in Turkmenistan in 1996. The Turkmen Government is committed to making deals with prestigious American companies as a way to earn greater engagement with the USG. Advocacy and assistance from our Embassy in Ashgabat has proved crucial to closing several deals for American firms, and for keeping those deals on track afterwards. CAAEF activities in Turkmenistan began at the end of 1995.

Our strategy for bringing Turkmenistan closer to Western security institutions consists of: 1) encouraging greater Turkmen participation in Partnership for Peace, and 2) promoting Turkmen contacts with OSCE. Under the Warsaw Initiative, Turkmenistan will continue to receive bilateral support to participate in PFP activities. Foreign Military Financing (FMF) will be provided for equipment and training to enhance Turkmenistan's capability to operate jointly with NATO forces in peacekeeping, search and rescue, humanitarian and other operations. This assistance also supports greater defense and military cooperation between the U.S., NATO and Turkmenistan. The International Military Education and Training (IMET) program will contribute to democratic reform by fostering responsible defense resource management, an improved

military justice system, and greater respect for the principle of civilian control of the military. Additionally, it will provide professional education for senior military officers and English language training.. Our strategy for encouraging Turkmenistan to develop an effective export system includes an assessment of their existing system and development of an action plan to address their most immediate needs. In the area of nonproliferation, in order to encourage Turkmenistan to accede to the International Science and Technology Center in order to provide former Soviet weapons scientists opportunities to redirect their efforts to peaceful, civilian research and development activities.

PERFORMANCE INDICATORS:

- Adherence to the macroeconomic stabilization program;
- Promulgation of investor-friendly laws, especially in the energy sector;
- Good faith implementation of the stated purposes of the Democratization and Human Rights Center;
- Registration of indigenous NGOs;
- Tolerance for views critical of the government;
- Visits by foreign human rights NGOs;
- Volume of trade and investment with U.S. firms;
- Participation alongside U.S. and NATO forces in PFP and multilateral activities employing U.S.-provided training and improved interoperability of forces through U.S.-provided equipment; and
- Promotion of IMET graduates to senior military or ministry positions.

UKRAINE

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
FSA	**225.000**	**225.000**	**225.500**
PFF	-	-	116.000
TA/HA	-	-	109.500
FMF	**-**	**5.250**	**2.600**
IMET	**1.019**	**1.000**	**1.200**

OVERALL U.S. OBJECTIVES:

The United States has a continuing and significant interest in promoting an independent, democratic, non-nuclear Ukraine with a market economy and a military under civilian control that is capable of effectively preserving and defending a free Ukrainian state. Ukraine has the second largest population and economy of the New Independent States, and its stability and prosperity are key to a secure and undivided Europe.

Ukraine has adopted a multi-party democratic system and in 1994 chose a new president and parliament in free and fair elections. In 1995, it implemented ambitious economic reforms launched the year before in conjunction with the IMF, a program which continued in 1996. Also in 1995, Ukraine signed a Memorandum of Understanding with the G-7 countries on implementing a comprehensive program to close the Chernobyl nuclear power plant by the year 2000. The program focuses on the restructuring of the country's energy structure to ensure that Ukraine's power needs will be met after the year 2000. The U.S. initiated a number of projects to ensure the continued safety of the Chernobyl nuclear power plant and is working with its G-7 partners on projects to support the safe decommissioning of the facility. Ukraine worked closely with the G-7 countries and international financial institutions throughout 1996 in its first fledgling steps in that direction.

Several watershed events in 1996 indicate that reform efforts in Ukraine are bearing fruit and merit enduring support: the last nuclear weapons were removed from Ukrainian soil in May; a democratic constitution was adopted in June; the new currency--the hryvnia--was successfully introduced in September; and the U.S. and Ukraine declared themselves to be "strategic partners."

Given Ukraine's progress on reform so far, it will participate in both the cooperative activities of the Partnership for Freedom and continued technical assistance to support

the transition to a market economy. The Partnership for Freedom's new programs to encourage economic growth and develop links between Ukrainians and Americans will begin in Ukraine in FY 1998. In addition, continued technical assistance will support the institutional reforms in the economy and in democratic governance.

STRATEGY:

The U.S. strategy focuses on: 1) fostering a competitive market economy in which the majority of economic resources are privately owned and managed; 2) developing transparent and accountable governance in Ukraine and the empowerment of its citizens through the democratic political process; and 3) encouraging a stable, cooperative relationship between Ukraine, the United States, and its NATO allies, characterized by demilitarization and nonproliferation efforts, and Ukrainian participation in the Partnership for Peace. Elements of this program are:

- Increased import of U.S. goods and services, financed by the Partnership for Freedom trade credit facility;
- Increased exchanges and partnerships with U.S. counterparts;
- Increased transfer of state-owned assets to the private sector. The many U.S. programs and efforts of technical assistance are instrumental in making expected progress in mass, small-scale, housing, and land privatization;
- Increased soundness of fiscal policies and fiscal management practices. Both analytic methods and concrete tools help the Ukrainian Government approach fiscal soundness. The National Tax Training Center embodies both of these sorts of assistance;
- Accelerated development and growth of private enterprises. The NewBizNet Project will continue to provide support and advisory services to businesses and would-be entrepreneurs. Training Ukrainian business consultants, providing antimonopoly assistance, and helping to initiate programs of arbitration or other alternative dispute resolution are three of a large group of programs that help to stimulate the growth of private enterprise;
- A more competitive and market-responsive private financial sector. Providing policy advisors, developing human capacity through training and experience, providing technical assistance toward the development of a securities system, and assisting in legislative and regulatory drafting are among the efforts used in our two-fold emphasis on developing the Ukrainian financial infrastructure, and transferring Western banking techniques to Ukrainian bankers;
- A more economically sustainable and environmentally sound energy sector. Citizen awareness and consumption efficiency in conjunction with the creation of a power market are principal elements in achieving the goals of increased energy efficiency society-wide, and the exploration of all possible energy sources. The G-7 Memorandum of Understanding (MOU) is the focus of all Chernobyl-related energy activities;

- Increased participation of better-informed citizens in political and economic decision making. The whole spectrum of public-awareness and citizen-involvement activities serve to build democracy in Ukraine. NGOs, trade unions, political parties, and civic action groups serve as a focus of aid efforts here;
- Legal systems that better support democratic processes and market reforms. The twin foci here are technical assistance and increased public awareness. Improved legislative drafting, and increased use of the courts on human rights complaints, are examples of our efforts;
- The International Military Education and Training (IMET) program will contribute to democratic reform by fostering responsible defense resource management, an improved military justice system, and greater respect for the principle of civilian control of the military;
- More effective, responsible, and accountable local government. Pilot programs in three Ukrainian cities -- which focus on municipal finance management, improving municipal administration, and increasing transparency -- will be extended to sixteen more;
- Reduced human suffering and crisis impact. Providing services to vulnerable groups, such as orphans, the elderly, and victims of natural disasters are the key objectives;
- Improved sustainability of social benefits and services. Technical assistance, training, and binational hospital partnerships are parts of a program designed to insulate vulnerable parts of the populace through the growing pains of the restructuring of Ukrainian society, the efforts for economic reform, and beyond;
- Reduced environmental risks to public health. The U.S. is working with its G-7 partners to eliminate the possibility of another Chernobyl accident by closing the last reactor by 2000. The U.S. is assisting Ukraine to develop an international research center that will study the environmental effects of the Chernobyl accident and is working in the EU to develop a plan to reduce the threat to the environment posed by the remains of the exploded reactor;
- International trade and the development of markets for U.S. businesses will be stimulated through a variety of programs administered by the Department of Commerce, OPIC, the EX-IM Bank, and the Trade and Development Agency;
- The U.S. will continue its policy of broad engagement with the civilian and military leadership of Ukraine on critical security interests, including cooperative efforts to enhance European security and promote nonproliferation through support under the Science and Technology Center in Ukraine. We will also continue to provide training, through International Military Education and Training (IMET), to facilitate Ukrainian participation in NATO's PFP program, further develop the Polish-Ukrainian peacekeeping unit, encourage military reforms, and foster interoperability for combined and joint operations in peacekeeping and humanitarian activities; and
- The U.S. will work with Ukraine to enhance the safety of its nuclear power plants and bolster the regulatory and technical infrastructure needed to support a strong, independent safety program.

PERFORMANCE INDICATORS:

- Increasing privatization, with a 1997 goal of doubling the percentage of the GDP accounted for by the private sector;
- Increased number of private media outlets established and operating free of government control;
- Enactment and implementation of laws fostering business development and investment;
- Sustainment and qualitative enhancement of the already-robust military-to-military cooperation programs between Ukraine and the United States;
- The 1997 opening of the National Tax Training Center, thus enhancing tax administration and a more efficient budgetary process;
- Bilateral aviation, tax, and investment treaties in force between the United States and Ukraine;
- The provision of productive employment within their respective disciplines to scientists and engineers previously working in nuclear and other weapons sectors, in projects administered by the International Science and Technology Center of Ukraine and elsewhere;
- Increased international confidence in Ukraine's commitment to reform, partially measured by increased EU and G-7 donor support and by enhanced IMF and World Bank programs in Ukraine;
- Improved strength of institutions and NGOs for the protection of individual rights;
- Enactment of policies, regulations, and legislation that support energy-sector restructuring, leading to concrete steps towards energy efficiency, self-sufficiency, nuclear safety, and environmental protection;
- Continued participation alongside U.S. forces in PFP, SFOR and other multi-and bilateral military activities, as well as regional peacekeeping efforts such as the Polish-Ukrainian peacekeeping unit; and
- Promotion of IMET graduates to senior military or defense ministry positions.

UZBEKISTAN

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
FSA	**19.000**	**21.010**	**32.500**
PFF	-	-	21.000
TA/HA	-	-	11.500
FMF	-	**0.750**	**1.000**
IMET	**0.293**	**0.250**	**0.350**
INC	**0.100**	**0.100**	-

OVERALL U.S. OBJECTIVES:

Uzbekistan has the largest and most homogeneous population in Central Asia, and is the only country in the region which borders all of the others. Its central location, relative cohesion, and strong sense of national identity make it a key regional state. An independent, self-confident Uzbekistan is a bulwark against outside manipulation or domination of the region. The United States has encouraged Uzbekistan to pursue regional cooperation with its Central Asian neighbors to strengthen their independence and long-term viability. U.S. interests also include helping Uzbekistan replace its authoritarian traditions with democratic institutions to bolster pluralism and ensure prosperity through an open society and open markets. Uzbekistan can also make important contributions to the regional security environment. With its substantial gold, natural gas, and mineral resources, Uzbekistan has the capacity to serve as an anchor for region-wide growth and prosperity. Uzbekistan is committed to building a free-market economy, which will advance trade and investment opportunities for U.S. firms. U.S. assistance to Uzbekistan will include cooperative activities under the new Partnership for Freedom and increased technical assistance to support democratic and market reform. U.S. foreign policy objectives in Uzbekistan seek to:

- Promote transparent and accountable governance and respect for human rights in Uzbekistan and empowerment of its citizens through the democratic political process;

- Improve the commercial relationship between Uzbekistan and the U.S., especially by helping Uzbekistan open up more attractive investment opportunities for U.S. companies;

- Strengthen the cooperative military relationship between the United States and Uzbekistan and Uzbekistan's participation in regional peacekeeping efforts like the

Central Asian peacekeeping battalion, OSCE and the Partnership for Peace (PFP); and

- Encourage Uzbekistan's commitment to nonproliferation and the development of an effective export control system to prevent the proliferation of weapons of mass destruction or destabilizing transfers of conventional arms.

STRATEGY:

Uzbekistan will benefit from the Partnership for Freedom's emphasis on economic growth and linkages and additional resources for removing trade impediments, project related training, IFI loan support, partnerships and exchanges. The new initiative will also provide additional resources for technical assistance in economic and democratic reform.

The U.S. strategy for the development of democratic institutions in Uzbekistan focuses on three areas: 1) assisting in the development of a transparent legal system to complement market reforms; 2) opening Uzbekistani society to Western sources of information by supporting the development of indigenous media and access to Western media; and 3) supporting the development of NGOs, particularly those devoted to human rights monitoring. Technical assistance will emphasize the importance of rule of law through help in drafting necessary civil and criminal legislation and training judges and attorneys. USAID-funded Internews will provide training for the small but growing independent media sector. Several small grants mechanisms, including the Eurasia Foundation and the embassy-based Democracy Fund, will provide direct assistance to Uzbekistani NGOs. Exchange and training programs will offer the next generation of leaders exposure to democratic values.

Our strategy for improving the climate for U.S. investment in Uzbekistan consists of supporting Uzbekistan's shift to a free-market economy and strengthening the legislative foundation and commercial infrastructure needed to encourage investment. The USG is working closely with the Uzbekistanis to identify and resolve issues and difficulties which inhibit greater foreign investment: lack of currency convertibility, complex registration and accreditation processes, and an inadequate banking system. USAID is working closely with the Ministry of Finance to draft a new tax code and to modernize tax administration. The U.S. is providing technical advice to draft a new budget law, reorganize budgetary classification systems and strengthen budgetary planning and execution. The United States will continue to encourage investment and support development of private business through the Central Asian-American Enterprise Fund, which has already made numerous equity investment and small business loans in Uzbekistan. The USG will encourage the Government of Uzbekistan to pursue membership in the WTO and will provide technical assistance as appropriate.

The U.S. encourages Uzbekistan's commitment to nonproliferation and will encourage Uzbekistan to become a member of the International Science and Technology Center (ISTC). The U.S. will also encourage Uzbekistan to develop an effective export control system by conducting an assessment, that will lead to the development of an action plan to address their most immediate shortcomings. This strategy for enhancing the cooperative military relationship between the United States and Uzbekistan focuses on encouraging, and materially supporting through the Warsaw Initiative, Uzbekistan's active participation in the Partnership for Peace (PFP). Uzbekistan has cooperated with Kazakstan and Kyrgyzstan to create a Central Asian Peacekeeping Battalion (CENTRASBAT) which could be made available to the UN for peacekeeping operations. Foreign Military Financing (FMF) will be provided for the CENTRASBAT, as well as for equipment and training to enhance Uzbekistan's capability to operate jointly with NATO forces in peacekeeping, search and rescue, humanitarian and other operations. International Military Education and Training (IMET) is fostering greater respect for and understanding of the principle of civilian control of the military, improved military justice systems and procedures in accordance with internationally recognized human rights, and effective defense resource management. The proposed FY 1998 IMET program for Uzbekistan will focus on such education for senior military officers and civilians and English language training.

PERFORMANCE INDICATORS:

- A constitutional and legal framework and judicial process that provide for more secure individual rights and civilian control of the military;
- Continued development of essential elements of civil society; including independent media and NGOs;
- Removal of barriers against U.S. trade and investment;
- Progress towards implementation of a new tax code;
- Revision of the budgetary system;
- Reform of the banking sector;
- Declining levels of government subsidies to state-owned enterprises;
- Progress toward WTO membership;
- Implementation of national policy and military capacity to improve cooperation and interoperability of forces and encourage active and effective participation in PFP exercises and in regional peacekeeping activities such as CENTRASBAT; and
- Promotion of IMET graduates to senior military or ministry positions.

SOUTH ASIA

SOUTH ASIA

OVERVIEW:

South Asia has been a region of increasing strategic and economic importance to the United States since the end of the Cold War. Economic reforms throughout the region provide valuable opportunities for expansion of U.S. commercial interests. Continuing tensions between India and Pakistan, both nuclear capable states, are a cause for concern, as are internal conflicts in Afghanistan and Sri Lanka. Several South Asian states are nurturing new and fragile democracies. Widespread poverty, the spread of diseases such as AIDS, and the threat of environmental degradation linked to development and population growth could threaten stability in the region and have global implications.

The United States seeks to reduce regional tensions, particularly between India and Pakistan, while advancing our global non-proliferation goals. We continue to work with regional states to achieve effective counternarcotics, counter-terrorism and anti-crime programs. South Asian states have been major supporters and contributors to global peacekeeping operations. Growth in U.S. trade and investment, until now focused on India, will be encouraged throughout the region. Strengthened democratic institutions, particularly in Bangladesh, Pakistan and Nepal underpin security, prosperity and greater respect for universal human rights. A key factor in achieving U.S. objectives will be efforts to promote sustainable development while taking environmental concerns into account.

Given the size of South Asia's population, the scale of the developmental and political challenges it faces, and the enormous opportunities for trade and investment, its Function 150 resources remain inordinately small. The United States will seek to maximize the impact of these resources by encouraging changes that can be pursued further by the governments and nongovernmental organizations (NGOs) in the region. In this respect, U.S. contributions are particularly effective tools for maintaining American leadership in key institutions and leveraging World Bank and Asian Development Bank resources to achieve our economic development and reform goals throughout South Asia.

OVERALL U.S. OBJECTIVES:

- Increase regional stability through reduced Indo-Pakistani tensions and progress toward the resolution of internal conflicts in Afghanistan and Sri Lanka.

- Support for our non-proliferation initiatives among regional states, particularly India and Pakistan.

- Continue the growth of U.S. trade and investment and further economic reforms.

- Continue support for environmentally sustainable economic development and economic reforms in South Asia.

- Strengthen democratic institutions and foster greater respect for human rights.

- Promote environmentally sustainable economic development.

- Progress in combating terrorism and narcotics trafficking and improve law enforcement cooperation including the return of fugitives to U.S. justice.

- Enhance national peacekeeping capabilities of selected countries to contribute to international peacekeeping operations.

STRATEGY:

Throughout the region, we will make use of our program resources and the operational efforts of U.S. executive departments and agencies to advance American objectives. On the most fundamental level, economic development and reform will strengthen the forces of stability and rapidly open opportunities for U.S. business growth. Our continued contributions to International Financial Institutions (IFIs) will maintain American influence with these organizations. Over the next three years, they will allocate an average of $7.6 billion to the region. Our limited bilateral assistance resources will be focused carefully, such as with USAID's large population project in Uttar Pradesh, India. INC programs, particularly in Pakistan, are central in efforts to combat narcotics production and trafficking. Diplomatic initiatives will remain a principal tool to achieve regional stability, especially through USIA Track II diplomacy between India and Pakistan. USIA programs are of great assistance to advance our non-proliferation objectives and in changing the attitudes of elites and opinion leaders on these questions. USAID programs will create a favorable economic framework and strengthen State and Commerce Department efforts to increase trade and investment. Both the United States Information Service (USIS) and ESF-financed democracy programs will help strengthen democratic institutions, through programs of U.S. NGOs such as the Asia Foundation, while International Military Education and Training (IMET) programs will sensitize regional military officers to the role of the military in a democracy and teach respect for human rights. The Foreign Military Financing (FMF) program, as well as other resources, will support the new global initiative for Enhancing International Peacekeeping Capabilities (EIPC) which includes select countries from the region. EIPC will encourage political willingness and enhance the military capacity of select nations to support participation in international peacekeeping operations and regional conflict prevention mechanisms.

SOUTH ASIA REGIONAL DEMOCRACY FUND

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
ESF	-	-	3.000

OVERALL U.S. OBJECTIVES:

The United States supports the consolidation and strengthening of democratic systems, respect for human rights and the rule of law throughout South Asia. Specific objectives of the U.S. in the area of democracy and human rights are to:

- Increase adherence by political parties and leaders to democratic norms in the region.
- Increase participation of citizens, particularly women and other disadvantaged groups, in the political process and in their own development through local and non-governmental organizations, improve availability and exchange of information, and increase basic literacy.
- Promote greater press freedom and recognition of media responsibility as a guardian of democracy and human rights.
- Encourage greater respect for workers' rights, particularly stronger recognition that child labor is widespread and a serious social problem.
- Seek adherence to general human rights norms and adoption of judicial reform and women's rights as human rights concerns.
- Promote a strong and participatory civil sector, including free trade unions and non-governmental organizations.

STRATEGY:

Our strategy to promote the consolidation of democracy will be to work with the Bureau of Democracy, Human Rights and Labor (DRL), as Fund manager, to provide assistance through U.S. non-governmental organizations working in the region and to governmental programs which contribute to U.S. objectives. In FY 1998 the United States will initiate a program in Sri Lanka to support the government's major constitutional overhaul by providing training in effective legal drafting to the attorney general's office. This program would support the government's ongoing constitutional

strengthening, which could fundamentally restructure the way Sri Lankans govern themselves and the manner in which the ethnic communities interact.

Funds would also support the Maldives' effort to modernize its legal system, an often awkward and ineffective amalgam of shari'a and customary practice. Training in legal drafting is an urgent and priority need. We may request a waiver of the Symington Amendment restrictions to allow the U.S. to fund programs in Pakistan that would focus on constitutional reform, improving the accountability process, and strengthening civic groups that monitor the performance of the government. In addition, the South Asia Regional Democracy Fund will support programs in Bangladesh that train women to campaign for local office and encourage development of an independent, democratically organized union for garment workers. These programs would complement other assistance provided by the United States.

PERFORMANCE INDICATORS:

- Commitment to the rule of law, including respect for human rights, a strong legal system, and an independent judiciary, as evidenced by improvements in the administration of justice and increased independence of judicial officials;
- A strong and participatory civil sector, including free trade unions and non-governmental organizations;
- Increased availability of legal services through governmental and non-governmental entities, thus improving access to the judicial process;
- Increased transparency of governmental processes and increased accountability through greater participation of non-governmental civic organizations in the legislative and electoral processes;
- Increased participation of women and disadvantaged groups in the political process, including as voters and candidates for elective office;
- A freer and more open press;
- Credible, transparent, free and fair multi-party elections with fewer instances of electoral fraud and higher voter turnout; and
- Representative and accountable government at all levels, evidenced by more independent legislatures and local councils whose members understand the legislative process, the role of a loyal opposition, constituent relations.

AFGHANISTAN

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
INC[1]	1.100	1.400	1.500
IO&P[2]	0.250	0.500	0.500

OVERALL U.S. OBJECTIVES:

American interests in Afghanistan include the promotion of stability and security to enhance regional stability, combat narcotics trafficking and terrorism, and further humanitarian relief and reconstruction. Specific U.S. objectives are to:

- Increase peace, stability, the rule of law and respect for human rights, including women's rights, throughout Afghanistan.
- Continue U.S. and international support for Afghan humanitarian needs and eventual reconstruction, particularly through demining programs.
- Encourage Afghan cooperation on countering narcotics production and trafficking.
- Close terrorist training camps and arrest terrorist cadre.
- Continue voluntary repatriation of Afghans from Pakistan, where and when security conditions permit.

STRATEGY:

The United States seeks to promote peace, stability and the rule of law in Afghanistan, and encourage the establishment of a broad-based government through bilateral support and through support for the activities of the UN Special Representative for Afghanistan. The re-establishment of a representative central government with authority throughout Afghanistan would allow significant progress toward counternarcotics, counter-terrorism, humanitarian and reconstruction goals. In the meantime, we will work on an ad hoc basis with Afghan groups to achieve local successes against narcotics traffickers and to close terrorist training camps. The United States continues to support the efforts of international organizations that provide

[1] Includes funds earmarked for UNDCP use.
[2] Includes voluntary contribution to the UN Afghanistan Emergency Trust Fund.

emergency rehabilitation assistance in Afghanistan, particularly mine clearing, through the UN Afghanistan Emergency Trust Fund. In the long term, economic assistance to promote reconstruction in Afghanistan would be required.

PERFORMANCE INDICATORS:

- An end to fighting throughout Afghanistan and the establishment of a neutral security force;
- Progress toward establishing an interim government and planning for a permanent form of democratically elected government;
- Observance of international human rights norms, including the rights of women;
- Reduction in the amount of opium being produced or processed; and
- Reduction in the number of terrorist training camps.

BANGLADESH

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
DA	30.861	47.400	56.305
ESF	-	-	0.500
IMET	0.326	0.300	0.375
INC	-	-	0.025

OVERALL U.S. OBJECTIVES:

The foremost U.S. interests in Bangladesh are to encourage the development of a stable democracy and a sustainable, market-oriented economy. An increasingly prosperous and democratic Bangladesh will provide opportunities for U.S. business, help increase Bangladeshi cooperation on international security issues, maintain Bangladeshi involvement in multilateral peacekeeping activities, reduce the number of Bangladeshis living in poverty, reduce population growth rates and pressures on the environment and out migration, lessen dependence on aid and enhance the country's disaster response capabilities. U.S. objectives are to:

- Continue the growth of stable, transparent democratic institutions.
- Improve the observance of human rights through a more professional, apolitical military.
- Progress toward sustainable economic development.
- Expand opportunities for U.S. goods, services and investment, through improved business practices.
- Increase support for U.S. positions in international fora and continue Bangladeshi willingness and ability to contribute to international peacekeeping efforts.

STRATEGY:

To strengthen stable democratic institutions, U.S. officials seek to encourage Bangladeshi political and military leaders to support an transparent, democratic political system. USAID-funded training will improve the effectiveness and responsiveness of elected and appointed officials in all branches of government, through education programs that raise awareness of voter responsibilities, human and legal rights. The

IMET program will pursue parallel goals in the military. USIS exchange and speaker programs will encourage more efficient administration of all branches of government. A particular focus for human rights efforts will be continued strong support for a phasing out of child labor in garment factories and other industries, through support for a USIS grant to an American labor and human rights organization.

The United States will promote sustainable economic development through high-level advocacy of market-based policy and regulatory reforms. USAID programs will focus on key strategic objectives to improve family planning, the delivery of child health services, increase the food security and income generation of the poor, enhance the productivity of small enterprises, promote the use of environmentally sustainable production practices, and enhance democratic processes at all levels. We will support IFIs projects and programs that further these goals. Continuing development will expand opportunities for the export of U.S. goods, services and investments, and the U.S. diplomatic presence will aggressively promote American business. High level interaction will be the principal mechanism for obtaining greater Bangladeshi support for U.S. positions in international fora. Continued cooperation on peacekeeping will be supported through the Excess Defense Articles (EDA) program. The IMET program will provide professional military education targeted at civil-military relations, rule of law, human rights and international peacekeeping efforts.

Bangladesh will be eligible to receive grant Excess Defense Articles (EDA) in FY 1998 under Section 516 of the Foreign Assistance Act. Grant EDA would support the protection of sea resources, control smuggling and drug trafficking, enhance fishery protection, port security, search and rescue, and disaster relief operations, improve maritime law enforcement and piracy control and facilitate Bangladeshi participation in UN peacekeeping operations.

PERFORMANCE INDICATORS:

- Free and fair parliamentary by-elections and open processes for selection of local governing bodies;
- Implementation of an education and monitoring program to end child labor in the garment industry;
- Procurement of U.S. long haul aircraft by the national airline;
- Government of Bangladesh agreement with the International Monetary Fund (IMF) on a new economic reform program;
- Implementation of legal reforms to facilitate greater private sector participation in the economy;
- Implementation of financial sector reforms that improve access to capital for all strata of Bangladesh society and ensure the productivity of investment; and
- Participation in multilateral peacekeeping and support to regional conflict prevention mechanisms.

INDIA

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
DA	29.775	49.350	55.700
IMET	0.357	0.400	0.475

OVERALL U.S. OBJECTIVES:

With one-sixth of the world's population, India is the dominant force in South Asia and an emerging world power. The United States will continue its cooperative relations with India in the post-Cold War era. India is a Big Emerging Market, and the United States is its leading trading partner and source of foreign investment. India is a nuclear-capable state that has fought three wars with a now nuclear-capable Pakistan, and is a prime focus of U.S. concerns about non-proliferation and reducing regional tension. In addition, India poses concerns of global proportions in terms of environmental degradation, poverty, overpopulation and the spread of HIV/AIDS. U.S. objectives are to:

- Continue growth of U.S. trade and investment, and economic, trade reforms and development, including further reduction of barriers and Indian compliance with World Trade Organization (WTO) obligations.
- Gain Indian support for global non-proliferation goals.
- Encourage support for policies which promote regional stability.
- Continue expansion of bilateral military cooperation, including an enhancement of Indian peacekeeping capabilities.
- Encourage Indian policies that serve U.S. interests and objectives related to the environment, population and health.
- Cooperate on extradition and narcotics issues.
- Improve human rights performance by Indian security forces battling separatist insurgencies, especially in Kashmir.
- Effective Indian Human Rights Commission and indigenous human rights NGOs; promote more effective steps to end child labor.

STRATEGY:

Through the Economic/Commercial Subcommission and the U.S.-India Commercial Alliance, the United States will promote U.S. and Indian business interests and commercial interaction. The U.S. Embassy in New Delhi will encourage continued economic reforms through official visits, USAID programs, IFIs programs, USIS exchanges and the USIS-USAID distinguished speaker series. To enhance regional security and promote non-proliferation, official dialogue at a senior level will focus on discussions centered on the Indian nuclear, technical and defense establishment and security issues. A particular focus will be on a resumed, substantive and regular dialogue between Indian and Pakistani leaders. The U.S. Embassy and USIS will encourage Track II contacts between non-official Indians and Pakistanis. In addition, the U.S. promotes the expansion of military-to-military relations through senior military visits, a growing exercise and training program, and substantive meetings of the Defense Policy Group and related bodies. We also seek to broaden the current dialog to encompass senior level policy interaction on peacekeeping issues.

To advance our environmental and developmental goals, the United States will seek implementation of the Common Agenda environmental initiative and promote family planning through USAID's family planning and health programs, as well as World Bank and Asian Development Bank programs. Effort by manufacturers to develop an internationally credible child labor-free trademark will be reinforced. The IMET program will provide professional military education and training to expose the Indian military to U.S. political, military and social institutions which will strengthen the emphasis on international peacekeeping operations and human rights issues.

India would be eligible for grant Excess Defense Articles (EDA) in FY 1998 under Section 516 of the Foreign Assistance Act. Grant EDA would enhance India's already strong participation in international peacekeeping operations. Communications systems training aids and equipment, and spare parts would be particularly suitable to support their efforts.

PERFORMANCE INDICATORS:

- Further action by India to demonstrate a sustained willingness and ability to encourage U.S. exports and investments;
- Further reduction in tariffs; removal of restrictions on consumer product imports; enactment of patent laws; acceptance of IPR obligations; labor law reforms;
- Continued restraint on deployment of ballistic missiles and testing of nuclear weapons;
- Enhanced contributions to international peacekeeping operations and support to regional conflict prevention mechanisms;
- Resumed senior-level dialogue between India and Pakistan;
- Implementation of the Common Agenda for the Environment;

- Return of criminal fugitives to the United States;
- Improved human rights conditions in Kashmir; and
- Reduced number of children working in export industries.

MALDIVES

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
IMET	0.080	0.100	0.100

OVERALL U.S. OBJECTIVES:

The United States has a strong interest in ensuring access to Maldives' strategic location in the Indian Ocean. The Government has been helpful in providing access for U.S. vessels and allowing U.S. aircraft transit rights in Maldivian airspace. Maldives has a parliamentary form of government with a strong elected executive, but its democratic institutions need reinforcement. Specific U.S. objectives are to:

- Continue the U.S.-Maldives cooperative relations on U.S. military transit.
- Strengthen democratic institutions.
- Improve effectiveness of the Maldivian National Security Service and continued internal stability.

STRATEGY:

Since there is no resident U.S. mission in the Maldives, the United States pursues its goals in the Maldives through regular diplomatic exchanges managed by our embassy in Colombo, Sri Lanka. The IMET programs assist in this effort by promoting continued inclusion of human rights concerns as part of basic military training. The IMET program will also provide training in maritime law enforcement.

PERFORMANCE INDICATORS:

- Continued internal stability; police and military support for democratic institutions.
- Enhanced recognition of human rights norms on the part of Maldivian military officers.

NEPAL

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
DA	13.883	19.600	23.115
IMET	0.140	0.200	0.225

OVERALL U.S. OBJECTIVES:

Nepal is located between two major powers, India and China; supporting Nepal's new democracy and sustainable economic development contributes to regional stability. Nepal also presents opportunities for the pursuit of key U.S. global interests, including protecting the environment, slowing population growth, combating terrorism and drug trafficking and slowing the spread of AIDS. Nepalese participation in international peacekeeping operations supports American objectives. Key U.S. objectives are:

- Consolidation of democracy, including respect for human rights.
- Environmentally sustainable economic growth through market-oriented reform, providing greater opportunities for U.S. trade and investment.
- Progress on global priorities; reduce population growth and protect the environment.
- Resolution of the Bhutanese refugee problem.
- Nepalese support for and participation in regional and global issues, such as water use and hydropower.
- Enhance peacekeeping capabilities and operations.

STRATEGY:

The United States will support consolidation of democracy and increased respect for human rights in Nepal through expanded contact with all participants in the political process. We will coordinate with other embassies to support Government of Nepal's efforts to strengthen the electoral process. USIS exchanges inform the Nepalese government on transparency of the legislative process and efficiency in judicial administration. Diplomatic exchanges will pursue our human rights goals by working with the government officials to develop an effective human rights commission and increase empowerment of women. Economic growth will be encouraged through

support for tax reform, privatization (with USAID funding) and policy reform, and through Asian Development Bank and World Bank programs and projects. To promote Nepalese progress on global priorities, USAID will help promote new environmental legislation and support the preparation of a demographic and health survey that will be the basis of future family planning and health programs. The Department of State will establish a regional environmental hub in Kathmandu. The United States will also promote more regional collaboration on water use and hydropower with funding from the IFIs. In addition, the United States will encourage (in conjunction with the IMET program and other military-to-military activities) continued Nepali support for peacekeeping operations. Diplomatic initiatives will encourage the governments of Nepal and Bhutan to reach a mutually acceptable agreement on Bhutanese refugees.

Nepal will be eligible to receive grant Excess Defense Articles in FY 1998 under Section 516 of the Foreign Assistance Act. Grant EDA would enhance the effectiveness of Nepal's participation in specific peacekeeping operations, as well as contribute to broader U.S. peacekeeping programs designed to improve military institutional peacekeeping capabilities. These include communications equipment, training aids and spare parts. Equipment supporting mountain search and rescue capabilities is also very useful.

PERFORMANCE INDICATORS:

- Passage and implementation of an electoral reform act that will strengthen the electoral commission and the electoral process;
- Establishment of an effective human rights commission;
- Implementation of market-oriented economic reforms;
- Progress on family planning and health programs;
- Beginning of return and resettlement program for Bhutanese refugees; and
- Increased extent and quality of Nepalese participation in multilateral peacekeeping and support to regional conflict prevention mechanisms.

PAKISTAN

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
INC	2.500	2.500	2.500

OVERALL U.S. OBJECTIVES:

Pakistan can play a significant role in supporting progress toward several global U.S. policy objectives, including non-proliferation of weapons of mass destruction and ballistic missile systems; combating narcotics production and trafficking; and fighting international terrorism. It is important for us that Pakistan assume a more responsible role in regional and world affairs. Commercially, the large Pakistani market offers considerable opportunities for U.S. business, particularly in infrastructure projects. Specific U.S. objectives are to:

- Enhance greater Pakistani cooperation on non-proliferation initiatives.
- Encourage passage of Pakistani policies that contribute to regional stability.
- Strengthen democratic institutions and greater respect for human rights, including labor rights.
- Increase Pakistani cooperation on extradition, support for U.S. and multilateral counter-terrorism and counternarcotics efforts.
- Promote a business environment conducive to U.S. trade and investment.
- Promote sound macroeconomic policies and accelerate structural reform to enhance prospects for regional stability through achievement of sustained, robust growth.
- Sustained development, and economic and commercial policy reforms aim to modernize Pakistan's economy and society.
- Improve military-to-military cooperation, including continued Pakistani support for enhanced peacekeeping capabilities and multilateral peacekeeping operations.

STRATEGY:

The United States will promote non-proliferation and regional security goals through senior level official dialogue with civilian and military leaders, urging moderation on nuclear and missile programs and the reopening of a dialogue with India. Through USIS traveling seminars and other confidence building programs, the U.S. Embassy will continue to pursue Track II contacts between non-official Indians and Pakistanis to minimize conflict and improve relations. We will urge senior politicians from all parties to strengthen democratic institutions by forswearing confrontational politics and working to promote a more effective democracy. A waiver of the Symington Amendment restrictions may be requested to allow funding for democracy-related programs in Pakistan and resumption of IMET training for Pakistani military personnel in order to promote increased professionalism, adherence to human rights standards, and to strengthen our influence with Pakistan's military. American contributions to the IFIs programs promote economic reform and development. The United States counternarcotics assistance program will improve Pakistani law enforcement capabilities. USIS will provide public affairs support for Drug Enforcement Agency (DEA) and National Academy of Sciences (NAS) programs and will encourage community efforts in drug prevention and awareness.

To promote bilateral trade and investment, the Department of Commerce will secure participation by U.S. and Pakistani business leaders in a U.S.-Pakistan Business Development Forum. We will seek changes in U.S. sanctions legislation to permit greater U.S. support for American business in Pakistan. At the same time, we will seek additional Government of Pakistan measures to protect workers' rights and support efforts by manufacturers to develop an internationally credible child labor-free trademark. The American Embassy will continue its strong support for an end to child labor, in part by means of a USIS grant to an American labor and human rights organization. Military-to-military relations will be expanded through senior military visits, and substantive meetings of the U.S.-Pakistan Consultative Group and related bodies. We also seek to broaden the current dialogue to encompass senior level policy dialogue on peacekeeping issues. We will seek modification of legislated sanctions to permit resumption of IMET for Pakistan military personnel in order to promote increased professionalism, adherence to human rights standards and to strengthen our influence with Pakistan's military.

PERFORMANCE INDICATORS:

- Continued restraint on deployment of ballistic missiles and testing of nuclear weapons;
- Resumed senior-level dialogue between India and Pakistan;
- Moderation of partisan political behavior and rhetoric;
- Expansion of combined exercise program;

- Increased narcotics-related arrests, destruction of heroin processing labs, reduction of opium poppy acreage, tightened money laundering regulations;
- Return of criminal fugitives to the United States;
- More aggressive Government of Pakistan action against terrorist groups;
- Continued progress with the IFIs to strengthen Pakistan's macroeconomic stabilization efforts and structural reforms;
- Activated U.S.-Pakistan Business Development Forum;
- Resolution of GSP labor case on terms consistent with international workers' rights norms; and
- Enhanced contributions to international peacekeeping operations and support to regional conflict prevention mechanisms.

SRI LANKA

FOREIGN OPERATIONS RESOURCES:

(Dollars in millions)

	FY 96 Actual	FY 97 Estimate	FY 98 Request
DA	11.705	3.000	7.000
ESF	-	-	2.000
IMET	0.179	0.200	0.225
INC	-	-	0.025

OVERALL U.S. OBJECTIVES:

Sri Lanka offers opportunities for U.S. investment and trade which would be enhanced by resolution of the internal conflict and further economic policy reform. The United States also maintains a Voice of America transmitter in Sri Lanka and is constructing an expanded site there, the completion and operation of which is a key U.S. interest. U.S. objectives include:

- Progress toward an equitable resolution to the internal conflict which preserves national unity and incorporates the interests of all communities.
- Greater economic reform and transparency that would permit an increase in U.S. exports and investments.
- Liberation Tiger of Tamil Eelam (LTTE) conformance to international human rights standards; continued progress in the Government of Sri Lanka's human rights performance.
- Completion of VOA relay station and reduction of problems that may impede operational activities.
- Assist Sri Lankans displaced by fighting in the north of the country.

STRATEGY:

To promote resolution of the internal conflict, the United States supports negotiations among all political groups to secure devolutionary constitutional reforms. This would be coupled with reconstruction in the areas of the country affected by the conflict with the assistance of USAID and Peace Corps. The United States will continue to press the LTTE, through direct and indirect contacts and increased public scrutiny of its behavior, to end its use of terrorist tactics and wholesale violation of human rights.

Our diplomatic engagement will promote government efforts to maintain previous human rights improvements as the conflict with Tamil separatists continues, providing assistance to make the Sri Lankan judiciary and media more responsive on this issue. To generate momentum on economic reform, the U.S. will support further market-oriented reforms, privatization, private sector growth and dynamic promotion of U.S. trade and investment through embassy contacts, trade missions, USAID programs, IFIs projects and USIS public awareness efforts. To promote our global broadcasting objectives, the United States will seek Government of Sri Lanka political support for completion and regular operation of the new VOA transmitter there. Through IMET, we will continue military training that supports peacekeeping and international recognition of human rights.

Sri Lanka will be eligible for grant Excess Defense Articles (EDA) in FY 1998 under Section 516 of the Foreign Assistance Act. Grant EDA would be used to aid demining programs necessary as a result of Sri Lanka's lengthy civil war. In addition, equipment could contribute to improved professionalism and operation of the Army, a central element of U.S. policy due to past concerns about human rights abuses.

PERFORMANCE INDICATORS:

- Increased privatization, moving toward 80 percent of the economy in private hands by 2000; deregulated labor markets by 1999, with unemployment dropping 1 percent per year; private sector investment rising ten percent per year;
- Agricultural exports rising three percent per year by 1997; five to ten percent rise in U.S. industrial exports;
- Participation of Tamil, Muslim, and opposition party groups in discussions and adoption of devolution reforms;
- Reconstruction of war-affected areas with a significant percentage of refugee and displaced populations returning to their homes, restoration of politically acceptable civil administration and resumption of viable economic activity;
- Greater international attention to LTTE atrocities, if they continue; reduction of LTTE terrorism and demonstrated greater respect for human rights;
- Government brings to trial those charged in high-profile human rights violations; and
- Reduced disappearances, detentions and torture.

IV. SUPPORTING INFORMATION

ARMS CONTROL CONSIDERATIONS

Security assistance continues to be an indispensable U.S. policy instrument in the post-Cold War era for exerting constructive leadership in advancing international peace and security, and increasing the number of states with democratic political institutions and free market economies. Judiciously used, arms transfers can deter aggression, foster internal and regional stability, strengthen and revitalized mutual security relationships, and demonstrate enduring interest in the security of friends and allies. New and creative uses of security assistance, such as the worldwide Nonproliferation and Disarmament Fund, promote bilateral and multilateral efforts to control the spread of missiles, nuclear and chemical/biological weapons, and destabilizing conventional arms transfers. These mutually reinforcing approaches to international security promote regional and global stability by enhancing the deterrent and defense capabilities of U.S. friends and allies, and actively advancing U.S. nonproliferation and arms control objectives.

The U.S. security assistance program complements U.S. arms control policy of promoting international security through the negotiation of equitable and verifiable agreements, and assuring compliance with existing agreements. It also enhances the United States' ability to limit the proliferation of potentially destabilizing weapons, especially in regions of tension and conflict, by giving countries other means for ensuring their security. As the President's arms transfer policy states, the United States will actively seek greater transparency in the area of arms transfers to regions of instability. Carefully structured security assistance programs support U.S. arms control policy of allowing transfers which enhance stability, and U.S. nonproliferation objectives of curbing the spread of weapons of mass destruction and their delivery systems.

The President's arms transfer policy requires the careful, case-by case evaluation of each request for arms in terms of its contributions to foreign policy and national security. The arms control implications of each transfer are essential elements of this evaluation, and each transfer is specifically reviewed for its impact upon U.S. arms control and nonproliferation objectives. Such a review considers, inter alia, whether a proposed transfer is consistent with U.S. interests in maintaining or enhancing stability within the region; whether the proposed transfer can be absorbed without overburdening the recipient's military support system or financial resources; whether the proposed transfer adds or detracts from fulfilling U.S. nonproliferation goals; and whether possible adverse effects of the transfer are offset by positive contributions to U.S. regional interests and objectives.

The Arms Control and Disarmament Agency (ACDA) exercised statutory authority for evaluating the arms control and nonproliferation implications of arms transfer proposals. As required by the Arms Export Control Act and the Foreign Assistance Act of 1961, ACDA assesses whether proposed military sales and assistance and commercial arms exports might contribute to an arms race; support international

terrorism; increase the possibility of outbreak or escalation of conflict; prejudice the development or negotiation of bilateral or multilateral arms control arrangement; or adversely affect the arms control policy of the United States.

ACDA also takes into account factors such as regional stability and the military balance; legitimate defense needs relative to threats; the military force structure, strategy and doctrine of the proposed recipient and its neighbors; whether the transfer would constitute a "new", offensive, power-projection, or destabilizing capability; its proliferation implications; and risks of misuse or unauthorized retransfer.

ACDA is an active participant in the U.S. arms transfer and security assistance decision-making process. The Agency participates in the inter-agency security assistance program development process in order to ensure that arms control and proliferation implications are considered in the development of all programs contained in the annual security assistance budget request. ACDA continues to play an active role in the development and support of major Administration arms transfer and weapons nonproliferation initiatives, and participated in and contributed to, the establishment and implementation of the President's conventional arms transfer policy. The agency is also supporting U.S. efforts to strengthen the new multilateral Wassenaar Arrangement on Export Controls for Conventional Arms and Dual Use Goods and Technologies. ACDA has strongly supported initiatives for regional and global restraint in arms transfers, consistent with the Administration's overall policy.

These efforts will accelerate as the focus of arms control adapts to the post-Cold War world, where regional instability and the proliferation of weapons of mass destruction increasingly pose the most dangerous threats to world peace. Recent initiatives to promote regional arms control arrangements and control the proliferation of weapons of mass destruction, their delivery systems, and destabilizing conventional weapons have intensified as the United States now shares many common objectives with former adversaries.

At the same time programs like the Nonproliferation and Disarmament fund permit the sue of security assistance funds for activities such as technical assistance in support of defense industry conversion or dismantlements, regional arms control arrangements, and nonproliferation and export controls objectives. The United States remains committed to helping its friends and allies maintain and enhance their security through prudent arms transfers and nonproliferation initiatives which promote regional stability and world peace.

ESTIMATING FOREIGN MILITARY SALES

Foreign Military Sales (FMS) policies derive from U.S. statutes, Presidential directives, and policies of the Departments of State and Defense. The U.S. offers to sell defense articles and services (including training) under FMS procedures only in response to specific requests from authorized representatives from foreign governments or eligible international organizations.

The following table is in two parts. The first part shows the total dollar value by country of government-to-government FMS Letters of Offer and Acceptance (LOA's) signed in FY 1996, regardless of when the articles and services were or will be delivered.

The second part shows the estimated dollar values projected for FY 1997 and FY 1998. These estimates are derived through an analysis of each country under conditions of extreme uncertainty. Projections are based on: analysis of expectations of interests by potential purchasers which may not result in official requests; judgments of which requests may be approved and which may result in actual sales offers after completion of a thorough, and often lengthy, U.S. Government review process; and a judgment not only of how essential the military equipment or defense service is to the country's defense needs, but also of whether the purchase will be approved during the purchasing country's budget process. Projections include an estimate of potential requests for major increases in scope (amendments) to prior-year cases. These amendments are reflected as a sale in the current fiscal year. In some instances, training, publications, maps, medical supplies, technical assistance, and some spare parts are not included in these figures. (Further information is provided in the classified annex to this document).

Each phase of the request/offer/acceptance process has many variables which make it difficult to determine exactly when--or even if--a particular sale may occur. Variance of one day in a purchasing country's acceptance of a single significant sales agreement could shift the recording of the transaction from one fiscal year to the next. In addition, U.S. agreements cannot always be segregated on a cash or financing basis when Letters of Acceptances are concluded by purchasing countries. Also, for countries eligible for U.S. financing, it is not always possible to determine until full payment has been made how much of that payment was U.S.-financed.

FOREIGN MILITARY SALES & CONSTRUCTION SALES AGREEMENTS
(DOLLARS IN THOUSANDS)
(REVISED MARCH 1997)

	ACTUAL FY 1996			ESTIMATED	
	DEFENSE ART/SERV	CONSTR/ DESIGN	TOTAL SALES	FY 1997 TOTAL SALES	FY 1998 TOTAL SALES
AFRICA:					
BOTSWANA	2,505	0	2,505	500	0
CAMEROON	49	0	49	0	0
CAPE VERDE	0	0	0	100	0
CHAD	746	0	746	200	200
COTE D'IVOIRE	6	194	200	600	100
DJIBOUTI	190	0	190	0	0
ERITREA	334	0	334	1,900	500
ETHIOPIA	350	0	350	1,400	500
GHANA	368	0	368	4,500	0
GUINEA-BISSAU	307	0	307	200	200
KENYA	4,588	215	4,803	1,000	500
MADAGASCAR	0	0	0	500	0
MALAWI	480	0	480	0	0
MOZAMBIQUE	0	0	0	200	200
NAMIBIA	0	0	0	800	200
ORG. OF AFRICAN UNITY	525	0	525	0	0
RWANDA	207	0	207	0	0
SAO TOME & PRINCIPE	0	0	0	400	0
SENEGAL	395	0	395	200	0
SEYCHELLES	0	0	0	200	0
SIERRA LEONE	0	0	0	300	0
SOUTH AFRICA	1,639	0	1,639	500	0
TANZANIA	0	0	0	100	0
UGANDA	154	0	154	1,900	0
ZIMBABWE	0	0	0	400	0
REGIONAL TOTAL	12,843	409	13,252	15,900	2,400
AMERICAN REPUBLICS:					
ANTIGUA-BARBUDA*	0	0	0	100	100
ARGENTINA	3,291	0	3,291	12,400	53,200
BAHAMAS, THE	0	0	0	1,100	2,000
BARBADOS*	668	0	668	100	100
BOLIVIA	378	0	378	1,500	1,500
BOLIVIA - INTL. NARC.	5,274	388	5,662	6,700	4,900
BRAZIL	49,429	0	49,429	69,500	104,000
CHILE	2,559	0	2,559	25,000	119,000
COLOMBIA	8,920	1,136	10,056	73,000	18,000
COLOMBIA - INTL. NARC.	8,418	728	9,146	7,000	5,000
COSTA RICA	117	0	117	2,000	2,500
DOMINICA*	0	0	0	100	100
DOMINICAN REPUBLIC	441	0	441	4,500	2,000
EASTERN CARIBBEAN	0	0	0	2,000	3,800
ECUADOR	405	0	405	8,700	21,500
ECUADOR - INTL. NARC.	415	752	1,167	3,600	1,200
EL SALVADOR	3,382	777	4,159	3,800	2,100
GRENADA*	0	0	0	300	100
GUYANA	0	0	0	100	100
HAITI	5,536	0	5,536	1,000	0
HONDURAS	5,515	2,263	7,778	2,100	2,100
JAMAICA	870	0	870	2,000	2,000
MEXICO	4,837	0	4,837	22,300	18,000
OAS HQS	561	0	561	250	0
PANAMA	170	0	170	1,500	1,500
PARAGUAY	0	0	0	500	500

FOREIGN MILITARY SALES & CONSTRUCTION SALES AGREEMENTS
(DOLLARS IN THOUSANDS)
(REVISED MARCH 1997)

	ACTUAL FY 1996			ESTIMATED	
	DEFENSE ART/SERV	CONSTR/ DESIGN	TOTAL SALES	FY 1997 TOTAL SALES	FY 1998 TOTAL SALES
AMERICAN REPUBLICS (CONT):					
PERU	5	0	5	3,700	11,500
ST. KITTS AND NEVIS*	80	0	80	100	100
ST. LUCIA*	0	0	0	100	100
ST. VINCENT &	0	0	0	100	100
SURINAME	0	0	0	100	100
TRINIDAD & TOBAGO	347	0	347	100	100
URUGUAY	1,375	0	1,375	5,550	6,700
VENEZUELA	23,501	0	23,501	30,000	68,000
REGIONAL TOTAL	126,494	6,044	132,538	290,900	452,000
EAST ASIA & PACIFIC:					
AUSTRALIA	173,708	0	173,708	79,600	15,500
BRUNEI	0	0	0	54,000	0
CAMBODIA	698	0	698	2,000	2,400
INDONESIA	27,698	0	27,698	8,700	75,300
JAPAN	525,623	0	525,623	456,300	491,300
LAOS	0	0	0	700	1,200
MALAYSIA	5,524	0	5,524	94,000	58,000
NEW ZEALAND	7,265	0	7,265	11,900	3,000
PHILIPPINES	20,408	0	20,408	91,900	49,000
SINGAPORE	310,673	65	310,738	394,500	141,100
SOUTH KOREA	998,875	0	998,875	705,500	232,500
TAIWAN	459,865	0	459,865	400,000	400,000
THAILAND	508,272	0	508,272	508,300	628,700
TONGA	40	0	40	0	0
REGIONAL TOTAL	3,038,649	65	3,038,714	2,807,400	2,098,000
EUROPE & CANADA:					
ALBANIA	3,417	0	3,417	3,900	6,000
AUSTRIA	9,843	0	9,843	27,000	7,000
BELGIUM	57,490	0	57,490	47,200	14,000
BULGARIA	1	0	1	7,300	6,500
CANADA	130,848	0	130,848	140,000	150,000
CZECH REPUBLIC	7,656	0	7,656	600	90,000
DENMARK	139,289	0	139,289	36,000	31,000
ESTONIA	531	0	531	3,700	3,000
FINLAND	1,832	0	1,832	100	35,500
FRANCE	23,084	0	23,084	22,000	16,000
GERMANY	267,637	0	267,637	210,000	200,000
GREECE	205,722	0	205,722	230,300	330,000
HUNGARY	2,340	0	2,340	62,100	126,500
ICELAND	12	0	12	0	0
ITALY	78,318	0	78,318	40,000	50,000
LATVIA	528	0	528	3,600	3,000
LITHUANIA	298	0	298	3,700	3,000
LUXEMBOURG	3,223	0	3,223	2,000	2,000
MACEDONIA (FYROM)	0	0	0	3,700	7,500
NETHERLANDS	151,731	0	151,731	200,000	155,000
NORWAY	489,597	0	489,597	90,800	70,000
POLAND	7,294	0	7,294	190,800	57,000
PORTUGAL	4,007	0	4,007	17,700	17,000
ROMANIA	6,450	0	6,450	10,000	16,500
SLOVAKIA	1,450	0	1,450	8,600	5,000

FOREIGN MILITARY SALES & CONSTRUCTION SALES AGREEMENTS
(DOLLARS IN THOUSANDS)
(REVISED MARCH 1997)

	ACTUAL FY 1996			ESTIMATED	
	DEFENSE ART/SERV	CONSTR/ DESIGN	TOTAL SALES	FY 1997 TOTAL SALES	FY 1998 TOTAL SALES
EUROPE & CANADA (CONT):					
SLOVENIA	192	0	192	11,300	120,000
SPAIN	119,932	0	119,932	830,400	149,000
SWEDEN	9,562	0	9,562	2,000	1,800
SWITZERLAND	6,620	0	6,620	55,000	55,000
TURKEY	227,281	0	227,281	424,000	350,000
UNITED KINGDOM	489,105	0	489,105	136,000	125,000
REGIONAL TOTAL	2,445,290	0	2,445,290	2,819,800	2,202,300
NEAR EAST & SOUTH ASIA:					
BAHRAIN	98,059	0	98,059	78,800	201,200
BANGLADESH	0	0	0	2,300	2,300
EGYPT	1,422,277	61,141	1,483,418	1,000,000	1,300,000
ISRAEL	883,284	0	883,284	436,000	627,000
JORDAN	219,252	0	219,252	7,300	4,000
KUWAIT	239,084	0	239,084	388,900	749,600
LEBANON	16,099	0	16,099	25,000	25,500
MOROCCO	5,862	1,359	7,221	32,000	17,500
OMAN	2,555	0	2,555	8,300	9,300
PAKISTAN	0	0	0	500	500
QATAR	0	0	0	2,000	2,000
SAUDI ARABIA	1,296,524	14,000	1,310,524	1,359,600	1,004,300
SRI LANKA	112	0	112	500	600
TUNISIA	6,743	0	6,743	9,800	11,000
UNITED ARAB EMIRATES	2,822	0	2,822	2,800	250,000
REGIONAL TOTAL	4,192,673	76,500	4,269,173	3,353,800	4,204,800
NON-REGIONAL:					
CLASSIFIED TOTALS a/	528,713	0	528,713	700,000	700,000
INTERNATIONAL ORG.	41,714	0	41,714	25,000	25,000
NON-REGIONAL TOTAL	570,427	0	570,427	725,000	725,000
WORLDWIDE TOTAL	10,386,379	83,018	10,469,397	10,012,800	9,684,500

NOTE: Totals may not add due to rounding.
* These countries comprise the Eastern Caribbean. See Eastern Caribbean narrative for a discussion of specific country
** Less than $500.
a/ For further information, please see Classified Annex to this document.

FOREIGN MILITARY SALES ADMINISTRATIVE COSTS

The Foreign Military Sales (FMS) program is implemented, for the most part, by the same Department of Defense personnel who work in the military departments and defense agency procurement, logistics support and administrative organizations established to carry out DoD's requirements for procurement and support of weapons, equipment, supplies and services needed by our Army, Navy, Air Force and Marines. A small number of fully dedicated security assistance organizations and personnel are also employed by the military departments and defense agencies in accomplishing the FMS mission. This integration of FMS provides organizational efficiencies and procurement cost economies to both the U.S. and the FMS customer countries.

The Arms Export Control Act (AECA) requires that the costs of implementing FMS be paid by FMS customer countries. To satisfy this requirement, an "administrative surcharge" of three percent is applied to most FMS cases. A five percent rate is applied to non-standard articles and services and supply support arrangements. In addition, a "logistics support charge" of 3.1 percent is also applied on certain deliveries of spare parts, equipment modifications, secondary support equipment and supplies. These administrative funds, collected from the FMS customer, are made available to the military departments and defense agencies to pay for their FMS administrative costs related to such functions as FMS case preparation (including preparation of price and availability estimates/information), sales negotiations, case implementation, procurement, program control, ADP operations, accounting, budgeting and other financial and program management. A majority of the operating costs of overseas Security Assistance Organizations (SAOs) are also financed from FMS administrative funds. DSAA administers an annual budget process to develop estimated funding requirements and establish approved administrative funding levels.

The Foreign Operations, Export Financing and Related Programs Appropriations Act of 1996, P.L. 104-208, included, for FY 1997 only, a ceiling of $355 million on obligations of FMS administrative funds. All FMS administrative budget obligations and expenditures are from FMS customers' funds which have been collected into the U.S. Treasury in the Foreign Military Sales Trust Fund account. There is no net outlay impact on the U.S. budget from the operations of the FMS administrative budget.

In FY 1998, $343 million is required. Fewer work years will be financed in FY 1998 versus FY's 1997 and 1996, lowering payroll costs for FMS management in line with declining workload. However, this reduction will be offset by the increased costs of accounting and finance services and the non-recurring initial cost required to design and

develop a single FMS management information system throughout DoD. This Defense Security Assistance Management System (DSAMS) will replace thirteen major systems operated in the Military Department and Defense Agencies, provide a much needed new technology infrastructure, and reduce overall operation and maintenance costs in the years following DSAMS development and full implementation. The table which follows shows FMS administrative budget amounts for FY's 1996 - 1998.

FMS ADMINISTRATIVE COSTS/WORKYEARS

(Dollars in Millions)

	Actual FY 1996		Estimated FY 1997		Proposed FY 1998	
	Dollars	**Workyrs**	**Dollars**	**Workyrs**	**Dollars**	**Workyrs**
Military Departments	250.3	4,098	244.7	3,938	231.2	3,658
Other Defense Activities	82.8	881	87.1	806	88.8	711
SAOs (Net)	21.9	414	23.2	406	23.0	405
Total	355.0	5,393	355.0	5,150	343.0	4,774

OVERSEAS MILITARY PROGRAM MANAGEMENT

United States military personnel are assigned to Security Assistance Organizations (SAOs) overseas to ensure effective planning and management of host country security assistance programs. These individuals serve under the direction and supervision of the Chiefs of U.S. Diplomatic Missions. The SAO provides liaison among the Mission, the Department of Defense, and the host country defense establishment in security assistance matters.

SAO personnel work closely with members of the host country defense establishment to develop and execute training programs and to accomplish realistic and effective procurement actions. These efforts are key to the development of a defense infrastructure capable of integrating weapons and support systems into the existing force structure. Professional exchanges and cooperative planning contribute to effective and efficient country security assistance programs.

The Department of Defense reviews staffing authorizations in coordination with the Department of State, the Chiefs of U.S. Diplomatic Missions, and the regional area military Commanders-in-Chief to ensure that SAOs are properly staffed to conduct their missions efficiently. These reviews have resulted in a reduction of U.S. military personnel authorizations from the 388 justified in last year's Congressional presentation materials to 386 for FY 1997.

In FY 1997, separate SAOs will be assigned to fifty-four countries. In thirty-five additional countries, programs will be administered by augmentation personnel assigned to carry out security assistance management functions under the supervision of the Defense Attache or other Mission staff. In other countries with which the U.S. maintains a security assistance relationship, Defense Attaches and other Mission personnel manage the programs without augmentation personnel.

The following tables identify the security assistance authorized staffing levels and associated costs at the conclusion of FY 1996 and the estimated levels for FY 1997 and FY 1998. Actual assigned strengths for FY 1997 and FY 1998 may be less than the authorized levels shown. Staffing requirements may change as individual country programs develop.

The following is a glossary of Security Assistance Organizations assigned to U.S. Diplomatic Missions overseas to manage host country security assistance programs:

U.S. SECURITY ASSISTANCE ORGANIZATIONS

JUSMAG	Joint U.S. Military Assistance Group (Philippines, Thailand)
JUSMAG-K	Joint U.S. Military Affairs Group - Korea
KUSLO	Kenya U.S. Liaison Office
MAAG	Military Assistance Advisory Group (Dominican Republic, Peru)
MAP	Military Assistance Program (Jordan)
MDAO	Mutual Defense Assistance Office (Japan)
MILGP	Military Group (Argentina, Bolivia, Chile, Colombia, Ecuador, El Salvador, Guatemala, Honduras, Venezuela)
MLO	Military Liaison Office (Belize, Brazil, Eastern Caribbean, Haiti, Jamaica)
ODC	Office of Defense Cooperation (Belgium, Botswana, Denmark, France, Germany, Greece, Italy, Morocco, Netherlands, Niger, Norway,Paraguay, Poland, Spain, Tunisia, Turkey, United Kingdom, Uruguay)
ODR	Office of Defense Representative (Costa Rica)
ODRP	Office of Defense Representative - Pakistan
OMC	Office of Military Cooperation (Bahrain, Egypt, Oman)
OMC-K	Office of Military Cooperation - Kuwait
SAO	Security Assistance Office (Singapore)
USLO	U.S. Liaison Office (Djibouti, Eritrea, Qatar, United Arab Emirates)
USMTM	U.S. Military Training Mission (Saudi Arabia)

OVERSEAS MILITARY PROGRAM MANAGEMENT -- COSTS

(DOLLARS IN THOUSANDS)

	ORG.	Actual FY 1996			Estimated FY 1997			Proposed FY 1998		
		FMF	FMS	TOT	FMF	FMS	TOT	FMF	FMS	TOT
AFRICA:										
BOTSWANA	ODC	171	55	226	226	72	298	215	59	274
CAMEROON	DAO a/	70	15	85	0	0	0	0	0	0
CHAD	DAO a/	65	17	82	65	17	82	55	15	70
CONGO	DAO	6	0	6	5	0	5	5	0	5
COTE D'IVOIRE	DAO	6	1	7	4	1	5	5	1	6
DJIBOUTI	USLO	207	20	227	207	23	230	215	25	240
ERITREA	EMBASSY	160	8	168	165	15	180	165	58	223
ETHIOPIA	DAO	11	0	11	7	0	7	52 *	10	62
GABON	EMBASSY	2	0	2	1	0	1	1	0	1
GAMBIA	EMBASSY	8	1	9	3	1	4	3	1	4
GHANA	EMBASSY b/	27	3	30	27	3	30	27	4	31
GUINEA	EMBASSY	8	3	11	5	3	8	5	3	8
KENYA	KUSLO	264	59	323	233	59	292	233	90	323
MALAWI	DAO	7	0	7	6	0	6	6	0	6
MOZAMBIQUE	DAO	1	1	2	0	1	1	1	0	1
NAMIBIA	EMBASSY b/	11	0	11	35	0	35	35 *	0	35
NIGER	ODC	89	27	116	89	27	116	89	35	124
RWANDA	DAO a/	9	0	9	20	0	20	27	0	27
SENEGAL	DAO a/	199	60	259	199	60	259	199	64	263
SIERRA LEONE	EMBASSY	2	0	2	1	2	3	1	2	3
SOUTH AFRICA	DAO a/	45	0	45	0	0	0	127	45	172
UGANDA	EMBASSY	6	0	3	3	0	3	3	0	3
REGIONAL TOTAL		1,374	270	1,644	1,301	284	1,585	1,469	412	1,881
AMERICAN REPUBLICS:										
ARGENTINA	USMILGP	276	92	368	276	92	368	276	102	378
BELIZE	USMLO	147	63	210	96	24	120	96	26	122
BOLIVIA	USMILGP	686	191	877	686	191	877	686	210	896
BRAZIL	USMLO	255	131	386	255	131	386	255	143	398
CHILE	USMILGP	164	71	235	178	78	256	178	80	258
COLOMBIA	USMILGP	596	266	862	596	266	862	596	271	867
COSTA RICA	ODR	229	26	255	178	8	186	178	8	186
DOMINICAN REPUBLIC	DAO a/	168	86	254	140	68	208	140	79	219
EASTERN CARIBBEAN	USMLO b/	276	60	336	276	60	336	276	68	344
ECUADOR	USMILGP	239	93	332	239	93	332	239	95	334
EL SALVADOR	USMILGP	523	207	730	462	185	647	443	202	645
GUATEMALA	USMILGP	202	92	294	145	78	223	145	85	230
HAITI	USMLO	278	23	301	278	23	301	278	26	304
HONDURAS	USMILGP	536	239	775	466	185	651	466	185	651
JAMAICA	USMLO	126	82	208	126	82	208	126	86	212
MEXICO	DAO a/	139	64	203	139	64	203	131	66	197
PANAMA	DAO a/	37	99	136	37	99	136	22	105	127
PARAGUAY	ODC	176	42	218	102	38	140	102	42	144
PERU	MAAG	324	115	439	327	115	442	327	121	448

OVERSEAS MILITARY PROGRAM MANAGEMENT -- COSTS

(DOLLARS IN THOUSANDS)

		Actual FY 1996			Estimated FY 1997			Proposed FY 1998		
	ORG.	FMF	FMS	TOT	FMF	FMS	TOT	FMF	FMS	TOT
AMERICAN REPUBLICS (CONT):										
URUGUAY	ODC	197	84	281	197	84	281	197	90	287
VENEZUELA	USMILGP	304	426	730	265	401	666	265	421	686
REGIONAL TOTAL		5,878	2,552	8,430	5,464	2,365	7,829	5,422	2,511	7,933
EAST ASIA & PACIFIC:										
AUSTRALIA	DAO a/	0	130	130	0	130	130	0	135	135
CAMBODIA	DAO a/	5	0	0	5	0	0	32	0	32
CHINA	DAO	21	1	22	21	0	21	21	0	21
FIJI	DAO	5	0	5	5	0	5	4	0	4
INDONESIA	DAO a/	353	325	678	353	325	678	360	336	696
JAPAN	MDAO	94	753	847	94	814	908	100	855	955
MALAYSIA	DAO a/	178	181	359	178	181	359	185	194	379
MONGOLIA	DAO	23	3	26	23	3	26	23	3	26
NEW ZEALAND	DAO	7	8	15	7	6	13	7	6	13
PHILIPPINES	JUSMAG	278	432	710	278	432	710	256	446	702
SINGAPORE	SAO	31	214	245	53	283	336	59	335	394
SOUTH KOREA	JUSMAG-K	564	2,440	3,004	485	2,350	2,835	402	2,497	2,899
THAILAND	JUSMAG	619	1,267	1,886	619	1,267	1,886	600	1,316	1,916
REGIONAL TOTAL		2,178	5,754	7,932	2,121	5,791	7,912	2,049	6,123	8,172
EUROPE & CANADA:										
ALBANIA	DAO	290	30	320	290	30	320	308	30	338
AUSTRIA	DAO a/	9	115	124	9	115	124	10	124	134
BELGIUM	ODC	48	482	530	36	448	484	38	469	507
BOSNIA	DAO a/	25	0	25	125	15	140	146	20	166
BULGARIA	DAO	194	38	232	198	38	236	198	35	233
CANADA	DAO a/	3	55	58	3	55	58	3	60	63
CROATIA	DOA a/	25	0	0	52	5	57	96	8	104
CZECH REPUBLIC	DAO a/	173	25	198	202	30	232	210	35	245
DENMARK	ODC	50	235	285	50	235	285	50	254	304
ESTONIA	DAO	119	13	132	135	16	151	142	18	160
FRANCE	ODC	31	464	495	31	464	495	28	495	523
GERMANY	ODC	100	923	1,023	90	845	935	85	902	987
GREECE	ODC	309	1,051	1,360	245	906	1,151	245	912	1,157
HUNGARY	DAO a/	113	15	128	113	15	128	126	16	142
ITALY	ODC	94	435	529	94	435	529	91	501	592
LATVIA	DAO	145	12	145	180	15	180	184	15	199
LITHUANIA	DAO	104	13	117	135	15	150	140	15	155
MACEDONIA	DAO a/	0	0	0	121	12	133	158	15	173
NETHERLANDS	ODC	38	339	377	38	405	443	35	458	493
NORWAY	ODC	7	128	135	7	128	135	5	162	167
POLAND	DAO a/	242	32	274	301	41	342	330	51	381
PORTUGAL	ODC	196	292	488	185	281	466	185	321	506
ROMANIA	DAO	0	0	0	248	28	276	255	30	285

OVERSEAS MILITARY PROGRAM MANAGEMENT -- COSTS

(DOLLARS IN THOUSANDS)

	ORG.	Actual FY 1996 FMF	Actual FY 1996 FMS	Actual FY 1996 TOT	Estimated FY 1997 FMF	Estimated FY 1997 FMS	Estimated FY 1997 TOT	Proposed FY 1998 FMF	Proposed FY 1998 FMS	Proposed FY 1998 TOT
EUROPE & CANADA (CONT):										
RUSSIA	DAO a/	150	0	150	160	0	160	170	0	170
SLOVAKIA	EMBASSY	212	20	232	212	30	242	214	21	235
SLOVENIA	DAO a/	138	10	148	142	22	164	151	15	166
SPAIN	ODC	106	383	489	101	345	446	102	385	487
SWEDEN	DAO	0	5	5	0	5	5	0	5	5
TURKEY	ODC	2,134	1,739	3,873	2,157	1,697	3,854	2,025	1,877	3,902
UKRAINE	DAO a/	170	0	170	145	35	180	180	0	180
UNITED KINGDOM	ODC	3	135	138	3	135	138	3	158	161
REGIONAL TOTAL		5,228	6,989	12,217	5,808	6,846	12,654	5,913	7,407	13,320
NEAR EAST & SOUTH ASIA:										
ALGERIA	DAO a/	15	20	35	15	20	35	15	20	35
BAHRAIN	OMC	53	434	487	53	434	487	53	475	528
BANGLADESH	DAO a/	30	3	33	30	3	33	30	3	33
EGYPT	OMC	425	2,316	2,741	425	2,452	2,877	383	2,484	2,867
INDIA	DSA	174	44	218	174	44	218	174	44	218
ISRAEL	DAO	15	35	50	15	35	50	15	40	55
JORDAN	MAP	390	188	578	390	197	587	344	190	534
KUWAIT	OMC-K	0	234	234	0	324	324	0	219	219
LEBANON	DAO a/	89	52	141	84	54	138	84	65	149
MOROCCO	ODC	186	397	583	184	397	581	188	405	593
NEPAL	EMBASSY	25	2	27	25	2	27	28	2	30
OMAN	OMC	178	216	394	176	216	392	167	208	375
PAKISTAN	ODRP	365	103	468	338	87	425	323	87	410
QATAR	USLO	33	225	258	33	225	258	31	200	231
SAUDI ARABIA	USMTM	0	1,264	1,264	0	1,322	1,322	0	1,082	1,082
SRI LANKA	DAO a/	32	9	41	32	9	41	32	10	42
TUNISIA	ODC	332	247	579	332	247	579	280	325	605
UNITED ARAB EMIRATES	USLO	0	646	646	0	646	646	0	688	688
REGIONAL TOTAL		2,342	6,435	8,777	2,306	6,714	9,020	2,147	6,547	8,694
WORLDWIDE TOTAL		17,000	22,000	39,000	17,000	22,000	39,000	17,000	23,000	40,000

a/ Personnel authorized to assist the DAO with security assistance management functions.
b/ Manages programs for Eastern Caribbean countries.

OVERSEAS MILITARY PROGRAM MANAGEMENT - PERSONNEL STRENGTHS

	ORG.	ACTUAL FY 1996				ESTIMATED FY 1997				PROPOSED FY 1998			
		MIL	CIV	LOCAL	TOT	MIL	CIV	LOCAL	TOT	MIL	CIV	LOCAL	TOT
AFRICA:													
BOTSWANA	ODC	2	1	0	3	3	0	1	4	3	0	1	4
CAMEROON	DAO a/	0	1	0	1	0	0	0	0	0	0	0	0
CHAD	DAO a/	0	0	1	1	0	0	1	1	0	0	1	1
DJIBOUTI	USLO	1	0	1	2	1	0	1	2	1	0	1	2
ERITREA	USLO	1	0	0	1	1	0	0	1	1	0	0	1
ETHIOPIA	USLO	0	0	0	0	1	0	0	1	1	0	0	1
GHANA	EMBASSYb/	0	1	0	1	0	1	0	1	0	1	0	1
KENYA	KUSLO	4	2	1	7	4	2	1	7	4	2	1	7
NAMIBIA	EMBASSYb/	0	0	0	0	0	1	0	1	0	1	0	1
NIGER	ODC	0	0	1	1	0	0	1	1	0	0	1	1
RWANDA	DAO a/	0	0	0	0	0	0	1	1	0	0	1	1
SENEGAL	DAO a/	1	1	2	4	1	1	2	4	1	1	2	4
SOUTH AFRICA	DAO a/	0	0	0	0	0	0	0	0	2	0	0	2
REGIONAL TOTAL		9	6	6	21	11	5	8	24	13	5	8	26
AMERICAN REPUBLICS:													
ARGENTINA	USMILGP	3	1	2	6	3	1	2	6	3	1	2	6
BELIZE	USMLO	2	1	1	4	2	1	0	3	2	1	0	3
BOLIVIA	USMILGP	6	5	3	14	6	5	3	14	6	5	3	14
BRAZIL	USMLO	3	2	1	6	3	2	1	6	3	2	1	6
CHILE	USMILGP	2	0	1	3	2	0	2	4	2	0	2	4
COLOMBIA	USMILGP	9	3	10	22	9	3	10	22	9	3	10	22
COSTA RICA	ODR	1	2	3	6	1	0	2	3	1	0	2	3
DOMINICAN REPUBLIC	USMAAG	3	0	2	5	3	0	1	4	3	0	1	4
EASTERN CARIBBEAN	USMLO c/	4	0	0	4	4	0	0	4	4	0	0	4
ECUADOR	USMILGP	5	1	5	11	5	1	5	11	5	1	5	11
EL SALVADOR	USMILGP	7	1	11	19	5	1	10	16	5	1	10	16
GUATEMALA	USMILGP	3	0	2	5	2	0	1	3	2	0	1	3
HAITI	USMLO d/	2	0	1	3	2	0	1	3	2	0	1	3
HONDURAS	USMILGP	7	2	9	18	5	2	7	14	5	2	7	14
JAMAICA	USMLO	3	1	0	4	3	1	0	4	3	1	0	4
MEXICO	DAO a/	3	0	3	6	3	0	3	6	3	0	3	6
PANAMA	DAO a/	1	0	1	2	1	0	1	2	1	0	1	2
PARAGUAY	ODC	2	0	3	5	1	0	3	4	1	0	3	4
PERU	MAAG	2	1	5	8	2	2	5	9	2	2	5	9
URUGUAY	ODC	1	0	4	5	1	0	4	5	1	0	4	5
VENEZUELA	USMILGP	6	4	5	15	5	4	5	14	5	4	5	14
REGIONAL TOTAL		75	24	72	171	68	23	66	157	68	23	66	157
EAST ASIA & PACIFIC:													
AUSTRALIA	DAO a/	2	1	0	3	2	1	0	3	2	1	0	3
CAMBODIA	DAOa/	0	0	0	0	0	0	0	0	0	0	1	1
INDONESIA	DAO a/	7	1	9	17	7	1	9	17	7	1	9	17
JAPAN	MDAO	5	4	5	14	5	4	5	14	5	4	5	14
MALAYSIA	DAO a/	3	1	2	6	3	1	3	7	3	1	3	7
PHILIPPINES	JUSMAG	5	1	4	10	5	1	4	10	5	1	4	10
SINGAPORE	SAO	4	1	2	7	5	1	2	8	5	2	2	9
SOUTH KOREA	JUSMAG-K	28	11	20	59	28	2	17	47	26	2	15	43
THAILAND	JUSMAG	22	1	15	38	22	1	15	38	22	1	15	38
REGIONAL TOTAL		76	21	57	154	77	12	55	144	75	13	54	142
EUROPE & CANADA:													
ALBANIA	DAO a/	2	0	0	2	2	0	0	2	2	0	0	2
AUSTRIA	DAO a/	2	0	0	2	2	0	0	2	2	0	0	2
BELGIUM	ODC	2	1	2	5	1	1	2	4	1	1	2	4
BOSNIA	DAO a/	0	0	0	0	1	0	1	2	1	0	1	2
BULGARIA	DAO a/	2	0	0	2	2	0	0	2	2	0	0	2
CANADA	DAO a/	2	0	0	2	2	0	0	2	2	0	0	2
CROATIA	DAO a/	0	0	0	0	1	1	0	2	1	1	0	2
CZECH REPUBLIC	DAO a/	2	0	0	2	2	0	2	4	2	0	2	4
DENMARK	ODC	1	1	2	4	1	1	2	4	1	1	2	4
ESTONIA	DAO a/	1	0	0	1	1	0	1	2	1	0	1	2

OVERSEAS MILITARY PROGRAM MANAGEMENT - PERSONNEL STRENGTHS

		ACTUAL FY 1996				ESTIMATED FY 1997				PROPOSED FY 1998			
	ORG.	MIL	CIV	LOCAL	TOT	MIL	CIV	LOCAL	TOT	MIL	CIV	LOCAL	TOT
EUROPE & CANADA (CONT):													
FRANCE	ODC	1	1	3	5	1	1	3	5	1	1	3	5
GERMANY	ODC	5	2	4	11	5	2	3	10	5	2	2	9
GREECE	ODC	10	4	11	25	8	2	8	18	8	2	8	18
HUNGARY	DAO a/	2	0	1	3	2	0	1	3	2	0	1	3
ITALY	ODC	3	0	4	7	3	0	4	7	3	0	4	7
LATVIA	DAO a/	1	0	0	1	1	0	1	2	1	0	1	2
LITHUANIA	DAO a/	1	0	0	1	1	0	1	2	1	0	1	2
MACEDONIA	DAO a/	0	0	0	0	1	0	1	2	1	0	1	2
NETHERLANDS	ODC	2	1	2	5	2	1	2	5	2	1	2	5
NORWAY	ODC	2	0	2	4	2	0	2	4	2	0	1	3
POLAND	ODC	2	0	2	4	3	0	3	6	3	0	3	6
PORTUGAL	ODC	5	2	4	11	5	1	3	9	5	1	3	9
ROMANIA	DAO a/	0	0	0	0	1	0	1	2	1	0	1	2
RUSSIA	DAO a/	2	0	0	2	2	0	0	2	2	0	0	2
SLOVAKIA	DAO a/	2	0	0	2	2	0	0	2	2	0	0	2
SLOVENIA	DAO a/	1	0	0	1	1	0	1	2	1	0	1	2
SPAIN	ODC	4	2	1	7	3	2	1	6	3	2	1	6
TURKEY	ODC	27	4	8	39	23	4	8	35	22	4	8	34
UKRAINE	DAO a/	1	1	0	2	1	1	0	2	1	1	0	2
UNITED KINGDOM	ODC	2	1	0	3	2	1	0	3	2	1	0	3
REGIONAL TOTAL		87	20	46	153	84	18	51	153	83	18	49	150
NEAR EAST & SOUTH ASIA:													
BAHRAIN	OMC	6	1	0	7	6	1	0	7	6	1	0	7
BANGLADESH	DAO a/	0	0	1	1	0	0	1	1	0	0	1	1
EGYPT	OMC	28	9	18	55	27	9	18	54	27	9	18	54
INDIA	DAO a/	2	1	3	6	1	1	2	4	1	1	2	4
ISRAEL	DAO a/	0	1	0	1	0	1	0	1	0	1	0	1
JORDAN	MAP	8	2	4	14	8	2	4	14	8	2	4	14
KUWAIT	OMC-K	11	2	1	14	11	2	1	14	11	2	1	14
LEBANON	DAO a/	1	0	2	3	1	0	3	4	1	0	3	4
MOROCCO	ODC	4	2	4	10	4	2	4	10	4	2	4	10
NEPAL	EMBASSYb/	0	0	1	1	0	0	1	1	0	0	1	1
OMAN	OMC	5	1	1	7	5	1	1	7	5	1	1	7
PAKISTAN	ODRP	4	0	7	11	3	0	5	8	3	0	5	8
QATAR	USLO	2	1	0	3	2	1	0	3	2	1	0	3
SAUDI ARABIA	USMTM	66	3	9	78	66	3	9	78	66	3	9	78
SRI LANKA	DAO a/	0	0	1	1	0	0	1	1	0	0	1	1
TUNISIA	ODC	6	1	2	9	6	1	2	9	6	1	1	8
UNITED ARAB EMIRATES	USLO	6	1	2	9	6	1	2	9	6	1	2	9
REGIONAL TOTAL		149	25	56	230	146	25	54	225	146	25	53	224
WORLDWIDE TOTAL		396	96	237	729	386	83	234	703	385	84	230	699

a/ Personnel authorized to assist the DAO with security assistance management functions.
b/ Personnel authorized to assist the Embassy with security assistance management functions.
c/ Manages programs for Eastern Caribbean countries.
d/ Although authorizations exist for two military positions, only one is staffed.

GRANT EXCESS DEFENSE ARTICLES

Grant excess defense articles (EDA) enable the United States to meet many of its foreign policy objectives while simultaneously supporting our friends and allies in improving their defense capabilities. Providing EDA on a grant basis, turns U.S. defense items which are in excess of our Approved Force Acquisition Objective and Approved Force Retention Stock, into instruments which meet many of our national security interests. Some of the objectives met by grant EDA are: strengthening coalitions; cementing bilateral foreign military relationships; enhancing interoperability; furthering legitimate modernization efforts of our allies; aiding in multilateral peacekeeping efforts; combating illegal narcotics production and narco-trafficking; and aiding in demining assistance programs. Furthermore, our Partnership for Peace (PfP) initiatives are greatly augmented by providing grant materiel which meets NATO standards; this equipment is readily and immediately accessible, and fulfills valid modernization and standardization needs of eligible Partnership for Peace partners.

Grant EDA assists in preventing or containing armed conflict and in restoring peace and stability throughout the world; a prudent investment of no-longer needed Department of Defense items. EDA articles are transferred in an "as is, where is" condition to the recipient and are only offered in response to a demonstrated requirement. The grant EDA program operates at essentially no cost to the U.S. with the recipient responsible for any required refurbishment and repair of the items as well as any associated transportation costs. The vast majority of EDA items are of low to medium technologies which takes into account our proliferation concerns.

Each eligible country is accompanied by a justification statement providing the objective and proposed use of potential EDA. Appearance on the eligibility list simply permits a nation to be considered for grant EDA. Appearance on the list does not guarantee the transfer of any EDA nor does it circumvent or bypass in any way the comprehensive case-by-case review each potential EDA offer receives. Furthermore, all potential EDA transfers are subject to the same rigorous Conventional Arms Transfer Policy interagency review as any other government-to-government transfer.

Grant EDA has contributed to our foreign policy successes. This overage equipment has helped our Latin American and Caribbean friends combat the threat of illegal narco-trafficking, and has permitted many South American and African nations to participate in support of U.S. and UN peacekeeping operations. Grant EDA supports the militaries of the newly democratic nations of Central Europe, and contributes to regional stability by supporting the ongoing military reform efforts of the democratic Central Europe and Baltic governments. Grant EDA has been instrumental in aiding demining activities in Southeast Asia and northern Africa. Finally, grant EDA has a positive global impact--furthering U.S. national security interests and supporting the growth and strengthening of democracies, promoting military reform, and fighting the spread of illicit narcotics.

FY 1998 GRANT EDA ELIGIBILITY LIST

The following countries will be eligible to receive Excess Defense Articles (EDA) on a grant basis under section 516 of the Foreign Assistance Act of 1961, as amended, during fiscal year 1998. Specific justification for each country being eligible is included in the country programs section.

Africa:
Angola
Benin
Botswana
Congo
Cote D'Ivoire
Djibouti
Eritrea
Ethiopia
Ghana
Guinea-Bissau
Kenya
Malawi
Mali
Mozambique
Namibia
Rwanda
Senegal
Sierra Leone
South Africa
Tanzania
Uganda
Zambia
Zimbabwe

American Republics:
Antigua-Barbuda
Argentina
Bahamas
Barbados
Belize
Bolivia
Brazil
Chile
Colombia
Costa Rica
Dominica
Dominican Rep.
Ecuador
El Salvador
Grenada
Guatemala
Guyana
Haiti
Honduras
Jamaica
Mexico
Nicaragua
Paraguay
Peru
St. Kitts & Nevis
St. Lucia
St. Vincent & Grenadines
Suriname
Trinidad & Tobago
Uruguay
Venezuela

East Asia & Pacific:
Cambodia
Indonesia
Laos
Malaysia
Mongolia
Papua-New Guinea
Philippines
Solomon Islands
Thailand
Tonga
Vanuatu
W. Samoa

Near East & South Asia:
Bahrain
Bangladesh
Egypt
India
Israel
Jordan
Lebanon
Morocco
Nepal
Oman
Sri Lanka
Tunisia

Europe & Central Asia:
Albania
Bosnia & Herzegovina
Bulgaria
Czech Republic
Estonia
Former Yugoslav Rep. of Macedonia
Greece
Hungary
Latvia
Lithuania
Poland
Portugal
Romania
Slovakia
Slovenia
Turkey

SALES OF EXCESS DEFENSE ARTICLES
UNDER FOREIGN MILITARY SALES
IN FY 1996
(Dollars in Thousands)

	OFFERED		DELIVERED IN FY 1996	
	ACQ. VALUE	CURRENT VALUE	ACQ. VALUE	CURRENT VALUE
AMERICAN REPUBLICS:				
MEXICO	61,880	6,863	0	0
VENEZUELA	6,459	1,058	0	0
REGIONAL TOTAL	68,339	7,921	0	0
EAST ASIA & PACIFIC:				
AUSTRALIA	266,871	28,371	0	0
INDONESIA	2,596	138	0	0
SOUTH KOREA	25,391	5,555	25,391	5,555
NEW ZEALAND	44,598	13,191	18,840	7,586
PHILIPPINES	10,035	2,007	0	0
SINGAPORE	9,200	3,777	0	0
THAILAND	29,109	3,551	0	0
TAIWAN	202,296	22,905	0	0
REGIONAL TOTAL	590,096	79,495	44,231	13,141
EUROPE:				
ALBANIA	1,373	150	0	0
AUSTRIA	5,800	1,160	0	0
CANADA	1,055	211	0	0
DENMARK	5,128	554	0	0
GREECE	1,942	340	283	142
NETHERLANDS	7,392	868	0	0
NORWAY	59,701	7,027	59,701	7,027
SPAIN	23,011	4,349	20	1
UNITED KINGDOM	270,290	76,237	6	1
REGIONAL TOTAL	375,692	90,896	60,010	7,171
NEAR EAST & SOUTH ASIA:				
EGYPT	258,876	89,061	0	0
INDIA	19,655	1,965	0	0
ISRAEL	87	44	87	44
SAUDI ARABIA	10,277	1,101	0	0
REGIONAL TOTAL	288,895	92,171	87	44
WORLDWIDE TOTAL	1,323,022	270,483	104,328	20,356

GRANTS OF EXCESS DEFENSE ARTICLES
UNDER THE PROVISIONS OF THE FOREIGN ASSISTANCE ACT
IN FY 1996
(Dollars in Thousands)

	OFFERED		DELIVERED IN FY 1996	
	ACQ. VALUE	CURRENT VALUE	ACQ. VALUE	CURRENT VALUE
AFRICA:				
BOTSWANA	5,536	907	0	0
ERITREA	5,692	1,404	0	0
ETHIOPIA	5,253	3,186	5,253	3,186
GHANA	9,227	1,511	0	0
SOUTH AFRICA	16,269	8,111	6,600	2,835
UGANDA	1,756	519	0	0
ZIMBABWE	5,172	850	0	0
REGIONAL TOTAL	48,905	16,488	11,853	6,021
AMERICAN REPUBLICS:				
ARGENTINA	82,150	17,583	149	8
BOLIVIA	90	5	90	5
CHILE	4,427	487	1,178	47
COSTA RICA	3	1	3	1
DOMINICAN REPUBLIC	341	17	341	17
ECUADOR	282	14	282	14
JAMAICA	4,522	681	0	0
MEXICO	16,242	2,372	11,269	1,122
PARAGUAY	76	4	76	4
PERU	4,994	1,249	4,994	1,249
URUGUAY	16,839	2,794	0	0
VENEZUELA	522	208	522	208
REGIONAL TOTAL	130,488	25,415	18,904	2,675
EAST ASIA & PACIFIC:				
CAMBODIA	4,626	463	0	0
PHILIPPINES	5	1	5	1
REGIONAL TOTAL	4,631	464	5	1
EUROPE:				
ALBANIA	69,828	33,452	69,622	33,437
BOSNIA HERZEGOVINA	15,057	2,179	0	0
BULGARIA	12,844	7,310	2,676	850
ESTONIA	23,014	8,887	4,005	1,058
GREECE	206,025	63,426	6,965	1,304
LATVIA	30,664	10,062	3,574	1,272
LITHUANIA	15,576	7,135	4,442	1,889
PORTUGAL	78,014	22,046	33,190	13,326
TURKEY	18,125	9,062	0	0
REGIONAL TOTAL	469,147	163,559	124,474	53,136
NEAR EAST & SOUTH ASIA:				
BAHRAIN	168,181	82,283	3,487	317
EGYPT	472,152	133,091	158,439	62,797
ISRAEL	56,848	16,423	31,911	9,793
JORDAN	77,062	13,327	25,535	4,131
LEBANON	47,770	7,636	32,205	4,994
MOROCCO	141,280	27,930	22,087	3,907
OMAN	10,024	2,442	0	0
TUNISIA	22,553	5,860	3,273	327
REGIONAL TOTAL	995,870	288,992	276,937	86,266
WORLDWIDE TOTAL	1,649,041	494,918	432,173	147,886

LEASED DEFENSE ARTICLES

The United States Government normally makes defense articles available to foreign governments through Foreign Military Sales (FMS) under the Arms Export Control Act (AECA). However, there may be exceptional instances in which a lease agreement would be the most appropriate method whereby U.S. defense articles can be made available to eligible foreign countries or international organizations. Such arrangements are authorized under the AECA, Chapter 6, when it is determined that there are compelling foreign policy and national security reasons for providing such articles on a lease rather than a sales basis and the articles are not needed for public use during the period of the lease.

Leases are concluded for a fixed duration of time not to exceed five years and provide that, at any time during the lease, the U.S. may terminate the lease and require the immediate return of the defense articles.

Lease terms require the lessee to pay the cost of restoration or replacement less any depreciation during the term of the lease if the articles are damaged, lost, or destroyed while leased. For articles lost or destroyed which the U.S. does not intend to replace, an amount not less than the actual value (less any depreciation) is assessed.

The lessee country or international organization must pay in U.S. dollars all costs incurred by the U.S. Government in leasing the articles, including a rental payment which is equal to the depreciation of the articles while leased.

Chapter 6, AECA, provides for the waiver of both replacement charges and rental payments for leases entered into for purposes of cooperative research or development, military exercises or communications or electronics interface projects. The President may also waive the rental payments for any defense article which has passed three quarters of its normal service life if the President determines that to do so is important to the national security interest of the United States. Such waivers are made before the implementation of the lease agreement.

LEASES UNDER THE ARMS EXPORT CONTROL ACT
IMPLEMENTED FY 1996
(Dollars in Thousands)

	REPLACEMENT VALUE	TOTAL RENTAL VALUE
AMERICAN REPUBLICS:		
BRAZIL	14,176	0
CHILE	6,364	1,004
VENEZUELA	501	29
REGIONAL TOTAL	21,041	1,033
EAST ASIA & PACIFIC:		
AUSTRALIA	75	0
JAPAN	131	0
SOUTH KOREA	27,678	0
NEW ZEALAND	1,384	0
SINGAPORE	158,481	12,028
TAIWAN	57,278	11,394
REGIONAL TOTAL	245,027	23,422
EUROPE & CANADA:		
CANADA	196	0
FRANCE	51,702	1,138
GERMANY	535	20
GREECE	6,364	0
NETHERLANDS	214,543	9,389
TURKEY	46,289	13,152
UNITED KINGDOM	1,379	80
REGIONAL TOTAL	321,008	23,779
NEAR EAST & SOUTH ASIA:		
BAHRAIN	12,720	0
EGYPT	30,785	8,960
ISRAEL	4,933	765
JORDAN	59,601	4,648
REGIONAL TOTAL	108,039	14,373
NON-REGIONAL:		
NATO	42	0
NON-REGIONAL TOTAL	42	0
WORLDWIDE TOTAL	695,157	62,607

STOCKPILING OF DEFENSE ARTICLES FOR FOREIGN COUNTRIES

Section 514(b) of the Foreign Assistance Act of 1961 (FAA), as amended, establishes annual ceilings on the value of additions of defense articles located abroad that may be set aside, reserved, or otherwise earmarked from U.S. military inventories for use as War Reserves Stocks by Allies (WRSA) or other foreign countries (other than NATO). Most defense articles added to stockpiles under this ceiling will come from existing stocks.

The Foreign Operations, Export Financing and Related Programs Appropriations Act for Fiscal Year 1996 (P.L. 104-107) authorized additions of $40M to stockpiles in the Republic of Korea and $10M to stockpiles in Thailand each year during FY 1996 and FY 1997. For FY98 an additional $20M is required for Thailand in order to fulfill U.S. obligations under the Memorandum of Understanding establishing the Thai WRSA program. This represents the third-year contribution of the current five year program. The U.S. contribution will be matched dollar-for-dollar by the Government of Thailand. If approved, this will bring the total value of U.S. contributions since the establishment of the program in 1987 to $80M. $10M in authority for FY96 was not used due to a critical port being under construction, i.e. unavailable. As a result, the Administration requests an extra $10M for FY98.

In FY98 an additional $40M is required for the Korean program. This authorization is required to transfer items from U.S. war reserves in Korea to the WRSA program. No items will be transferred from offshore sources. The purpose of the transfer is to avoid the cost of storage, transportation and demilitarization of the excess munitions. By agreement with the Government of Korea, the U.S. does not pay for the storage of assets designated as WRSA and corresponding cost savings are achieved by transfer of these items.

As the term "war reserves" implies, these stocks are intended for use only in emergencies. In all cases, title to and control of the additions remain with the U.S. Government. Pursuant to Section 514(a) of the FAA, any transfer to an allied or friendly country must be in accordance with the provisions of the security assistance legislation prevailing at the time.

Some additions in FY 1998 may consist of overseas U.S. defense stocks currently identified as war reserves for U.S. armed forces. These reserves would be identified in FY 1998 as war reserves to be held for emergency use under the terms of Section 514 of the FAA. While some of these additions may not be wholly relocated within the territory of the intended recipient in FY 1998, their value will not be counted a second time, when eventually relocated.

VALUE OF ANNUAL CEILINGS FOR STOCKPILING

(Dollars in thousands)

FISCAL YEAR	AMOUNT STOCKPILED
1976 and 1977	96,750
1977	152,000
1978	270,000
1979	90,000
1980	95,000
1981	85,000
1982	130,000
1983	125,000
1984	125,000
1985	248,000
1986	360,000
1981	125,000
1988	116,000
1989	77,000
1990	165,000
1991	378,000
1992	300,000
1993	389,000
1994	292,000
1995	250,000
1996	50,000
1997	50,000
1998	60,000

COUNTRIES AND INTERNATIONAL ORGANIZATIONS ELIGIBLE FOR PURCHASING DEFENSE ARTICLES AND SERVICES FROM THE UNITED STATES GOVERNMENT

Pursuant to Section 25(a)(8) of the Arms Export Control Act (AECA), the following is a listing of the countries and international organizations that the President has determined to be eligible under Section 3(a)(1) of the AECA to purchase defense articles and services. That a determination of record under Section 3(a)(1) exists does not signify in itself that sales will be made.

COUNTRY	DATE OF DETERMINATION
Africa	
Angola	July 28, 1995
Benin	January 2, 1973
Botswana	February 6, 1979
Burkina Faso	January 2, 1973
Burundi	August 24, 1991
Cameroon	January 2, 1973
Cape Verde	June 10, 1985
Central African Republic	February 2, 1987
Chad	September 1, 1977
Comoros	May 26, 1992
Congo	August 24, 1991
Djibouti	May 17, 1982
Equatorial Guinea	November 28, 1983
Eritrea	February 18, 1994
Ethiopia	January 2, 1973
Gabon	January 2, 1973
Gambia	February 2, 1987
Ghana	January 2, 1973
Guinea	January 2, 1973
Guinea-Bissau	June 10, 1985
Ivory Coast	January 2, 1973
Kenya	October 29, 1974 and May 20, 1975
Lesotho	October 25, 1990
Liberia	January 2, 1973
Madagascar	October 29, 1974
Malawi	February 4, 1985
Mali	January 2, 1973
Mauritania	June 10, 1985
Mauritius	October 29, 1974
Mongolia	August 22, 1995
Mozambique	April 10, 1985
Namibia	October 25, 1990
Niger	January 2, 1973
Nigeria	January 2, 1973
Rwanda	February 27, 1981

COUNTRIES AND INTERNATIONAL ORGANIZATIONS ELIGIBLE FOR PURCHASING DEFENSE ARTICLES AND SERVICES FROM THE UNITED STATES GOVERNMENT (continued)

COUNTRY	DATE OF DETERMINATION
Sao Tome & Principe	May 27, 1988
Senegal	January 2, 1973
Seychelles	July 20, 1989
Sierra Leone	February 5, 1985
Somalia	November 5, 1976 and March 3, 1980
Sudan	November 5, 1976
Tanzania	July 20, 1989
Togo	February 11, 1985
Uganda	July 20, 1989
Zaire	January 2, 1973
Zambia	August 11, 1992
Zimbabwe	October 26, 1982
Latin America & the Caribbean	
Antigua & Barbuda	April 8, 1982
Argentina	January 2, 1973
Bahamas	December 13, 1973
Barbados	June 21, 1979
Belize	November 23, 1981
Bolivia	January 2, 1973
Brazil	January 2, 1973
Chile	January 2, 1973
Colombia	January 2, 1973
Costa Rica	January 2, 1973
Dominica	March 13, 1980
Dominican Republic	January 2, 1973
Ecuador	January 2, 1973
El Salvador	January 2, 1973
Grenada	April 3, 1984
Guatemala	January 2, 1973
Guyana	August 30, 1993
Haiti	January 2, 1973
Honduras	January 2, 1973
Jamaica	January 2, 1973
Mexico	January 2, 1973
Nicaragua	January 2, 1973
Panama	January 2, 1973
Paraguay	January 2, 1973
Peru	January 2, 1973
St. Kitts-Nevis	April 9, 1984

COUNTRIES AND INTERNATIONAL ORGANIZATIONS ELIGIBLE FOR PURCHASING DEFENSE ARTICLES AND SERVICES FROM THE UNITED STATES GOVERNMENT (continued)

COUNTRY	DATE OF DETERMINATION
St. Lucia	March 13, 1980
St. Vincent and the Grenadines	March 13, 1980
Suriname	April 14, 1976
Trinidad and Tobago	January 2, 1973
Uruguay	January 2, 1973
Venezuela	January 2, 1973
East Asia & the Pacific	
Australia	January 2, 1973
Brunei	January 2, 1973
Burma	January 2, 1973
Cambodia	January 2, 1973
China	June 12, 1984
Cook Islands	January 6, 1993
Fiji	August 5, 1975
Indonesia	January 2, 1973
Japan	January 2, 1973
Korea	January 2, 1973
Laos	January 2, 1973
Malaysia	January 2, 1973
Marshall Islands	January 6, 1993
Micronesia	January 6, 1993
Mongolia	August 22, 1995
New Zealand	January 2, 1973
Papua New Guinea	December 4, 1980
Philippines	January 2, 1973
Singapore	January 2, 1973
Solomon Islands	January 6, 1993
Taiwan	January 2, 1973; reaffirmed 12/30/78
Thailand	January 2, 1973
Tonga	November 5, 1987
Vanuatu	January 6, 1993
Vietnam	January 2, 1973
Western Samoa	January 6, 1993
Europe & Canada	
Albania	March 22, 1994
Austria	January 2, 1973
Belgium	January 2, 1973

COUNTRIES AND INTERNATIONAL ORGANIZATIONS ELIGIBLE FOR PURCHASING DEFENSE ARTICLES AND SERVICES FROM THE UNITED STATES GOVERNMENT (continued)

COUNTRY	DATE OF DETERMINATION
Bosnia-Herzegovina	February 23, 1996
Bulgaria	March 22, 1994
Canada	January 2, 1973
Czech Republic	January 5, 1994
Denmark	January 2, 1973
Estonia	March 22, 1994
Finland	January 2, 1973
The Former Yugoslav Republic of Macedonia	March 8, 1996
France	January 2, 1973
Germany	January 2, 1973
Greece	January 2, 1973
Hungary	December 6, 1991
Iceland	January 2, 1973
Ireland	January 2, 1973
Italy	January 2, 1973
Latvia	March 22, 1994
Luxembourg	January 2, 1973
Lithuania	March 22, 1994
Malta	January 2, 1973
Netherlands	January 2, 1973
Norway	January 2, 1973
Poland	December 6, 1991
Portugal	January 2, 1973
Romania	March 22, 1994
Slovakia	January 5, 1994
Slovenia	March 8, 1996
Spain	January 2, 1973
Sweden	January 2, 1973
Switzerland	January 2, 1973
Turkey	January 2, 1973
United Kingdom	January 2, 1973
Yugoslavia	January 2, 1973
Near East	
Algeria	April 8, 1983/ April 10, 1985
Bahrain	January 2, 1973
Egypt	August 1, 1977
Iran	January 2, 1973
Israel	January 2, 1973
Jordan	January 2, 1973

COUNTRIES AND INTERNATIONAL ORGANIZATIONS ELIGIBLE FOR PURCHASING DEFENSE ARTICLES AND SERVICES FROM THE UNITED STATES GOVERNMENT (continued)

Kuwait	January 2, 1973
Lebanon	January 2, 1973
Libya	January 2, 1973
Morocco	January 2, 1973
Oman	January 2, 1973
Qatar	January 2, 1973
Saudi Arabia	January 2, 1973
Tunisia	January 2, 1973
United Arab Emirates	January 2, 1973
Yemen Arab Republic	January 2, 1973 /a

South Asia

Afghanistan	January 2, 1973
Bangladesh	December 31, 1980
India	January 2, 1973
Nepal	January 2, 1973
Pakistan	January 2, 1973
Sri Lanka	January 2, 1973

International Organization

NATO and its Agencies	January 2, 1973
United Nations and its Agencies	January 2, 1973
Organization of African Unity	August 25, 1992
Organization of American States	January 2, 1973

a/ - Determination effective only for FMS cases accepted prior to May 1, 1990

FUNDING
(Dollars in Millions)

FOREIGN MILITARY FINANCING GRANTS (11-1082)

	Actual FY 1996	Estimated FY 1997	Proposed FY 1998
Grant for Israel	1,800.000	1,800.000	1,800.000
Grant for Egypt	1,300.000	1,300.000	1,300.000
Grant - All Others	168.850	100.750	151.000
Administrative Costs	23.204	23.250	23.250
Unobligated Appropriation Expiring	0.046	0.000	0.000
Amounts Transferred From Other Accounts	-13.710	0.000	0.000
Total Appropriation	3,278.390	3,224.000	3,274.250
Reobligations	0.000	0.000	0.000
Reimbursements	0.405	0.000	0.000
Transfers From Other Accounts	13.710	0.000	0.000
Appropriation Rescinded	0.000	0.000	0.000
Total Budget Authority	3,292.505	3,224.000	3,274.250
Unobligated Balance Expiring	-0.208	0.000	0.000
Recovery of Prior Year Obligations	0.000	0.000	0.000
Total Obligations	3,292.297	3,224.000	3,274.250
Net Outlays	2,946.202	3,160.000	3,453.000

FOREIGN MILITARY FINANCING GRANTS (11-1082)
Supplemental

	Actual FY 1996 a/	Estimated FY 1997	Proposed FY 1998
Grant - All Others (Jordan)	70.000	0.000	0.000
Total Appropriation	70.000	0.000	0.000
Total Budget Authority	70.000	0.000	0.000
Total Obligations	70.000	0.000	0.000
Net Outlays	70.000	0.000	0.000

a/ Supplemental in support of Jordan F-16 program.

FUNDING (Continued)
(Dollars in Millions)

FOREIGN MILITARY FINANCING PROGRAM ACCOUNT (11-1085)

	Actual FY 1996	Estimated FY 1997	Proposed FY 1998
Direct Loan Subsidy Appropriation	64.400	60.000	66.000
Transfers to Other Accounts	-5.000	0.000	0.000
Budget Authority	59.400	60.000	66.000
Total Obligations	59.382	60.000	66.000
Net Outlays	65.660	92.415	52.041

FOREIGN MILITARY LOAN LIQUIDATING ACCOUNT (11-4121)

	Actual FY 1996	Estimated FY 1997	Proposed FY 1998
Obligations:			
Guarantee Claims	59.238	52.172	50.000
Total Obligations	59.238	52.172	50.000
Financing:			
Collections of Guarantee Claims	42.838	36.000	22.000
Change in Fund Balance:			
Fund Balance - Start of Year	11.103	0.000	0.000
Fund Balance - End of Year	0.000	0.000	0.000
Offsetting Collections From:			
Repayment of Guarantee Claims	42.838	36.000	22.000
Repayment of Direct Loans	245.833	218.901	219.258
Total Offsetting Collections	288.671	254.901	241.258
Net Outlays	218.330	-202.729	191.258

FUNDING (Continued)
(Dollars in Millions)

FOREIGN MILITARY FINANCING DIRECT LOAN FINANCING ACCOUNT (11-4122)

	Actual FY 1996	Estimated FY 1997	Proposed FY 1998
Direct Loans	544.000	540.000	699.500
Interest on Treasury Borrowing	76.928	93.293	124.028
Payment of Downward Rest of Subsidy	0.000	11.000	0.000
Total Obligations/Financing Authority	620.928	644.293	823.528
Financing Disbursements	635.732	673.282	683.377
Less Offsetting Collections:			
Payments from FMF Program Account	-65.660	-92.415	-52.041
Interest on Uninvested Funds	-28.545	0.000	0.000
Payments from Country Loans	-45.890	-164.000	-318.000
Financing Disbursements (Net)	495.637	416.867	313.336

MILITARY DEBT REDUCTION FINANCING ACCOUNT (11-4174)

	Actual FY 1996	Estimated FY 1997	Proposed FY 1998
Payment to Liquidating Account	0.000	19.731	0.000
Interest on Debt to Treasury	0.000	1.227	1.316
Total Obligations	0.000	20.958	1.316
Outlays (Gross)	0.000	20.958	1.316
Less Offsetting Collections From:			
Federal Funds	0.000	-2.748	0.000
Non-Federal Funds	0.000	0.000	0.000
Net Outlays	0.000	18.210	1.316

FUNDING (Continued)
(Dollars in Millions)

INTERNATIONAL MILITARY EDUCATION & TRAINING PROGRAM

	Actual FY 1996	Estimated FY 1997	Proposed FY 1998
IMET Program	39.000	43.475	50.000
Unobligated Programs	0.000	0.000	0.000
Total Obligations	39.000	43.475	50.000
Unobligated Balance Lapsing	0.000	0.000	0.000
Budget Authority:			
Appropriation	39.000	43.475	50.000
Transfer from Other Accounts	0.000	0.000	0.000
Total Budget Authority	39.000	43.475	50.000
Net Outlays	30.003	35.000	51.000

AIR BASE CONSTRUCTION IN ISRAEL

	Actual FY 1996	Estimated FY 1997	Proposed FY 1998
Beginning Balance:			
Appropriation	0.056	0.056	0.000
Contract Authority	4.419	4.419	0.000
Ending Balance:			
Appropriation	0.000	0.000	0.000
Contract Authority	0.000	0.000	0.000
Withdrawal of Contract Authority	0.000	2.822	0.000
Deduction for Offsetting Collections	39.000	1.595	0.000
Net Outlays	0.000	1.651	0.000

FUNDING (Continued)
(Dollars in Millions)

SPECIAL DEFENSE ACQUISITION FUND

	Actual FY 1996	Estimated FY 1997	Proposed FY 1998
Purchases of Equipment (Obligations) a/	0.251	2.000	7.000
Gross Budget Authority b/	0.000	0.000	0.000
Offsetting Collections	-172.759	-166.000	-106.000
Net Budget Authority	-172.759	-166.000	-106.000
Financing Disbursements	35.806	32.000	22.000
Offsetting Collections	-172.759	-166.000	-106.000
Net Outlays	-136.953	-134.000	-84.000
Return of Unobligated Balances to the Treasury due to Program Cancellation c/d/ (Capital Return) to Treasury account 2814, "Other Repayments of Investments and Recoveries"	322.000	166.000	34.000
Return of Unobligated Balances to the Treasury due to Program Cancellation (Excess Unobligated Balance) to Treasury account 1614, "Other Earnings from Business Operations and Revolving Funds"	0.000	0.000	72.000

a/ FY 1995 obligations are the final year of SDAF program authority to purchase articles and services for resale. FY 1996 - FY 2000 actual and estimated obligations are for the close-out and termination expenses of SDAF.

b/ Gross budget authority is zero, despite incurring additional obligations, because these obligations are being financed by on-hand cash balances. As noted below, annual SDAF receipts are being returned to the Treasury.

c/ This represents the planned transfer of all collections "in excess of obligation authority provided in prior appropriations Acts" pursuant to P.L. 103-87, September 30, 1993, which means that all FY 1994 and later collections are first deposited into the SDAF appropriation, and later transferred to the Treasury Account, "Other Repayments of Investments and Recoveries," 2814. The return of capitalization does not affect the calculation of the net outlay. The scheduled return to Treasury account 1614 in FY 1998 depends on the collection of receipts in excess of $34.0 million.

d/ Capital return summary ($ in millions):
Actuals: FY 1994, $266.0; FY 1995, $282.0; FY 1996, $322.0. Total = $870.0.
Estimated: FY 1997, $166.0; FY 1998, $34.0. Total = $200.0 remaining as of end FY 1996.
Grand total of capitalization to be returned = $1,070.0.

LEGISLATIVE HISTORY OF AUTHORIZATIONS & APPROPRIATIONS
(Dollars in Millions)

FOREIGN MILITARY FINANCING PROGRAM

Fiscal Year	Executive Branch Request		Authorized		Appropriated	
	Budget Authority	Program	Budget Authority	Program	Budget Authority	Program
1970	275.000	350.000	250.000	340.000	70.000	0.000
1971	772.500	885.000	750.000 a/	840.000 a/	700.000 a/	0.000
1972	510.000	582.000	400.000	550.000	400.000	0.000
1973	527.000	629.000	400.000 b/	550.000	400.000 b/	0.000
1974	2,725.000	2,960.000	2,525.000 c/	2,930.000 c/	2,525.000 c/	0.000
1975	555.000	872.000	405.000	872.500	300.000	0.000
1976 d/	2,430.200	2,430.200	1,298.750	2,968.375	1,205.000	0.000
1977	2,179.600	2,179.600	740.000	2,022.100	740.000	0.000
1978	707.750	2,217.500	682.000	2,152.350	675.850	0.000
1979 e/	1,042.500	5,767.500	1,044.300	6,155.500	1,024.500	0.000
1980	658.880 f/	2,188.000 f/	673.500	2,235.000	645.000 b/	0.000
1981	734.000	2,840.000 g/	500.000	3,116.000	500.000 b/	3,046.187 b/
1982	1,481.800	4,054.400	800.000	4,069.525	800.000	3,883.500
1983	950.000 h/	5,273.300 h/	800.000	4,169.525	1,175.000 b/	5,106.500 b/
1984	1,000.000	5,656.000	1,315.000	5,761.500	1,315.000 b/	5,716.250 b/
1985	5,100.000	5,100.000	i/	i/	4,939.500 b/	4,939.500 b/
1986	5,655.000	5,655.000	5,371.000	5,371.000	5,190.000	5,190.000 j/
1987	5,861.000 k/	5,661.000	i/	i/	4,053.441 l/	4,053.441 l/
1988	4,421.150	4,421.150	m/	m/	4,017.000 n/	4,049.000
1989	4,460.000	4,460.000	o/	o/	4,272.750	4,272.750
1990	5,027.000	5,027.000	p/	p/	4,827.642	4,827.642 q/
1991	5,016.900	5,016.900	r/	r/	4,663.421 s/	4,663.421 s/
1992	4,610.000	4,610.000	t/	t/	3,928.548 u/	3,928.548 u/
1993	4,099.225	4,099.225	v/	v/	3,245.414 w/	3,245.414 w/
1994	3,231.657	3,232.157	x/	x/	3,052.397 x/	3,052.397 x/
1995	3,130.858	3,130.858	y/	y/	3,151.279 y/	3,151.279 y/
1996	3,262.020	3,262.020	z/	z/	3,208.390 z/	3,208.390 z/
1996 Sup	70.000 A/	70.000 A/	A/	A/	70.000 A/	70.000 A/
1997	3,228.250	3,228.250	B/	B/	3,224.000 B/	3,224.000 B/
1998	3,274.250	3,274.250				

NOTE: Military Assistance Program included Foreign Military Sales Financing program prior to FY 1969.

a/ Includes $500.000 for Israel authorized by P.L. 91-441 and appropriated by P.L. 91-665.

b/ CRA limitation.

c/ Includes $2,200.000 for Emergency Security Assistance requested, authorized and appropriated for Israel.

d/ Includes transitional quarter (FY 197T).

e/ Includes $2,200.000 supplemental program for Israel and a $1,500.000 supplemental program for Egypt.

f/ Includes a $10.000 amendment for Sudan and $15.000 for Oman.

g/ Includes $200.000 proposed budget amendment for Egypt.

h/ Reflects the amended budget request but not the supplemental budget request for program increase of $525.000 for guarantee loans.

i/ Authorization waived in Continuing Resolution Authority (P.L. 98-473 for FY 1985, and P.L. 99-500 for FY 1987).

LEGISLATIVE HISTORY OF AUTHORIZATIONS & APPROPRIATIONS (Continued)
(Dollars in Millions)

FOREIGN MILITARY FINANCING PROGRAM (Continued)

j/ Reflects amounts appropriated under P.L. 99-190 (final CRA). Pursuant to P.L. 99-177 (Gramm-Rudman-Hollings), $223.170 not available for obligation.
k/ Includes a supplemental request of $200.000.
l/ Includes $4,040.441 authorized by P.L. 99-500 CRA limitation and $13.000 authorized by P.L. 100-71.
m/ Authorization waived in Continuing Resolution (P.L. 100-202).
n/ P.L. 100-202 appropriated $4,049.000 for FY 1988. Also included in the law was a $32.000 rescission applicable to the FY 1985 and FY 1986 appropriation resulting in an adjusted appropriation of $4,017.000, as shown in the FY 1989 President's Budget.
o/ Authorization waived in P.L. 100-461.
p/ Authorization waived in P.L. 101-167.
q/ Congress appropriated $4,828.403 which was reduced by .43% for use in the control of illicit drugs. In addition, $20.000 was transferred into the FMF account from the DOD budget (P.L. 101-165) resulting in $4,827.641 available to the FMF program.
r/ Authorization waived in P.L. 101-513.
s/ P.L. 101-513 appropriated $5,066.921 for FY 1991. Section 401(a) of P.L. 102-27 subsequently reduced that amount to $4,663.421.
t/ Authorization waived in P.L. 102-109, P.L. 102-145, and P.L. 102-266.
u/ P.L. 102-266 appropriated $4,100.000 for FY 1992, reduced the amount appropriated by $60.602 and provided for the transfer of $63.750 of funds appropriated to the Demobilization and Transition Fund. P.L. 102-298 rescinded an additional $47.100 of the FY 1992 appropriation for a net appropriation of $3,928.548.
v/ Authorization waived in P.L. 102-391.
w/ P.L. 102-391 appropriated $3,300.000 for FY 1993, rescinded $25.586 of prior year balance, and provided for the transfer of $29.000 to the Demobilization and Transition Fund for a net budget authority of $3,245.414.
x/ P.L. 103-87 appropriated $3,149.279, including deobligation/reobligation authority. The Authorization was waived. During FY 1994, an Emergency Supplemental Appropriations Act was passed (P.L. 103-211) and it rescinded $91.282 of FY 1993 and prior year balances. Subsequently, an additional $5.600 was transferred to the IMET and Economic Support Fund accounts leaving a net appropriation of $3,052.397.
y/ P.L. 103-306 appropriated $3,151.279 for FY 1995. The Authorization was waived.
z/ P.L. 104-107 appropriated $3,208.390 for FY 1996. The Authorization was waived.
A/ Pending FY 1996 FMF supplemental request of $140.000 supports Jordan F-16 program; P.L. 104-134 appropriated $70.000 for FY 1996. The Authorization was waived.
B/ P.L. 104-208 appropriated $3,224.000 for FY 1997. The Authorization was waived.

LEGISLATIVE HISTORY OF AUTHORIZATIONS & APPROPRIATIONS (Continued)
(Dollars in Millions)

FOREIGN MILITARY FINANCING
DIRECT LOAN FINANCING ACCOUNT
TOTAL PROGRAM

Fiscal Year	Executive Branch Request	Financing Authority
1992	313.961	345.000 a/
1993	360.000	855.000 b/
1994	855.000	769.500 c/
1995	770.000	619.650 d/
1996	765.000	544.000 e/
1997	370.028	540.000 f/
1998	699.500	

a/ Continuing Resolution Authority (P.L. 102-109 and P.L. 102-145).
b/ P.L. 102-391 provides financing authority for direct loans of $855.000 for FY 1993.
c/ P.L. 103-87 provides financing authority for direct loans of $769.500 for FY 1994.
d/ P.L. 103-306 provides financing authority for direct loans of $619.650 for FY 1995.
e/ P.L. 104-107 provides financing authority for direct loans of $544.000 for FY 1996.
f/ P.L. 104-208 provides financing authority for direct loans of $540.000 for FY 1997.

FOREIGN MILITARY FINANCING
DIRECT LOAN SUBSIDY ELEMENT

Fiscal Year	Executive Branch Request	Appropriated
1992	57.490	50.148 a/b/
1993	63.332	149.200 c/
1994	120.457	46.530 d/
1995	59.598	47.917 e/
1996	89.888	64.400 f/
1997	40.000	60.000 g/
1998	66.000	

a/ Authorization waived under P.L. 102-109 and P.L. 102-145.
b/ P.L. 102-266 appropriated $50.900 for FY 1992 and reduced the appropriation by $.752 for a net availability of $50.148.
c/ P.L. 102-391 appropriated $149.200 for FY 1993. The Authorization was waived.
d/ P.L. 103-87 appropriated $46.530 for FY 1994. The Authorization was waived.
e/ P.L. 103-306 appropriated $47.917 for FY 1995. The Authorization was waived.
f/ P.L. 104-107 appropriated $64.400 for FY 1996. The Authorization was waived.
g/ P.L. 104-208 appropriated $60.000 for FY 1997. The Authorization was waived.

LEGISLATIVE HISTORY OF AUTHORIZATIONS & APPROPRIATIONS (Continued)
(Dollars in Millions)

ECONOMIC SUPPORT FUND

Fiscal Year	Executive Branch Request	Authorized	Appropriated
1964	435.000	380.000	330.000
1965	405.000	405.000	401.000
1966	764.000	684.000	684.000
1967	750.000	715.000	690.000
1968	720.000	660.000	600.000
1969	595.000	410.000	365.000
1970	515.000	414.600	395.000
1971	600.000	414.600	414.600
1972	800.000	618.000	550.000
1973	848.800	a/	600.000 a/
1974	732.000	629.000	611.500
1975	1,425.300	1,377.000	1,200.000
1976	1,923.300	1,856.200	1,739.900
197T	50.200	464.100 b/	279.700 b/
1977	1,893.500	1,895.000	1,757.700
1978	2,232.200	2,235.000 c/	2,219.300 c/
1979	2,204.400 d/e/	2,202.000	2,282.000
1980	2,115.100 e/f/	1,935.000	1,946.000 g/
1981	2,030.500	2,065.300	2,104.500 g/
1982	2,931.500	2,973.500	2,926.000
1983	2,886.000 h/	2,873.500	2,962.250 g/
1984	2,949.000 i/	3,074.000	3,254.250 g/j/
1985	3,438.100	k/	6,084.000 l/
1986	4,024.000	3,800.000	3,800.000 m/n/
1987	4,390.800 o/	p/	3,600.000 q/
1988	3,600.000 r/	3,200.820 r/	3,200.820 r/
1989	3,281.000 r/	3,258.500	3,258.500
1990	3,849.100 s/	3,916.510 t/	3,916.510 t/
1991	3,358.000 u/	3,175.000 v/	3,175.000 v/
1992	3,240.000 w/	3,216.624 g/	3,216.624 g/
1993	3,123.000 x/	2,670.000	2,670.000
1994	2,582.000	2,364.562	2,364.562
1995	82.300 y/	2,368.600	2,368.600
1996	2,494.300	2,359.600	2,359.600
1997	2,408.000	2,362.600	2,362.600
1998	2,497.600		

LEGISLATIVE HISTORY OF AUTHORIZATIONS & APPROPRIATIONS (Continued)
(Dollars in Millions)

ECONOMIC SUPPORT FUND (Continued)

a/ CRA level - $618.000. There was no authorization level in FY 1973.
b/ Section 506 of the International Security Assistance and Arms Control Act of 1976, P.L. 94-329, quarter not to exceed one-fourth of the total amount authorized in that Act for FY 1976.
c/ Includes $300.000 for Portugal; also $20.000 for Lebanon, authorized as Disaster Assistance, but appropriated in the Security Support Assistance (SSA) account.
d/ Includes a $300.000 supplemental for Egypt and $100.000 for Turkey.
e/ Executive Branch request included ESF and PKO in one account--Security Supporting Assistance (SSA).
f/ Includes an $80.000 supplemental for Central America.
g/ CRA limitation.
h/ Reflects initial budget request. Does not include the $294.500 supplemental budget request.
i/ Reflects initial budget request. Does not include the $340.500 supplemental appropriation for Central America or the $10.000 for Poland.
j/ Includes supplemental appropriation (P.L. 98-332).
k/ Authorization waived in Continuing Resolution Authority (P.L. 98-473 for FY 1985, and P.L. 99-500 for FY 1987).
l/ Includes FY 1985 Supplemental of $2,258.000.
m/ Reflects amounts appropriated under P.L. 99-190 (final CRA). Pursuant to P.L. 99-177 (Gramm-Rudman-Hollings), $159.358 not available for obligation.
n/ Includes $100.000 supplemental for the Republic of the Philippines.
o/ Includes a supplemental request of $297.000.
p/ The International Development and Security Act of 1985 (P.L. 99-83) authorized $3,800.000 for both FY 1986 and FY 1987.
q/ Includes $50.000 deoblilgation/reobligation reappropriation.
r/ Includes $12.500 deobligation reobligation reappropriation estimate.
s/ Includes $18.000 deobligation/reobligation reappropriation estimate and a $500.000 supplemental for Panama.
t/ Includes $20.000 for Ireland (less $.145 sequestration pursuant to P.L. 99-177), minus $50.000 pursuant to P.L. 101-167 and $755.000 supplemental (P.L. 101-302) for Panama, Nicaragua, Namibia, and South Africa.
u/ Includes $14.000 reappropriation estimate.
v/ Includes $14.000 reappropriation estimate and $30.200 transferred to other accounts. Includes $20.000 for Ireland.
w/ Includes $12.000 reappropriation estimate.
x/ Includes $11.000 reappropriation estimate.
y/ Executive Branch did not request Economic Support Funds in the President's Budget for FY 1995. The FY 1996 President's Budget includes a supplemental FY 1995 request of $82.300.

LEGISLATIVE HISTORY OF AUTHORIZATIONS & APPROPRIATIONS (Continued)
(Dollars in Millions)

MILITARY ASSISTANCE PROGRAM

Fiscal Year	Executive Branch Request	Authorized	Appropriated
1950	1,400.000	1,314.000	1,314.000
1951	5,222.500	5,222.500	5,222.500
1952	6,303.000	5,997.600	5,744.000
1953	5,425.000	4,598.400	4,219.800
1954	4,274.500	3,681.500	3,230.000
1955	1,778.300	1,591.000	1,192.700
1956	1,959.200	1,450.200	1,022.200
1957	2,925.000	2,225.000	2,017.500
1958	1,900.000	1,600.000	1,340.000
1959	1,800.000	1,605.000	1,515.000
1960	1,600.000	1,400.000	1,300.000
1961	2,000.000	a/	1,800.000
1962	1,885.000	1,700.000	1,600.000
1963	b/	1,700.000	1,325.000
1964	1,405.000	1,000.000	1,000.000
1965 c/	1,055.000	1,055.000	1,055.000
1966 c/	1,170.000	1,170.000	1,170.000
1967	917.000	875.000	792.000
1968	620.100	510.000	500.000
1969	420.000	375.000	375.000
1970	425.000	350.000	350.000
1971	690.000	690.000	690.000
1972	705.000	500.000	500.000
1973	780.000	553.100 d/	553.100 d/
1974 e/	685.000	512.500	450.000 f/
1975 g/	985.000	600.000	475.000
1976 h/i/	790.000	245.875	252.200
1977	279.000	235.800	264.550
1978	230.000	228.900	220.000 j/
1979	133.500	133.500	83.375
1980 c/	160.200 k/	111.900 l/	110.000 d/
1981 c/	104.400	106.100	110.200 d/
1982 c/m/	131.400	231.400	171.412
1983 c/	557.000 n/	238.500 o/	383.325 d/
1984	747.000 p/	639.700	711.750 d/q/
1985	924.500	r/	805.100 d/
1986 c/	949.350	805.100	798.374 s/t/
1987 c/	1,257.450 u/	805.100	950.000
1988	1,329.800	v/	700.750
1989	467.000	w/	467.000 x/
1990	40.432	y/	z/
1991	0.000	0.000	0.000
1992	0.000	0.000	-6.750 D/
1993	0.000	0.000	-20.164 E/
1994	-0.439 F/	0.000	-0.439 F/
1995	L/		L/

LEGISLATIVE HISTORY OF AUTHORIZATIONS & APPROPRIATIONS (Continued)
(Dollars in Millions)

INTERNATIONAL MILITARY EDUCATION & TRAINING PROGRAM

Fiscal Year	Executive Branch Request	Authorized	Appropriated
1976 a/	37.000	33.750	28.750
1977	32.200	30.200	25.000
1978	35.000	31.000	30.000
1979	32.100	31.800	27.900
1980	32.900	31.800	25.000 d/
1981	32.500	34.000	28.400 d/
1982	42.000	42.000	42.000
1983	53.700 o/	43.000	46.000
1984	56.532	56.452	51.532 d/
1985	60.910	r/	56.221 d/
1986	65.650	56.221	54.490 s/
1987	68.830	56.000	56.000
1988	56.000	v/	47.400
1989	52.500	w/	47.400
1990	54.500	y/	47.196 A/
1991	50.500	B/	47.196
1992	52.500	C/	47.196 G/
1993	47.500	H/	42.500 I/
1994	42.500	J/	22.250 J/
1995	25.500	K/	25.500 K/
1996	39.781	39.000 M/	39.000 M/
1997	45.000	43.475 N/	43.475 N/
1998	50.000		

NOTE: (1) The Military Assistance Program included International Military Education and Training Program prior to FY1976.
(2) The Administration has not proposed Military Assistance Programs subsequent to FY 1990.

a/ The Mutual Security Act of 1959, P.L. 86-108, approved July 24, 1959, states "There is hereby authorized to be appropriated to the President for the fiscal year 1961 and 1962 such sums as may be necessary from time to time to carry out the purpose of this chapter, which sums shall remain available until expended."

b/ Foreign Assistance Act of 1961 authorized $1,700.000; no executive branch request for authorization was required.

c/ Does not include MAP drawdowns of $75.000 in FY 1965 and $300.000 in FY 1966, or Section 506(a) drawdowns of $1.000 in FY 1980; $26.000 in FY 1981; $55.000 in FY 1982; $25.000 in FY 1983; $40.000 in FY 1986; and $25.000 in FY 1987.

d/ CRA limitation.

e/ Includes funds requested separately for proposed International Military Education and Training Program finally authorized and appropriated as part of the Military Assistance Program. Does not include $2,500.000 for Section 506 drawdown authority.

f/ Includes $5.000 transferred to AID.

LEGISLATIVE HISTORY OF AUTHORIZATIONS & APPROPRIATIONS (Continued)
(Dollars in Millions)

MILITARY ASSISTANCE PROGRAM AND INTERNATIONAL MILITARY EDUCATION & TRAINING PROGRAM (Continued)

g/ Does not include $75.000 for Section 506 drawdown authority.
h/ Includes transitional quarter (FY 197T).
i/ Does not include $275.000 for Section 506 drawdown authority.
j/ Includes $40.200 subsequently rescinded.
k/ Includes a $50.000 supplemental for Turkey.
l/ Includes a $1.700 Senate supplemental for Sudan.
m/ Does not include $7.100 reimbursement for Section 506 drawdown authority.
n/ Reflects the amended budget request but not the $187.000 supplemental budget request.
o/ Reflects initial budget request; excludes $1.000 supplemental request.
p/ Reflects initial budget request; excludes $259.050 supplemental request for Central America.
q/ Includes supplemental appropriation of $201.750 for Central America.
r/ Authorization waived in Continuing Resolution (P.L. 98-473).
s/ Reflects amounts appropriated under P.L. 99-190 (final CRA). Pursuant to P.L. 99-177 (Gramm-Rudman-Hollings) $33.626 of MAP and $2.343 of IMET are not available for obligation.
t/ Includes supplemental appropriation of $50.000 for the Republic of the Philippines.
u/ Includes a supplemental request of $261.000.
v/ Authorization waived in Continuing Resolution (P.L. 100-202).
w/ Authorization waived in P.L. 100-461.
x/ P.L. 101-45 transferred $2.000 to contributions for international peacekeeping activities (Budget Account 19-9-1124).
y/ Authorization waived in P.L. 101-167.
z/ Administrative costs formerly designated as MAP General Costs (1080 account) are included in the Foreign Military Financing Appropriation (1082 account) effective 1 October 1989.
A/ Congress appropriated $47.400 which was reduced by .43% for use in the control of illicit drugs, resulting in $47.196 available to the IMET program.
B/ Authorization waived in P.L. 101-513.
C/ Authorization waived in P.L. 102-109 and P.L. 102-145.
D/ P.L. 102-298 rescinded $6.750 of prior year balances and $5.760 of previously disbursed amounts.
E/ P.L. 102-298 rescinded $20.164 of prior year balances.
F/ During FY 1994, P.L. 103-211, the FY 1994 Emergency Supplemental Appropriations Act, rescinded $.439 of prior year appropriations.
G/ P.L. 102-266 appropriated $47.196 for FY 1992. P.L. 102-298 rescinded $1.925 and P.L. 102-381 reduced it an additional $.698 for a net availability of $44.573.
H/ Authorization waived in P.L. 102-391.
I/ P.L. 102-391 appropriated $42.500 for FY 1993.
J/ P.L. 103-87 appropriated $21.250 for FY 1994. The Authorization was waived. During FY 1994, an additional $1.000 was transferred into IMET from FMF making a total of $22.250 of appropriated funds available.
K/ P.L. 103-306 appropriated $25.500 for FY 1995. The Authorization was waived. Subsequent to the release of the President's FY 1996 Budget, $.850 was transferred out of the PKO account and into the IMET account ($.350 for Botswana and $.500 for Senegal) to enhance PKO training.
L/ MAP funds were cancelled in FY 1995 due to "M" year legislation. No new authorizations will be enacted for this account.
M/ P.L. 104-107 appropriated $39.000 for FY 1996. The Authorization was waived.
N/ P.L. 104-208 appropriated $43.475 for FY 1997. The Authorization was waived.

LEGISLATIVE HISTORY OF AUTHORIZATIONS & APPROPRIATIONS (Continued)
(Dollars in Millions)

PEACEKEEPING OPERATIONS

Fiscal Year	Executive Branch Request	Authorized	Appropriated
1979	a/	30.900	27.400
1980	a/	21.100	22.000 b/
1981	25.000	25.000	25.000 c/
1982	19.000	19.000	14.000 d/
1983	43.474	19.000	31.100 c/
1984	46.200	46.200	46.200 c/
1985	49.000	e/	44.000 c/
1986	37.000	37.000	34.000 f/
1987	39.000	37.000	31.689
1988	46.311	31.689	31.689
1989	41.689 g/	41.689	41.689
1990	33.377	32.773	32.773
1991	32.800	32.800	32.800
1992	378.000 h/	28.000	28.000 c/
1993	27.166	27.166	27.166
1994	77.166	82.435 i/	82.435 i/
1995	75.000	75.000	75.000 j/
1996	100.000	70.000	70.000
1997	70.000	65.000	65.000
1998	90.000		

FOREIGN MILITARY LOAN LIQUIDATING ACCOUNT
(Formerly Guaranty Reserve Fund)

Fiscal Year	Executive Branch Request	Appropriated	Borrowing/Spending Authority	
			Actual	Estimated
1985	274.000	109.000	0.000	0.000
1988	0.000	532.000	0.000	0.000
1989	0.000	0.000	452.065	0.000 k/
1990	0.000	0.000	731.510	0.000 k/
1991	0.000	0.000	127.014	0.000 k/
1992	0.000	0.000	0.000	0.000 k/
1993	0.000	0.000	62.678	0.000 k/
1994	0.000	0.000	49.608	0.000 k/
1995	0.000	0.000	0.000	39.300 k/
1996	0.000	0.000	0.000	23.577 k/
1997	10.599	0.000	0.000	15.500 k/
1998	28.000	0.000	0.000	28.000 k/

LEGISLATIVE HISTORY OF AUTHORIZATIONS & APPROPRIATIONS (Continued)
(Dollars in Millions)

PEACEKEEPING OPERATIONS AND FOREIGN MILITARY LOAN LIQUIDATING ACCOUNT (Continued)

a/ Executive Branch request included ESF and PKO in one account--Security Supporting Assistance (SSA).
b/ CRA limitation (P.L. 96-123).
c/ CRA limitation.
d/ In addition, $125.000 appropriated under CRA (P.L. 97-51) and authorized by P.L. 97-132 for the Multinational Force and Observers.
e/ Authorization waived in Continuing Resolution (P.L. 98-473).
f/ Reflects amount appropriated under P.L. 99-190 (final CRA). Pursuant to P.L. 99-177 (Gramm-Rudman-Hollings), $1.462 of this amount is not available for obligation.
g/ Includes $10.000 transfer from DOD allocated to Department of State pursuant to P.L. 101-45 used for UN mineclearing operations in Afghanistan.
h/ Reflects an amendment to the FY 1992 budget to provide the United States' share to initiate UN peacekeeping activities in Cambodia and El Salvador, and for other peacekeeping requirements.
i/ Includes appropriation of $75.623 plus $6.812 transferred from other accounts.
j/ The President's FY 1996 Budget shows PKO Budget Authority of $75.000 in FY 1995. Subsequent to the release of the President's Budget, $.850 was transferred out of the PKO account and into the IMET account ($.350 for Botswana and $.500 for Senegal) to enhance PKO training.
k/ Use of borrowing from U.S. Treasury under authority of P.L. 100-202 in FY 1989, P.L. 101-167 in FY 1990, and P.L. 101-513 in FY 1991. Use of permanent indefinite appropriation authority in FY 1993 through FY 1995, and estimated use of the permanent indefinite appropriation authority in FY 1996 through FY 1998.

AIR BASE CONSTRUCTION IN ISRAEL

Fiscal Year	Executive Branch Request	Authorized	Appropriated
1979	800.000	800.000	800.000

COMMERCIAL EXPORTS LICENSED OR APPROVED UNDER THE ARMS EXPORT CONTROL ACT

The Office of Defense Trade Controls (DTC), Bureau of Political-Military Affairs, Department of State, administers the United States Government's program to control commercial exports of defense articles, services and technical data. DTC implements the Arms Export Control Act (AECA) through the International Traffic in Arms Regulations (ITAR), which includes the United States Munitions List (USML). DTC reviews all requests for licenses and other approvals to export defense articles, services or technical data; establishes licensing policies and procedures; and enforces compliance with the ITAR.

The data in the following chart on commercial arms sales are compiled by DTC based on information as of September 1996. The chart is in two parts. The first column, entitled "Actual Deliveries (Preliminary)", shows the preliminary dollar value totals by destination of exports during fiscal year 1996. These export totals are compiled from expired or completed licenses returned to DTC by the U.S. Customs Service, unless a more comprehensive method is available. The totals are preliminary because DTC licenses are approved for four calendar years, thereby allowing shipments to span five fiscal years, and are not returned by the U.S. Customs Service until the license is completed or expired. In some instances, training and technical assistance are not included in these figures. For further information, see also the classified annex to this document.

The second and third columns in the chart show the estimated dollar value totals by destination of possible deliveries in fiscal years 1997 and 1998. These estimates are based primarily on the dollar value of licenses approved for each destination during the prior two fiscal years (the dollar values of the authorized licenses are not shown). Not all approved licenses result in signed contracts and actual exports. Factors which affect the final export value include the availability of the licensed item for shipping, and how quickly the license will be returned to DTC. (See also the classified annex.) Other factors which cannot be quantified are economic and security conditions at the destination, and changing U.S. foreign policy and national security considerations. Countries for whom there were no actual deliveries in fiscal year 1996 and which had no authorized licenses for fiscal years 1995 and 1996 do not appear in this report.

The procedures for estimating defense commercial sales for out years (fiscal years 1997 and 1998) were revised for the 1995 CPD. Previous procedures for such estimates called for extrapolating exports for the first out year at forty percent of the actual dollar value of licenses approved in the previous two fiscal years. The second out year's exports would have been estimated at sixty percent of that two year total.

An analysis of preliminary worldwide exports for fiscal years 1988-1992 showed, however, exports ranging from an average of 4.3 percent to 21.18 percent of the total dollar value of approvals for the previous two years. It further showed that actual shipments for some countries have ranged from zero to values in excess of previous years' approvals, owing to changing economic and security conditions or acquisition of major defense systems. Based on this historical data, DTC now estimates exports for the first out year (fiscal year 1997) to be 10 percent of the total dollar value of approved licenses for the previous two years (fiscal years 1995 and 1996). The exports for the second out year (fiscal year 1998) are estimated to be fifty percent of those for fiscal year 1996.

COMMERCIAL EXPORTS LICENSED OR APPROVED UNDER THE AECA
(DOLLARS IN THOUSANDS)

	ACTUAL DELIVERIES (PRELIMINARY) FY 1996	ESTIMATED DELIVERIES FY 1997	FY 1998
AFRICA:			
ANGOLA	0	95	45
BOTSWANA	74	779	3,304
BURKINA FASO	0	2	0
BURUNDI	2	5	5
CAMEROON	5	67	24
CHAD	0	528	24
COMOROS	0	1	0
CONGO	0	64	22
COTE D'IVOIRE	16	67	9
ERITREA	0	45	0
ETHIOPIA	0	10	1
GABON	11	172	60
GHANA	0	43	214
KENYA	4	2,177	10,677
MALI	0	**	**
MAURITANIA	39	13	65
MAURITIUS	7	26	15
NAMIBIA	6	189	282
NIGER	0	46	22
NIGERIA	0	3	10
REUNION	0	**	0
SENEGAL	0	45	0
SOUTH AFRICA	662	6,006	14,941
TANZANIA	2	9	30
TOGO	49	13	64
UGANDA	49	234	1,101
ZAMBIA	4	407	799
ZIMBABWE	46	98	132
REGIONAL TOTAL	976	11,146	31,844
AMERICAN REPUBLICS:			
ANTIGUA-BARBUDA*	**	2	6
ARGENTINA	741	10,305	28,710
ARUBA	2	20	95
BAHAMAS, THE	0	212	30
BARBADOS*	9	219	23
BELIZE	14	154	706
BERMUDA	10	113	536
BOLIVIA	249	3,000	1,087
BRAZIL	945	14,303	17,245
BRITISH VIRGIN ISLANDS	**	**	**
CAYMAN ISLANDS	0	6	14
CHILE	417	7.596	12,271
COLOMBIA	5,536	4,014	6,467
COSTA RICA	172	2,313	810
DOMINICA*	0	1	3
DOMINICAN REPUBLIC	5	2,573	1,358
ECUADOR	1,506	6,480	6,302
EL SALVADOR	324	3,167	4,032
FRENCH GUIANA	1,732	56,707	62,720

COMMERCIAL EXPORTS LICENSED OR APPROVED UNDER THE AECA
(DOLLARS IN THOUSANDS)

	ACTUAL DELIVERIES (PRELIMINARY) FY 1996	ESTIMATED DELIVERIES FY 1997	FY 1998
AMERICAN REPUBLICS (CONT):			
GUATEMALA	272	2,503	1,517
GUYANA	10	27	93
HAITI	46	96	79
HONDURAS	123	2,732	2,545
JAMAICA	5	2,171	215
MEXICO	991	13,896	47,225
NETHERLANDS ANTILLES	2	352	72
NICARAGUA	10	208	11
PANAMA	89	3,067	4,574
PARAGUAY	13	2,063	51
PERU	180	5,791	8,146
ST. KITTS AND NEVIS*	3	1	3
ST. LUCIA*	9	8	13
ST. VINCENT & GRENADINES*	**	12	3
SURINAME	11	17	68
TRINIDAD & TOBAGO	25	2,212	166
TURKS & CAICOS ISLANDS	0	**	0
URUGUAY	121	2,851	2,615
VENEZUELA	1,103	43,817	188,237
REGIONAL TOTAL	14,677	193,008	398,049
EAST ASIA & PACIFIC:			
AUSTRALIA	2,093	182,102	561,205
BRUNEI	585	10,866	42,625
BURMA	0	60	300
CAMBODIA	0	4	2
CHINA	46	27,863	0
FIJI	0	31	146
FRENCH POLYNESIA	1	3	2
HONG KONG	518	4,531	0
INDONESIA	5,927	29,203	106,052
JAPAN	193,607	469,597	1,265,907
MACAU	54	33	25
MALAYSIA	1,604	53,434	218,086
NEW CALEDONIA	17	30	42
NEW ZEALAND	637	18,769	57,482
PAPUA NEW GUINEA	54	247	275
PHILIPPINES	386	24,587	70,475
SINGAPORE	957	85,733	262,042
SOLOMON ISLANDS	0	17	0
SOUTH KOREA	22,676	187,696	459,728
TAIWAN	20,392	200,000	200,000
THAILAND	6,281	50,258	171,396
VIETNAM	0	209	515
REGIONAL TOTAL	255,835	1,345,272	3,416,304
EUROPE & CANADA:			
ALBANIA	0	**	**
ANDORRA	0	24	101

COMMERCIAL EXPORTS LICENSED OR APPROVED UNDER THE AECA
(DOLLARS IN THOUSANDS)

	ACTUAL DELIVERIES (PRELIMINARY) FY 1996	ESTIMATED DELIVERIES FY 1997	FY 1998
EUROPE & CANADA (CONT):			
AUSTRIA	632	3,206	4,371
AZERBAIJAN	0	61	271
BELARUS	0	5	27
BELGIUM	2,787	48,393	145,825
BOSNIA-HERZEGOVINA	45	8	40
BULGARIA	0	74	362
CANADA	557	6,705	24,634
CROATIA a/	0	84	419
CYPRUS	49	117	88
CZECH REPUBLIC	164	2,272	6,295
DENMARK	995	36,852	118,525
ESTONIA	0	117	276
FAROE ISLANDS	0	1,100	0
FINLAND	4,960	173,843	16,854
FRANCE	4,535	39,737	98,786
GEORGIA	0	72	358
GERMANY	18,832	165,533	428,872
GIBRALTAR	0	1	0
GREECE	9,718	42,174	121,967
GREENLAND	0	157	769
HUNGARY	15	2,410	11,886
ICELAND	6	882	1,616
IRELAND	47	776	2,136
ITALY	6,630	87,720	183,242
KAZAKHSTAN	0	23,794	4,458
LATVIA	0	110	416
LIECHTENSTEIN	0	1	0
LITHUANIA	0	12	54
LUXEMBOURG	2,610	34,567	14,988
MACEDONIA (FYROM)	8	7	34
MALTA	0	2	0
MOLDOVA	2	5	21
MONACO	0	1	1
NETHERLANDS	2,015	93,560	235,749
NORWAY	3,577	30,687	53,630
POLAND	242	702	2,784
PORTUGAL	430	10,628	24,351
ROMANIA	0	688	2,531
RUSSIA	**	8,832	38,855
SLOVAKIA	0	197	904
SLOVENIA a/	4	1,888	190
SPAIN	4,210	37,920	68,327
SWEDEN	3,754	47,751	86,299
SWITZERLAND	2,192	58,750	174,387
TURKEY	5,525	98,083	203,101
TURKMENISTAN	0	62	10
UKRAINE	9	241	443
UNITED KINGDOM	17,832	505,412	1,304,233
UZBEKISTAN	0	2	5
REGIONAL TOTAL	92,381	1,566,225	3,383,489

COMMERCIAL EXPORTS LICENSED OR APPROVED UNDER THE AECA
(DOLLARS IN THOUSANDS)

	ACTUAL DELIVERIES (PRELIMINARY) FY 1996	ESTIMATED DELIVERIES FY 1997	FY 1998
NEAR EAST & SOUTH ASIA:			
AFGHANISTAN	0	**	2
ALGERIA	11	3,512	2,799
BAHRAIN	574	1,938	4,628
BANGLADESH	11	694	704
EGYPT	578	31,413	75,170
INDIA	1,226	5,558	19,307
ISRAEL	8,261	136,118	348,566
JORDAN	576	7,003	33,588
KUWAIT	2,778	60,623	18,759
LEBANON	89	281	1,038
MALDIVES, REPUBLIC OF	0	1	**
MOROCCO	1,196	3,488	10,736
NEPAL	0	10	19
OMAN	272	1,419	2,057
PAKISTAN	383	18,078	37,440
QATAR	250	1,127	4,264
SAUDI ARABIA	1,181	121,150	197,503
SRI LANKA	11,573	2,080	8,552
TUNISIA	212	1,042	2,475
UNITED ARAB EMIRATES	499	7,802	12,158
YEMEN	0	724	0
REGIONAL TOTAL	29,670	404,061	779,766
NON-REGIONAL:			
CLASSIFIED TOTALS b/	274,256	1,000,000	1,000,000
INTERNATIONAL ORG.	38,056	57,100	108,367
NON-REGIONAL TOTAL	312,312	1,057,100	1,108,367
WORLDWIDE TOTAL	705,851	4,576,812	9,117,819

NOTE: Totals may not add due to rounding.

* These countries comprise the Eastern Caribbean. See Eastern Caribbean narrative for a discussion of specific country programs.

** Less than $500.

a/ Approvals for Croatia and Slovenia reflected in actual or estimated deliveries are either for use by UNPROFOR or judged not to violate the arms embargo.

b/ For further information, please see the Classified Annex to this document.

FY 1996 SELECTED U.S. ECONOMIC & MILITARY ASSISTANCE PROGRAMS - ACTUAL APPROPRIATIONS

($ thousands)	Development Assistance	PL-480 Food Aid Title II	PL-480 Food Aid Title III	Peace Corps	Narcotics Assistance	Other Economic	Economic Support Fund	Foreign Mil. Financing	Peacekeeping Operations	IMET	Total Assistance
SUB-SAHARAN AFRICA:											
Africa Crisis Response Force	--	--	--	--	--	--	--	--	--	--	--
Angola	10,999	44,077	--	--	--	--	--	--	--	--	55,076
Benin	9,716	3,468	--	1,679	--	--	--	--	--	281	15,144
Botswana	--	--	--	1,776	--	--	--	--	--	454	2,230
Burkina Faso	--	12,429	--	965	--	--	--	--	--	--	13,394
Burundi	2,498	--	--	--	--	--	--	--	--	71	2,569
Cameroon	--	349	--	3,189	--	--	--	--	--	83	3,621
Cape Verde	--	6,208	--	1,008	--	--	--	--	--	64	7,280
Central African Republic	150	--	--	946	--	--	--	--	--	110	1,206
Chad	--	4,795	--	1,101	--	--	--	--	--	--	5,896
Comoros	--	--	--	54	--	--	--	--	--	64	118
Congo	--	--	--	899	--	--	--	--	--	162	1,061
Cote d'Ivoire	--	--	--	1,465	--	--	--	--	--	151	1,616
Djibouti	--	--	--	--	--	--	--	--	--	150	150
East Africa Regional	--	--	--	--	--	--	--	--	--	--	--
Eritrea	7,700	4,275	--	888	--	--	--	--	--	261	13,124
Ethiopia	28,724	50,253	25,000	1,069	--	--	--	--	--	327	105,373
Gabon	--	--	--	2,493	--	--	--	--	--	--	2,493
Gambia	600	2,995	--	1,200	--	--	--	--	--	--	4,795
Ghana	33,199	12,475	--	2,345	--	--	--	--	--	257	48,276
Guinea	11,569	2,069	--	1,928	--	--	--	--	--	35	15,601
Guinea-Bissau	4,392	1,733	--	1,110	--	--	--	--	--	88	7,323
Kenya	10,832	2,260	--	2,329	--	--	--	--	--	297	15,718
Lesotho	--	--	--	2,005	--	--	--	--	--	72	2,077
Liberia	3,494	55,662	--	--	--	--	--	--	--	--	59,156
Madagascar	15,937	3,670	--	880	--	--	--	--	--	102	20,589
Malawi	29,399	--	--	1,744	--	--	--	--	--	154	31,297
Mali	28,041	--	--	3,101	--	--	--	--	--	155	31,297
Mauritania	--	835	--	1,359	--	--	--	--	--	--	2,194
Mauritius	--	--	--	--	--	--	--	--	--	--	--
Mozambique	31,909	13,316	--	--	--	--	--	--	--	203	45,428
Namibia	5,000	--	--	1,691	--	--	--	--	--	190	6,881

FY 1996 SELECTED U.S. ECONOMIC & MILITARY ASSISTANCE PROGRAMS - ACTUAL APPROPRIATIONS

($ thousands)	Development Assistance	PL-480 Food Aid Title II	PL-480 Food Aid Title III	Peace Corps	Narcotics Assistance	Other Economic	Economic Support Fund	Foreign Mil. Financing	Peacekeeping Operations	IMET	Total Assistance
Niger	3,280	690	--	2,334	--	--	--	--	--	11	6,315
Nigeria	1,670	--	--	--	--	--	--	--	--		1,670
OAU	--	--	--	--	--	--	--	--	3,000	--	3,000
Rwanda	4,034	114,085	--	--	--	--	--	--	--	243	118,362
Sao Tome & Principe	--	733	--	435	--	--	--	--	--	75	1,243
Senegal	17,260	1,213	--	3,040	--	--	--	--	--	637	22,150
Seychelles	--	--	--	--	--	--	--	--	--	31	31
Sierra Leone	--	26,614	--	--	--	--	--	--	--	134	26,748
Somalia	3,750	5,361	--	--	--	--	--	--	--	--	9,111
South Africa	117,539	--	--	505	--	--	--	--	--	466	118,510
Sudan	--	23,521									
Swaziland	--	--	--	782	--	--	--	--	--	50	832
Tanzania	7,436	--	--	1,677	--	--	--	--	--	126	9,239
Togo	--	--	--	1,861	--	--	--	--	--	--	1,861
Uganda	31,928	6,365	--	1,267	--	--	--	--	--	189	39,749
Zambia	11,719	--	--	1,339	--	--	--	--	--	99	13,157
Zimbabwe	14,556	--	--	1,312	--	--	--	--	--	224	16,092
Africa Regional	56,379	--	--	--	--	--	12,000	5,030	12,000	--	85,409
Initiative for Southern Africa	24,925	--	--	--	--	--	--	--	--	--	24,925
REDSO/EA	4,900	--	--	--	--	--	--	--	--	--	4,900
REDSO/WA	7,775	--	--	--	--	--	--	--	--	--	7,775
Total, Africa	541,312	399,451	25,000	51,775	--	--	12,000	5,030	15,000	6,016	1,055,584
East Asia and the Pacific:											
China	--	--	--	696	--	--	--	--	--	--	696
Cambodia	500	--	--	--	--	--	29,500	1,000	--	403	31,403
Fiji Islands & Tuvalu	--	--	--	1,457	--	--	--	--	--	--	1,457
Indonesia	36,890	--	--	--	--	--	--	--	--	577	37,467
Kiribati	--	--	--	507	--	--	--	--	--	--	507
Laos	--	--	--	--	2,000	--	2,000	--	--	--	4,000
Malaysia	--	--	--	--	--	--	--	--	--	613	613
Mongolia	--	--	--	993	--	--	4,000	--	--	70	5,063

FY 1996 SELECTED U.S. ECONOMIC & MILITARY ASSISTANCE PROGRAMS - ACTUAL APPROPRIATIONS

($ thousands)	Development Assistance	PL-480 Food Aid Title II	PL-480 Food Aid Title III	Peace Corps	Narcotics Assistance	Other Economic	Economic Support Fund	Foreign Mil. Financing	Peacekeeping Operations	IMET	Total Assistance
Micronesia, Palau & Marshall Islands	--	--	--	1,631	--	--	--	--	--	--	1,631
North Korea	--	6,287	--								
Papua New Guinea	--	--	--	1,491	--	--	--	--	--	162	1,653
Philippines	38,225	4,846	--	1,712	--	--	--	--	--	1,210	45,993
Singapore	--	--	--	--	--	--	--	--	--	20	20
Solomon Islands	--	--	--	1,105	--	--	--	--	--	85	1,190
South Korea	--	--	--	--	--	--	--	--	--	9	9
South Pacific	--	--	--	--	--	--	14,000	--	--	--	14,000
Thailand	--	--	--	1,919	1,500	--	--	--	--	1,445	4,864
Tonga	--	--	--	923	--	--	--	--	--	85	1,008
Vanuatu	--	--	--	655	--	--	--	--	--	88	743
Western Samoa	--	--	--	1,065	--	--	--	--	--	79	1,144
East Asia Regional	3,000	--	--	--	--	--	2,500	--	--	--	5,500
Total, East Asia & Pacific	78,615	11,133	--	14,154	3,500	--	52,000	1,000	--	4,846	165,248
Europe and the NIS:											
Albania	--	--	--	1,245	--	19,900	--	--	--	432	21,577
Armenia	--	--	--	1,006	--	75,525	--	--	--	--	76,531
Austria	--	--	--	--	--	--	--	--	--	15	15
Azerbaijan	--	--	--	--	--	11,000	--	--	--	--	11,000
Baltics	--	--	--	2,183	--	--	--	750	1,119	--	4,052
Belarus	--	--	--	--	--	4,600	--	--	--	279	4,879
Bosnia & Herzegovina	--	98,344	--	--	--	146,950	--	--	9,600	259	255,153
Bulgaria	--	--	--	1,155	--	27,865	--	--	--	708	29,728
CE Defense loans	--	--	--	--	--	--	--	--	--	--	--
Croatia	--	--	--	--	--	14,295	--	--	--	218	14,513
Cyprus	--	--	--	--	--	--	15,000	--	--	--	15,000
Czech Republic	--	--	--	1,060	--	3,687	--	--	--	795	5,542
Estonia	--	--	--	--	--	--	--	--	--	386	386
EUR Regional	--	--	--	--	--	--	--	--	3,000	--	3,000
Finland	--	--	--	--	--	--	--	--	--	14	14
F.Y.R.O. Macedonia	--	--	--	--	--	13,160	--	--	--	249	13,409

FY 1996 SELECTED U.S. ECONOMIC & MILITARY ASSISTANCE PROGRAMS - ACTUAL APPROPRIATIONS

($ thousands)	Development Assistance	PL-480 Food Aid Title II	PL-480 Food Aid Title III	Peace Corps	Narcotics Assistance	Other Economic	Economic Support Fund	Foreign Mil. Financing	Peacekeeping Operations	IMET	Total Assistance
Georgia	--	--	--	--	--	21,180	--	--	--	302	21,482
Greece (grants)	--	--	--	--	--	--	--	--	--	54	54
Greece (loan)	--	--	--	--	--	--	--	[224,000]	--	--	--
Hungary	--	--	--	1,219	--	15,096	--	--	--	1,034	17,349
Ireland Fund	--	--	--	--	--	--	19,600	--	--	--	19,600
Kazakstan	--	--	--	1,544	--	19,433	--	--	--	388	21,365
Kyrgystan	--	--	--	1,073	--	11,570	--	--	--	231	12,874
Latvia	--	--	--	--	--	3,380	--	--	--	388	3,768
Lithuania	--	--	--	--	--	7,590	--	--	--	498	8,088
Malta	--	--	--	--	--	--	--	--	--	30	30
Moldova	--	--	--	974	--	20,740	--	--	--	273	21,987
Warsaw Initiative	--	--	--	--	--	--	--	53,100	--	--	53,100
OSCE	--	--	--	--	--	--	--	--	5,400	--	5,400
Poland	--	--	--	2,721	--	44,445	--	--	--	1,021	48,187
Portugal	--	--	--	--	--	--	--	--	--	769	769
Romania	--	--	--	1,271	--	28,680	--	--	--	758	30,709
Russia	--	--	--	3,406	--	108,140	--	--	--	760	112,306
Slovakia	--	--	--	1,374	--	15,294	--	--	--	473	17,141
Slovenia	--	--	--	--	--	763	--	--	--	253	1,016
Spain	--	--	--	--	--	--	--	--	--	49	49
Tajikistan	--	--	--	--	--	3,370	--	--	--	--	3,370
Turkey (grants)	--	--	--	--	400	--	33,500	--	--	1,095	34,995
Turkey (loan)	--	--	--	--	--	--	--	[320,000]	--	--	--
Turkmenistan	--	--	--	943	--	2,245	--	--	--	213	3,401
Ukraine	--	--	--	2,136	--	141,100	--	--	--	1,019	144,255
Uzbekistan	--	--	--	1,095	--	8,905	--	--	--	293	10,293
Eastern Europe Regional	1,300	--	--	--	--	53,828	--	--	--	--	55,128
N.I.S. Regional	192	--	--	--	--	73,103	--	--	--	--	73,295
N.I.S./East Europe	--	--	--	--	--	--	--	--	--	--	--
Total, Europe & the NIS	1,492	98,344	--	24,405	400	895,844	68,100	53,850	19,119	13,256	1,174,810

FY 1996 SELECTED U.S. ECONOMIC & MILITARY ASSISTANCE PROGRAMS - ACTUAL APPROPRIATIONS

($ thousands)	Development Assistance	PL-480 Food Aid Title II	PL-480 Food Aid Title III	Peace Corps	Narcotics Assistance	Other Economic	Economic Support Fund	Foreign Mil. Financing	Peacekeeping Operations	IMET	Total Assistance
Latin America & the Caribbean:											
Administration of Justice/ICITAP	--	--	--	--	--	--	7,000	--	--	--	7,000
Argentina	--	--	--	--	--	--	--	--	--	588	588
Bahamas	--	--	--	--	700	--	--	--	--	116	816
Belize	--	--	--	1,022	--	--	--	--	--	217	1,239
Bolivia	20,555	27,277	--	2,095	15,000	--	15,000	--	--	547	32,642
Brazil	4,677	--	--	--	290	--	--	--	--	200	490
Chile	--	--	--	1,654	--	--	--	--	--	301	1,955
Colombia	118	--	--	--	16,000	--	--	--	--	95	16,095
Costa Rica	--	270	--	1,671	--	--	--	--	--	196	1,867
Dominican Republic	7,163	4,732	--	2,706	--	--	--	--	--	507	3,213
Eastern Caribbean	1,080	--	--	2,516	--	--	--	2,000	--	507	5,023
Ecuador	9,002	727	--	2,409	500	--	--	--	--	547	3,456
El Salvador	21,773	4,456	--	993	--	--	--	--	--	535	1,528
Guatemala	9,917	16,781	--	2,818	2,000	--	--	--	--	--	4,818
Guyana	2,198	316	--	471	--	--	--	--	--	220	691
Haiti	23,765	29,275	10,000	458	--	--	60,000	--	12,066	169	72,693
Honduras	12,895	6,848	5,000	2,628	--	--	--	--	--	500	3,128
Jamaica	9,152	2,200	--	1,886	700	--	--	--	--	469	3,055
Mexico	2,241	--	--	--	2,200	--	--	--	--	992	3,192
Nicaragua	14,034	2,474	4,000	1,568	--	--	--	--	--	--	1,568
PACAMS	--	--	--	--	--	--	--	--	--	500	500
Panama	3,210	588	--	1,184	--	--	--	--	--	--	1,184
Paraguay	1,050	--	--	3,096	--	--	--	--	--	155	3,251
Peru	17,045	56,582	--	--	15,500	--	3,000	--	--	380	18,880
Peru/Ecuador Peace	--	--	--	--	--	--	--	--	--	--	--
Suriname	--	--	--	732	--	--	--	--	--	85	817
Trinidad & Tobago	--	--	--	--	--	--	--	--	--	83	83
Uruguay	--	--	--	1,200	--	--	--	--	--	380	1,580
Venezuela	--	--	--	--	500	--	--	--	--	428	928
Caribbean Regional	--	--	--	--	--	--	--	--	--	--	--
ROCAP	10,914										

FY 1996 SELECTED U.S. ECONOMIC & MILITARY ASSISTANCE PROGRAMS - ACTUAL APPROPRIATIONS

($ thousands)	Development Assistance	PL-480 Food Aid Title II	PL-480 Food Aid Title III	Peace Corps	Narcotics Assistance	Other Economic	Economic Support Fund	Foreign Mil. Financing	Peacekeeping Operations	IMET	Total Assistance
LAC Regional	29,404	--	--	--	3,708	--	28,300	--	--	--	32,008
Total, Latin America & Caribbean	200,192	152,526	19,000	31,107	57,098	--	113,300	2,000	12,066	8,717	224,288
Near East:											
Algeria	--	--	--	--	--	--	--	--	--	75	75
Bahrain	--	--	--	--	--	--	--	--	--	108	108
Egypt	--	603	--	--	--	--	815,000	1,300,000	--	1,009	2,116,612
Iraq (Northern)		7,212									
Israel	--	--	--	--	--	--	1,200,000	1,800,000	--	--	3,000,000
Israel-Lebanon Monitoring Group	--	--	--	--	--	--	--	--	992	--	992
Jordan	1,600	--	--	--	--	--	7,200	100,000	--	1,202	110,002
Lebanon	--	--	--	--	--	--	2,000	--	--	474	2,474
ME Democracy	--	--	--	--	--	--	--	--	--	--	--
ME Development Bank	--	--	--	--	--	--	--	--	--	--	--
ME Multilaterals	--	--	--	--	--	--	3,000	--	--	--	3,000
ME Regional (MERC)	--	--	--	--	--	--	7,000	--	--	--	7,000
MFO - Sinai	--	--	--	--	--	--	--	--	15,500	--	15,500
Morocco	14,758	--	--	2,063	--	--	--	--	--	830	17,651
Oman	--	--	--	--	--	--	--	--	--	119	119
Tunisia	--	--	--	853	--	--	--	--	--	816	1,669
West Bank - Gaza	--	--	--	--	--	--	75,000	--	--	--	75,000
Yemen	--	1,327	--	--	--	--	--	--	--	50	1,377
Asia/Near East Regional	20,572	--	--	--	--	--	--	--	--	--	20,572
Total, Near East	36,930	9,142	--	2,916	--	--	2,109,200	3,200,000	16,492	4,683	5,372,151
South Asia:											
Afghanistan	--	15,200	--	--	--	--	--	--	--	--	15,200
Bangladesh	34,105	34,190	7,500	--	--	--	--	--	--	326	76,121
India	29,775	131,380	--	--	--	--	--	--	--	357	161,512
Maldives	--	--	--	--	--	--	--	--	--	80	80
Nepal	13,883	2,542	--	2,237	--	--	--	--	--	140	18,802

FY 1996 SELECTED U.S. ECONOMIC & MILITARY ASSISTANCE PROGRAMS - ACTUAL APPROPRIATIONS

($ thousands)	Development Assistance	PL-480 Food Aid Title II	PL-480 Food Aid Title III	Peace Corps	Narcotics Assistance	Other Economic	Economic Support Fund	Foreign Mil. Financing	Peacekeeping Operations	IMET	Total Assistance
Pakistan	--	3,993	--	--	2,500	--	--	--	--	--	6,493
South Asia Democracy	--	--	--	--	--	--	--	--	--	--	--
Sri Lanka	11,705	--	--	595	--	--	--	--	--	179	12,479
Total, South Asia	89,468	187,305	7,500	2,832	2,500	--	--	--	--	1,082	290,687
TOTAL, COUNTRY ALLOCATIONS	948,009	857,901	51,500	127,189	63,498	895,844	2,354,600	3,261,880	62,677	38,600	8,661,698
Central Programs											
International Criminal Justice	--	--	--	--	--	13,200	5,000	--	--	--	18,200
Human Rights	--	--	--	--	--	--	--	--	--	--	--
Debt Reduction	--	--	--	--	--	3,000	--	--	--	--	3,000
Development Assistance											
Global Programs	594,286	--	--	--	--	8,265	--	--	--	--	602,551
Humanitarian Response	61,268	--	--	--	--	14,500	--	--	--	--	75,768
Program and Policy Coordination	7,703	--	--	--	--	--	--	--	--	--	7,703
Int. Fund for Agricultural Development		--	--	--	--	--	--	--	--	--	-
Inter-American Foundation	20,000	--	--	--	--	--	--	--	--	--	20,000
African Development Foundation	11,500	--	--	--	--	--	--	--	--	--	11,500
Operating Expenses	25,067	--	--	--	--	3,500	--	--	--	--	28,567
Unallocated	7,167	--	--	--	--	224,691	--	--	--	--	231,858
P.L. 480											
Stock Adjustment	--	(17,998)	--	--	--	--	--	--	--	--	(17,998)
PVO Fallout	--	(13,500)	--	--	--	--	--	--	--	--	(13,500)
Transport Costs	--	[328,078]	--	--	--	--	--	--	--	--	-
Carry in	--	(18,576)	(11,700)	--	--	--	--	--	--	--	(30,276)
PVO Administration	--	25,000	--	--	--	--	--	--	--	--	25,000
Transfer from Title I	--	(11,600)	--	--	--	--	--	--	--	--	(11,600)
Transfer to Title II	--	--	10,100	--	--	--	--	--	--	--	10,100
Transfer from Title III	--	(10,127)	--	--	--	--	--	--	--	--	(10,127)
Farmer to Farmer	--	10,000	100	--	--	--	--	--	--	--	10,100
Narcotics:	--	--	--	--	--	--	--	--	--	--	--

FY 1996 SELECTED U.S. ECONOMIC & MILITARY ASSISTANCE PROGRAMS - ACTUAL APPROPRIATIONS

($ thousands)	Development Assistance	PL-480 Food Aid Title II	PL-480 Food Aid Title III	Peace Corps	Narcotics Assistance	Other Economic	Economic Support Fund	Foreign Mil. Financing	Peacekeeping Operations	IMET	Total Assistance
Asia/Africa/Middle East Regional	--	--	--	--	4,492	--	--	--	--	--	4,492
Interregional Aviation Support	--	--	--	--	25,755	--	--	--	--	--	25,755
International Organizations	--	--	--	--	7,710	--	--	--	--	--	7,710
Law Enforcement & other training	--	--	--	--	7,000	--	--	--	--	--	7,000
Program Development & Support	--	--	--	--	6,500	--	--	--	--	--	6,500
Systems Support & Upgrades	--	--	--	--	--	--	--	--	--	--	--
FMF:	--	--	--	--	--	--	--	--	--	--	--
FMF Loan Subsidies	--	--	--	--	--	--	--	59,400	--	--	59,400
Enhanced International Peacekeeping	--	--	--	--	--	--	--	--	--	--	--
Demining	--	--	--	--	--	--	--	7,213	1,287	--	8,500
Administrative Costs	--	--	--	--	--	--	--	23,250	--	--	23,250
Sanctions Assistance									6,036		
Peace Corps, Other Volunteer Support	--	--	--	90,515	--	--	--	--	--	--	90,515
IMET General Costs	--	--	--	--	--	--	--	--	--	400	400
TOTAL, CENTRAL PROGRAMS	726,991	(36,801)	(1,500)	90,515	51,457	267,156	5,000	89,863	7,323	400	1,200,404
TOTAL, GEOGRAPHIC & CENTRAL	1,675,000	821,100	50,000	217,704	114,955	1,163,000	2,359,600	3,351,743	70,000	39,000	9,862,102
OTHER BILATERAL ASSISTANCE											
Migration & Refugee Assistance	--	--	--	--	--	670,983	--	--	--	--	670,983
Emer. Migration & Refugee Ass't.	--	--	--	--	--	50,000	--	--	--	--	50,000
Anti-Terrorism Assistance	--	--	--	--	--	15,983	--	--	--	--	15,983
Non-Proliferation & Disarmament Fund	--	--	--	--	--	35,000	--	--	--	--	35,000
Housing Credit Program - Subsidy	4,000	--	--	--	--	--	--	--	--	--	4,000
Housing Credit Program - Admin	7,000	--	--	--	--	--	--	--	--	--	7,000
Micro and Small Enterprise - Subsidy	1,500	--	--	--	--	--	--	--	--	--	1,500
Micro and Small Enterprise - Admin	500	--	--	--	--	--	--	--	--	--	500
USAID Operating Expenses	468,750	--	--	--	--	--	--	--	--	--	468,750
Operating Expenses - Inspector General	30,163	--	--	--	--	--	--	--	--	--	30,163
International Disaster Assistance	180,951	--	--	--	--	--	--	--	--	--	180,951
Inter-American Foundation	--	--	--	--	--	19,986	--	--	--	--	19,986

FY 1996 SELECTED U.S. ECONOMIC & MILITARY ASSISTANCE PROGRAMS - ACTUAL APPROPRIATIONS

($ thousands)	Development Assistance	PL-480 Food Aid Title II	PL-480 Food Aid Title III	Peace Corps	Narcotics Assistance	Other Economic	Economic Support Fund	Foreign Mil. Financing	Peacekeeping Operations	IMET	Total Assistance
African Development Foundation	--	--	--	--	--	11,496	--	--	--	--	11,496
Trade and Development Agency	--	--	--	--	--	48,994	--	--	--	--	48,994
Debt Restructuring	--	--	--	--	--	10,000	--	--	--	--	10,000
TOTAL, OTHER BILATERAL ASS'T.	692,864	--	--	--	--	862,442	--	--	--	--	1,555,306

*Totals may not add due to rounding.

*U.S. Government Printing Office: 1997 - 518-377