

THE SECRETARY OF STATE
WASHINGTON

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My former colleague on the Senate Foreign Relations Committee, Vice President Joseph Biden, is fond of saying: "Don't tell me what you value - show me your budget, and I'll tell you what you value." Like all budgets, the one that follows is a reflection of priorities and hard choices in a difficult fiscal environment. Like all previous budgets for the Department of State and the U.S. Agency for International Development (USAID), those priorities include proactive diplomacy, effective development, sustainable prosperity, the search for lasting peace, and principled American leadership in the world.

For FY 2014, I submit our budget following particularly careful consideration of one more urgent priority: the purposeful and efficient use of taxpayers' money.

Senator Lindsey Graham, my friend from South Carolina, correctly described America's foreign policy investments as "national security insurance." Deploying diplomats today is much cheaper than deploying troops tomorrow. No investment matches the returns we collect on the down payment we make in our foreign policy. In fact, for just over one percent of our national budget - a single penny on the dollar - we fund our civilian foreign affairs efforts: every embassy, every consulate, and the programs and people that carry out our missions. That relatively small investment is a remarkably cost-effective way of creating jobs, reaching new allies, and strengthening old ones. Over time, these investments more than pay for themselves. For example, 11 of our top 15 trading partners used to be beneficiaries of U.S. foreign assistance; today, they are our economic partners in innovation and diplomacy alike. We create a new American job for every \$200,000 of goods and services American companies export, and another job for every 65 visitors our officers abroad help come to our shores through visa approvals as part of our responsibility as the first line in border security.

America remains the "indispensable nation." The world does not admire our GDP alone. It also looks to our leadership to ensure security and stability around the globe, advance human rights, foster democracy, promote equality, reduce poverty, protect against the dangers of climate change, and improve health and nutrition. Congresswoman Nita Lowey put it clearly when she wrote, "The foreign aid bill's diplomatic and development objectives pay dividends by helping avoid military deployments to protect U.S. interests..."

We closely examined the investments requested below with a steely-eyed determination to guarantee the best value for Americans' dollars. We support the highest priorities and reduce funding for efforts that can sustain themselves by other means or have outlived their necessity. As may be expected in the clash between a shrinking world and shrinking budgets, this request required many tough choices. In making these choices, we factored in the cost of abandoning our global efforts. Thoughtless cuts would create a vacuum that would quickly be filled by those

whose interests differ dramatically and dangerously from our own - a lesson we have too often learned too late.

President Obama is correct that there is nothing in the current budget environment difficult though it is - requiring us to make bad decisions that would force us to retrench or retreat within ourselves. This is a time to continue to engage, for the sake of the safety and economic health of our country. How we conduct our foreign policy matters to our everyday lives - not just in terms of the threats we face, but in the products we buy, the goods we sell, the jobs we create, and the opportunities we provide for economic growth and vitality. It is not just about whether we will be compelled to send our troops into another battle, but whether we will be able to send our graduates into a thriving workforce. Rep. Kay Granger asked the right question, "How do we achieve our goals, and how do we make a difference?"

It is also important to remember that foreign assistance is not charity or a favor we do for other nations. It is a strategic imperative for America. It lifts others up, and then reinforces their willingness to link arms with us in common endeavors. When we help other nations crack down on corruption, it makes it easier for our companies to do business, as well as theirs. When we join with other nations to reduce the nuclear threat, we build partnerships that mean we do not have to fight these battles alone. When we help others create the space they need to build stability in their own fragile countries, we are helping brave people build a better, more democratic future - and making sure we do not pay more later, including in American lives.

I am keenly aware of the challenge inherent in justifying these long-term goals, as they do not disproportionately benefit a single, powerful interest group, and they might not always bear fruit immediately. As President Ronald Reagan lamented, foreign aid "suffers from a lack of domestic constituency." That is why we need you, the Congress, to take the long view and support these small investments that time and again prove to yield huge dividends. Having spent 29 years in the Senate, I know firsthand that so many of my former colleagues have a deeply personal understanding of the difference these investments can make. I know this because I served with people like Senator Jesse Helms, who came to believe so passionately in the cause of saving millions from AIDS in Africa; and Senator John McCain, who helped to change our country's entire relationship with a former enemy, Vietnam; and others in Congress who travel often to war torn countries or devote their own time to the concerns of sick and impoverished people around the globe. The critics who say the Congress does not care about the hope the United States can bring to the hopeless around the world, simply do not know the character and conviction of this Congress. As my long time friend and colleague Pat Leahy said about the work of the foreign operations subcommittee, "This panel is where American values are put into action and funding decisions are made to advance our national security interests, to improve the lives of the world's poor, and to make the world safer, healthier, cleaner and more prosperous."

This year, our budget request for the Department of State and USAID totals \$47.8 billion, a six percent reduction from FY 2012. These funds are a strategic investment in our core mission of advancing America's national security and economic interests. We owe it to the American people to do our part to help solve the fiscal problems that threaten not only our future economic health but also our standing in the global order. As such, we have proposed necessary

cuts, where it will not adversely affect our national security, and we propose modest increases, where they are necessary to achieve our highest priorities. In the end, **this budget strikes the balance between fiscal discipline and sustaining and advancing America's global leadership - and is six percent less than in FY 2012.**

The FY 2014 Executive Budget Summary highlights funding required for State and USAID to carry out our missions worldwide. This also includes the Annual Performance Report for FY 2012 and the Annual Performance Plan for FY 2014.

Advancing Peace, Security, and Stability

Our investments in diplomacy and development help prevent wars, reduce the threat of nuclear weapons, secure our borders and protect Americans abroad. The men and women of the State Department and USAID serve on the front lines, including in the most dangerous corners of the world, protecting and advancing American interests and countering violent extremism. Knowing that failed states are among our greatest security threats and new partners are our greatest assets, we advance civilian power, lessening the need for costly military intervention that risks the lives of our soldiers and citizens.

Around the world, our work to prevent conflict today will help ensure that we do not have to deploy troops tomorrow. From Libya to the Balkans to Afghanistan, our security assistance helps partners and allies to defend themselves and deter attacks, while working to ensure that dangerous weapons, including Man-portable Air Defense Systems (MANPADS), are secured or destroyed to keep them from falling into terrorists' hands. Our engagement in international organizations helps to advance these interests abroad, sustaining relationships with key partners and supporting critical peacekeeping operations that bring peace and security around the world (where other nations' troops also are engaged). When conflicts do arise, the highly trained staff of the Department and USAID, including in our Bureaus of Conflict and Stabilization Operations and Democracy, Conflict and Humanitarian Assistance, serve on the front lines alongside our troops, protecting and advancing American interests, mitigating crises, and helping to craft whole-of-government solutions to the challenges the United States faces.

This budget enables us to respond to the dynamic political, economic, and social shifts we see around the world. While Europe remains seized with managing continued financial difficulties, it is also our strongest partner in countering some of our toughest challenges in Africa and the Middle East. Securing our national interests in the 21st century will increasingly depend on developing strong and flexible partnerships with nations, civil society organizations, and other nontraditional players. Whether it is partnering with Mexico and Colombia to dismantle transnational criminal networks or coordinating with the international community to ensure the stability and security of the Korean peninsula, we need the resources and authorities to protect the American people and effectively engage our partners. This budget answers that call by supporting both our allies in nascent democratic transitions from previously authoritarian nations and our long-standing friends. It funds partnerships with multilateral organizations, sustaining peacekeeping operations around the world, including in Sudan and Somalia, and supporting efforts to use new tools to engage with people - as well as governments.

In particular, as the political landscape of the Middle East continues to shift, the United States must actively engage the people and governments in the region. The Arab Spring has given way to free elections in Egypt, Libya, and Tunisia, but also unleashed some uncertain forces. As Syrians struggle for the right of self-determination against an authoritarian and violent regime, and as Egypt works to address severe economic challenges, the United States has an essential role to play. We must support these transitions, forging relationships with newly elected governments and building partnerships with the citizens who will shape their countries' futures. This request maintains our longstanding commitments to key regional allies, including Israel, Jordan, and Egypt. Also included is \$580 million for the Middle East and North Africa Incentive Fund, designed to provide support for political reform, free and fair elections, democratic institutions, transparent and accountable government, transitional justice, open markets, and inclusive growth.

We are rebalancing our strategic relationship across East Asia and the Pacific region through deeper economic engagement, strengthened multilateral engagement, enhanced security cooperation, and a renewed emphasis on democracy and human rights. Our FY 2014 budget increases assistance to the region by more than seven percent from FY 2012 to support programs like the Lower Mekong Initiative, and encourage democratic development, with a primary focus on advancing reform and national reconciliation in Burma.

Of course, ***while we have made great strides in Afghanistan, Pakistan, and Iraq, our work there is far from complete.*** Today, our military is home from Iraq and transition is underway in Afghanistan, but America's commitment to the people of these proud countries will not waver. We are requesting less than in past years, but it remains crucial that we continue robust funding to sustain the gains we have achieved. We must manage a successful military-to-civilian transition in Afghanistan, invest in the people of Pakistan, and continue to engage in the critical components of long-term stability in Iraq.

FY 2014 will witness the final stages of the security transition from American to Afghan forces and begin the longer term diplomatic and assistance transition for the Department and USAID. Our request for ***Afghanistan*** is \$3.1 billion, including \$2.2 billion in assistance and \$0.9 billion to support embassy operations in Kabul and a diplomatic presence in other regions of the country. We win focus on sustainable development and meeting the U.S. commitments made at the Afghanistan Conference in Tokyo in July 2012.

Our economic and military assistance to ***Pakistan*** helps to reduce the conditions that enable extremism and its calling card - terrorism - to disrupt and destroy. We are helping Pakistan continue its development as a responsible and responsive international partner. Our FY 2014 request for Pakistan totals \$1.3 billion, funding civilian and military assistance and supporting the existing diplomatic platform.

In ***Iraq***, we continue to reduce the scale of our mission to a sustainable diplomatic and development presence. Our \$1.8 billion request supports operations across the country; the construction of a new consulate in Erbil, which will provide a more safe, secure, and permanent platform in Northern Iraq; and targeted assistance programs, which will focus on issues important to U.S. national interests, including developing democratic institutions, protecting

vulnerable populations, and improving rule of law. As we seek diplomatic normalization, we have avoided costs by scaling our footprint to a smaller, more sustainable level. We also anticipate that the Government of Iraq will continue to assume greater responsibility for its development funding requirements, as oil revenues increase.

Strengthening Our Economy While Combating Global Challenges

Now more than ever, our foreign policy affects the threats we face, the products we buy, the goods we sell, and the opportunity for economic growth and vitality. ***The State Department and USAID are committed to leveraging our unmatched global reach - our network of diplomatic outposts and relationships with global decision-makers in government and business - to advance America's traditional national security interests, as well as to support economic renewal here at home.*** To do this, we must continue to address global challenges, including hunger, disease, extreme poverty, and the destabilizing effects of climate change. We promote economic development and lay the foundation for prosperous societies. We must support the rise of new allies to help solve regional and global problems and protect our own nation's security and prosperity.

We promote exports and stand up for American businesses abroad, helping them navigate foreign regulations, settle disputes, and compete for foreign government and private contracts. We negotiate international agreements and treaties to open new markets for American goods and services overseas. We work with foreign companies to attract investment to the United States. In addition, our diplomats and development experts work to help nations to realize their own potential, develop their own ability to govern, and become our future economic partners.

We are engaging with our traditional allies, and with emerging centers of power and commerce, to ensure that peoples, economies, and governments are positioned to tackle tomorrow's challenges. Together, we help countries break the cycle of poverty, poor nutrition, and hunger. We defend the universal rights of all people and help to advance freedom and dignity around the world. We promote education - for girls and boys - helping to ensure that everyone has the opportunity to lift themselves up.

We are fighting disease and hunger - not only because it is the right thing to do, but also because it is a smart way to promote stability and global prosperity. That is why our global health programs have traditionally received strong bipartisan support. With this budget, we support high-impact AIDS prevention, care, and treatment programs in pursuit of an AIDS free generation; support the major determinants of child and maternal mortality - maternal and child health, malaria prevention, family planning, and nutrition - in an attempt to end preventable child and maternal deaths; and provide treatment and prevention against other infectious diseases in developing countries.

We are improving the way we use assistance to promote our values and our interests. For example, food aid continues to be a critical response to populations most in need. Our budget proposes ***reforms to our largest food aid program,*** to ensure that the United States can respond most effectively to humanitarian crises and chronic food insecurity within current

budget constraints, while reaching an estimated two to four million more people in need each year. The reform will make food aid more cost-effective and improve program efficiency and performance. The proposal shifts resources to USAID assistance programs to allow the use of the right tools to respond to emergencies and chronic food insecurity, including interventions such as local and regional procurement and cash vouchers. At the same time, the majority of emergency food aid will be U.S. agricultural commodities. Without our current cash-based food aid resources, we could not have responded to the Syrian crisis. The proposal also strengthens our ability to address chronic poverty and build resilience in vulnerable populations. The reform reduces mandatory spending - and the deficit - by an estimated \$500 million over a decade.

We are seizing on pivotal opportunities to promote stability by building resilience to disasters and boosting agriculture production, raising the incomes of the poor, increasing availability of food, and reducing under-nutrition. The United States will join G-8 and African leaders to achieve sustained and inclusive agricultural growth and raise fifty million people out of poverty over the next ten years. These programs will stimulate private investments in African agriculture, take to scale innovations that can enhance agricultural productivity, and support economic resilience efforts in the Sahel and Horn of Africa.

In recent years, the world has seen a dramatic rise in the number of people affected by conflict or natural disasters. It bears repeating that, when tragedy and terror visit our neighbors around the globe - whether through man-made or natural occurrences, many nations give of themselves to help; but only the United States is expected to do so. In FY 2014, our humanitarian assistance will help to address the crises in and around Syria, the Horn of Africa, and the Sahel. It will also address inevitable unforeseen challenges.

We must have the foresight and courage to make the investments necessary to safeguard the most sacred trust for our children and grandchildren: an environment not ravaged by rising seas, deadly superstorms, devastating droughts, and the other hallmarks of a dramatically changing climate. Our programs related to global climate change will work with other major economies to improve the resilience of countries that are most vulnerable to climate and weather-related disasters; support fast-growing economic and regional leaders in their transition to clean energy; and limit greenhouse gas emissions from deforestation and forest degradation. If we do not help countries invest in a clean environment, rising temperatures and rising sea levels will surely lead to rising costs for the United States down the road.

We remain focused on seeking gender equality and empowering women and girls. Countries are more peaceful and prosperous when women and girls are afforded full rights and equal opportunity. When women are able to fully participate in all aspects of public life, they can drive democratic, social, political, and economic progress not just for themselves, but for entire societies. In 2014, we are requesting resources to enable our missions to create initiatives that more fully integrate gender issues into U.S. program and policies.

Our People and Platform

The people of the Department of State and USAID need the right tools to confront the complex national security and foreign policy challenge facing our nation. The practice of

foreign policy is changing, whether it is reaching out directly to people of other nations through new technologies or ensuring that our diplomats are as fluent in economics as they are in the world's languages. This means making investments now in the people and platforms that will provide us with the foundation for our vital mission now and in the future. Most importantly, this means ensuring that the men and women who work and live at more than 280 posts in almost every country on the planet are safe and secure.

From Manila to Bogota to Nairobi, our diplomats and development experts are doing more than ever to keep America safe and prosperous - and doing it with fewer resources. We have reinvigorated our alliances and strengthened multilateral solutions to shared challenges. We have deepened our diplomatic and economic engagement with regional powers, while continuing to press forward on issues such as human rights, nonproliferation, and open and free trade.

We request a moderate increase in staffing to position America for global leadership in the next decade and beyond. The requested staffing level will be able to support the rebalancing in Asia, helping to bolster economic security and prosperity in the region; strengthen USAID's civil service capacity in support of USAID Forward reforms; permit the construction projects necessary to ensure safe and secure facilities for our personnel overseas; and put in place additional safeguards necessary to address the cybersecurity threat to our nation.

As always, we are constantly challenging ourselves to do better. For example, USAID Forward was designed to strengthen USAID by embracing new partnerships, investing in the catalytic role of innovation, and demanding a relentless focus on results. This budget continues strong support for these initiatives, including an increase in funding for applied research and other science and technology applications that will help USAID create transformative solutions to persistent development challenges, contributing to the goal of eradicating extreme poverty in the next two decades.

As we carry out these vital missions, ***we must provide the men and women who work and live at our posts the safe and secure environment they need to do their jobs.*** The past year presented new challenges, including a terrorist attack in Benghazi that took the life of our Ambassador and three other Americans. Building on the lessons of the independent Benghazi Accountability Review Board, this request includes nearly \$4.4 billion to help us prevent such tragedies in the future, in particular by improving funding for facilities and security personnel worldwide. This funding would accelerate construction of up to as many as ten new, secure diplomatic facilities, and would provide for the security of diplomatic and consular personnel, property, and information.

This security funding will enable us to address vulnerabilities at our highest threat posts, recognizing that many of these locations are where our presence is most needed. While we recognize this is a significant request in a constrained fiscal environment, insufficient resources to secure our people and harden our infrastructure could have devastating consequences for our people and for America's global leadership.

Since I became Secretary of State, I have talked about the new conversation we need to have at home - as a country - about the importance of our foreign policy and national security investments. I do so well aware - as a "recovering politician" - that there is no greater guaranteed applause line than to promise to cut the State Department and USAID's budget. I am equally aware, however, that underfunding American diplomacy does nothing to guarantee our security, build a sounder economy, or ensure that another young American in uniform will not die fighting a preventable war. I reject the excuse that Americans are just not interested in what America does overseas. In fact, the real domestic constituency for what we do, if we connect the dots for them as an Administration and a Congress, should be the 314 million Americans whose lives are better every day because of what America does overseas, and who know that our investment abroad actually makes them and our nation safer. It is our job to connect those dots, to connect, for the American people, how what we do "over there" has an enormous impact "over here."



John F. Kerry