

Summary of Don Gessaman's Comments

The Federal Budget reflects government policy. If an item is in the budget, it is policy. If not, it's not policy.

As a prelude to Wednesday's discussions, it seems appropriate to consider how the United States Government is applying its resources to international issues. Throughout the day as you listen to the speakers, think about whether the proposed budget for fiscal year 2002 seems about right and reflects the right priorities or whether it needs to be adjusted based on the information presented. For example, should more or less money be going into international affairs compared to national defense, or should development aid have a higher priority within International Affairs.

(Chart 1) By far the largest share of the government's resources for international activities is for national defense, including the national foreign intelligence program. A total of \$325 billion is included in the President's Budget as a placeholder. The actual request is likely to be significantly different when the Secretary of Defense completes the review of defense strategy and requirements directed by President Bush. Key issues being addressed in the review include the types of threats that the U.S. needs to be prepared for and the types of defense systems to be developed and procured. Already, the President has announced that he intends to take an aggressive approach toward missile defenses.

(Chart 2) The International Affairs budget totals \$23.9 billion, consisting of:

- \$8.8 billion for international development:
 - \$4.5 billion for the Agency for International Development including \$0.9 billion for child survival and disease, \$1.4 billion for assistance to the independent states of the former Soviet Union, Eastern Europe, and the Baltic States, and \$1.3 billion for development elsewhere,
 - \$1.8 billion for multilateral development banks and voluntary contributions to international organizations, and debt relief, and
 - \$0.7 billion for refugee programs, \$0.9 billion for narcotics control programs, and \$0.8 billion for food aid.
- \$6.5 billion for International security assistance – over 75% is for military and economic support for Middle East nations.
- \$7.1 billion for conduct of foreign affairs including \$5.3 billion for operation of the Department of State and for building improvements and \$1.8 billion for contributions to the United Nations for regular and peacekeeping assessments.
- \$0.7 billion for international broadcasting and information activities, and
- \$0.7 billion for international financial programs, primarily Export-Import Bank subsidies.

(Chart 3) The International Affairs function of the budget accounts for only one percent of overall Federal spending, including Social Security and other entitlement programs. It is about three percent of the discretionary spending approved annually by Congress in appropriations bills. In constant dollars, that is adjusting for the effects of inflation, spending for international affairs has remained flat for about 40 years. In contrast, domestic spending has been on a generally upward trend.

(Chart 4) A portion of the \$15 billion spent annually for law enforcement and health activities is directly targeted against international crime and international health issues.

I hope that today's discussion will help you think about the near and long-term threats in a different and more tangible way. Our two speakers are experts at determining "ground truth" using open sources and methods, and they are also expert at evaluating non-traditional threats to national security and the international economic and environmental systems. If you believe that our policy and spending priorities should be different from those I have summarized, you can contact your representative or senator or the appropriations committees of the House and Senate to make your views known. Action on the FY 2002 budget is now in their arena.

Chart 1

SPENDING RELATED TO INTERNATIONAL ACTIVITIES FY2002 PRESIDENT'S BUDGET		
Budget Authority in billions		
• National Defense		\$325 (93%)
- Department of Defense	310	
- Department of Energy	14	
- Other	1	
• International Affairs		24 (7%)
• Law Enforcement and Health		?
		349+

Chart 2

INTERNATIONAL AFFAIRS (150)			
FY2002 DISCRETIONARY BA (\$ IN BILLIONS)			
April 2001 Estimates			
International Development and Humanitarian Assistance		8.8	37%
AID	4.5		
Agriculture	0.8		
Contributions to Multilateral Banks/Funds & debt relief	1.8		
Migration & Refugee Assistance	0.7		
International Narcotics Control	0.9		
Other (Peace Corps, Trade Dev. Agency, OPIC)	0.1		
International Security Assistance		6.5	27%
Economic Support (\$1.7B for Middle East)	2.3		
Foreign Military Financing (\$3.4B for Middle East)	3.7		
Peacekeeping Operations, Non-proliferation, anti-terrorism, International Military Education and Training	0.5		
Conduct of Foreign Affairs		7.1	30%
Department of State Operations	5.3		
Contributions to International Organizations (UN, Peacekeeping Operations, Other)	1.8		
Foreign Information and Exchange Activities (USIA)		0.8	3%
International Finance Programs (Export-Import Bank)		0.7	3%
Total		23.9	100%

Chart 3

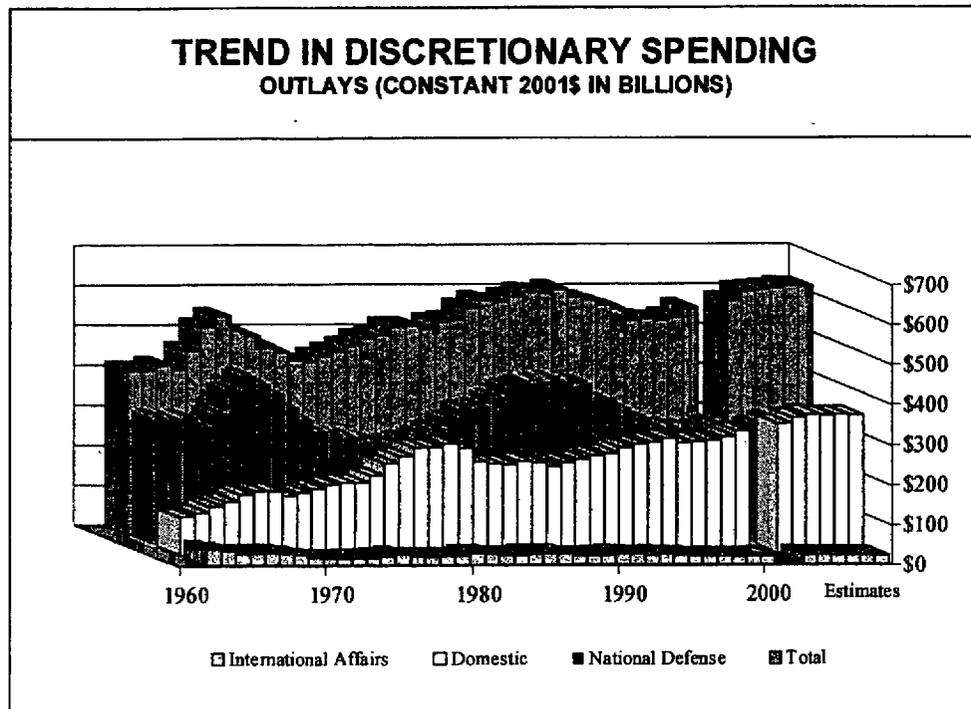


Chart 4

**A PORTION OF THE FOLLOWING SPENDING IS
RELATED TO INTERNATIONAL ACTIVITIES**

Department of Justice

- Federal Bureau of Investigation (\$3.5B total budget)
- Immigration and Naturalization Service
 - Enforcement and Border Affairs (\$2.7B)
- Drug Enforcement Administration (\$1.5B total budget)

Department of the Treasury

- U.S. Customs Service (\$2.0B total budget)
- Bureau of Alcohol, Tobacco and Firearms (\$0.8B total budget)
- U.S. Secret Service (\$0.9B total budget)

Department of Health and Human Services

- Centers for Disease Control and Prevention (\$3.9B total budget)
 - Bioterrorism (\$182m)
- National Institutes of Health
 - John E. Fogarty International Center (\$56m)

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