

OPENING STATEMENT
SENATOR RICHARD G. LUGAR
SENATE COMMITTEE ON FOREIGN RELATIONS MARK-UP
MARCH 4, 2004

Today, the Foreign Relations Committee will be marking up a series of important bills, treaties, and nominations. We will begin with S. 2144, the Foreign Relations Authorization Act for Fiscal Year 2005. This bill contains the authorizing legislation for both the State Department and Foreign Assistance programs. Thereafter, we will take up two bills -- S. 2127, the Stabilization and Reconstruction Civilian Management Act; and S. 2096, the International Free Press and Open Media Act. Then the Committee will turn to two international tax agreements -- the Japan Tax Treaty and the Sri Lanka Tax Protocol. Next, the Committee will take up the IAEA Additional Protocol. Finally, we will address a series of non-controversial nominations that have been cleared on both sides.

Foreign Relations Authorization Act (S. 2144)

During the last several weeks, we have been working hard on issues related to the funding and operations of the State Department and our Foreign Assistance programs. I thank all Senators and their staffs for their participation and suggestions. In our hearings and through our daily contacts with the State Department, this Committee has witnessed the commitment and skill of Department personnel as they work to improve national security and prosperity in increasingly difficult and dangerous circumstances.

In marking up this bill today, we will be working on a budget that was inadequately funded in the 1990s. From 1994 through 1997, for example, the 150 Account sustained consecutive annual real decreases of 3.6%, 5.6%, 11.4%, and 1.5%. This slide occurred even as the State Department was incurring the heavy added costs of establishing new missions in the 15 states of the former Soviet Union.

Under the leadership of President Bush and Secretary Powell, funding for the State Department has received important funding increases. The President has requested a healthy 7 percent increase for the 150 Account in FY 2005. Relative to other spending items, diplomatic capabilities still have not recovered the respect and attention that they are due. To win the war against terrorism, the United States must assign U.S. economic and diplomatic capabilities the same strategic priority that we assign to military capabilities. But the President's request is a good faith attempt to continue the process of restoring the 150 Account to its rightful place within our national security strategy.

I would like to outline for the Committee the parameters of the one-year authorization bill before us. Funding in this bill will cover the operating expenses for the

State Department, embassy construction and security, education and cultural exchange programs, as well as other programs and activities. It also includes funding for our foreign assistance programs.

The Committee is working to report a bill that does not go above the funding level in the President's request. After bipartisan discussions, some changes within that ceiling have been made to reflect Committee concerns and priorities. I would like to outline the major adjustments that the bill makes to the President's request:

Although our bill doubles funding for the Millennium Challenge Corporation to \$2 billion, this is \$500 million less than the President's request. This reflects a bipartisan judgment that the MCC will not be able to efficiently spend both the \$1 billion appropriated last year and the full FY 2005 request of \$2.5 billion in the current fiscal year. The MCC was launched only a few weeks ago and has not yet chosen recipient countries or spent much of its FY 2004 funding. While there is strong support for the MCC on this Committee, we believe that the corporation will be more effective if it is not under immediate pressure to quickly allocate such a large sum of money.

The bill also includes a substantial increase for the Peace Corps, though the amount is less than the President's request. Last year the Peace Corps received \$308 million. The President requested \$401 million for the coming fiscal year -- an increase of 30%. The Peace Corps, like the MCC, has strong support on this Committee. Many members would like to increase funding for the Peace Corps steadily over time. Questions have been raised, however, about implementing such a large increase in a single year. The bill before us provides a 14% increase for the Peace Corps, raising funding to \$351 million. This is double the size of the average percentage increase for programs in this bill.

All other items are funded at or above the President's request. Notably, the bill provides the following increases:

- \$8 million for danger pay for State Department employees;
- \$30 million for embassy construction;
- \$30 million for education and cultural exchanges in the Islamic world;
- \$15 million for foreign language broadcasting;
- \$1 million for the State Department Inspector General;
- \$70 million for the Non-Proliferation, Anti-terrorism, Demining; and Related Programs (NADR);
- \$30 million for SEED and NIS programs;
- \$35 million for migration and refugee assistance;
- \$200 million for child survival, which includes \$179 million for HIV-AIDS programs;
- \$17 million for development assistance;
- \$20 million for international organizations and peacekeeping; and
- \$1 million for the USAID Inspector General.

I would note that the largest increases have been provided to items on which this Committee has been very active, including the HIV/AIDS program, non-proliferation, embassy security, and education and cultural exchanges.

I look forward to the contributions of each Committee member during this process. I intend to go through the bill title by title and ask whether there are comments or amendments.

The Stabilization and Reconstruction Civilian Management Act (S. 2127)

Last week, Senator Biden and I introduced S. 2127 -- the Stabilization and Reconstruction Civilian Management Act. Senator Hagel has joined us as a co-sponsor. Yesterday, the Committee held a hearing on this legislation, which aims to establish a more robust civilian capability to respond quickly and effectively to post-conflict situations or other complex emergencies.

The war on terrorism necessitates that we not leave nations crumbling and ungoverned. We have already seen how terrorists can exploit nations afflicted by lawlessness and desperate circumstances.

In this international atmosphere, the United States must have the right structures, personnel, and resources in place when an emergency occurs. A delay in our response of a few weeks, or even days, can mean the difference between success and failure.

While recognizing the critical challenges that our military has undertaken with skill and courage, we must acknowledge that certain non-security missions would have been better served by a civilian response. Our post-conflict efforts frequently have had a higher than necessary military profile. If we can improve the capabilities of the civilian agencies, they can take over many of the non-security missions that have burdened the military.

The Senate Committee on Foreign Relations embarked on a bipartisan experiment beginning in late 2003, assembling an impressive array of experts from inside and outside of government to provide advice on how best to achieve this goal. This "Policy Advisory Group" held extensive discussions in which Senators, group members, and invited experts spoke frankly about their ideas to improve the U.S. response to post-conflict reconstruction problems and complex emergencies. The bill that Senator Biden and I have introduced draws heavily on these discussions.

Our bill urges the President to create a Stabilization and Reconstruction Coordinating Committee to be chaired by the National Security Advisor. This Coordinating Committee would ensure appropriate interagency planning and execution of stabilization and reconstruction efforts. The Coordinating Committee would have representation from the Department of State, USAID, and the Departments of Commerce, Justice, Treasury, Agriculture, and Defense and other agencies as appropriate.

Our bill would authorize the creation of an office within the State Department to coordinate the civilian component of stabilization and reconstruction missions. The Office would be headed by a Coordinator who is appointed by the President and reports directly to the Secretary of State.

Our bill also would authorize the Secretary of State to establish a Response Readiness Corps with both active duty and reserve components available to be called upon at a moments notice to respond to emerging international crises. The reserves would include federal government officials from the non-foreign affairs agencies who have volunteered to participate and members recruited from the private sector based on their applicable skills.

Finally, our bill urges the Foreign Service Institute to work with the National Defense University and the United States Army War College to establish a training curriculum for civilian and military personnel that would enhance their stabilization and reconstruction skills and improve their coordination in the field.

Our intent is not to critique past practices, but rather to improve our stabilization and reconstruction capacity for the future.

International Free Press and Open Media Act

We now turn to S. 2096, the International Free Press and Open Media Act of 2004. The United States government, through various programs, has long been involved in training journalists around the world and in establishing newspapers, magazines, and radio and television stations. These programs, however, are not centralized in one bureau or agency. Many are orphans to other assistance programs. They often are effective in training journalists, but they stop short of ensuring that the media in a developing country has the necessary legal protections, follows basic rules of fairness and equal access, and can sustain itself financially.

In addition, these existing U.S. media programs are not established in ways that leverage federal government spending with the assistance of America's vibrant media sector. There is a strong desire by our finest journalism schools, newspapers, broadcasters, and advertising enterprises to help build free press and open media in the world. We also need to engage all the new media, such as the Internet and wireless companies.

After a review of government programs regarding the development of a free press in the world, I have concluded that U.S. government initiatives do not go far enough to ensure that developing nations have a free, fair, legally protected, and financially self-sustaining press and media. In response, I introduced the International Free Press and Open Media Act of 2004. The Committee examined this bill in a hearing on February 26. Senator Hagel and Senator Cantwell are co-sponsors.

The bill authorizes the Secretary of State to provide funding to the National Endowment

for Democracy (NED) for the work of a free press institute. For more than 20 years the NED has been leading American efforts to help build the required democratic institutions of a free society. The President's proposed 2005 budget doubles the funding for the work of the Endowment.

S. 2096 seeks to employ the uniquely independent organization of the NED to accomplish the goal of developing a free press in emerging democracies. Achieving this goal requires us to have a tolerance for criticism, to take into account cultural differences, and to commit to long-term projects. The NED is well-suited to this mission. By creating a free press institute within the NED, we would also provide private sector media companies with a means to contribute their expertise and resources to the construction of an international free press.

Japan Tax Treaty and Sri Lanka Tax Protocol

The Foreign Relations Committee held a hearing on February 25 to examine the Japan Tax Treaty and the Sri Lanka Tax Protocol. We heard from representatives of the Treasury Department, the Joint Tax Committee, and companies doing business in Japan. Our witnesses expressed their support for these measures and urged the Committee to act expeditiously on them. I have not been informed of any opposition to these treaties within our Committee or the Senate as a whole.

The tax treaties will guarantee more equitable treatment for U.S. corporate investors and relief from double taxation. They will strengthen dispute resolution mechanisms related to tax issues between our countries. The Japan Tax Treaty also will eliminate withholding taxes on all royalty income, certain interest income, and dividend income paid to parent companies.

The Japan Tax Treaty is particularly time sensitive. If the United States and Japan both complete their respective ratification processes by March 31, the Treaty can go into force on July 1 of this year – six months earlier than anticipated. This would yield significant economic benefits for American companies doing business in Japan.

This is why I have prioritized the Japan Tax Treaty on the Committee's agenda, and I will seek to move forward expeditiously on the Senate's advice and consent procedure in cooperation with the Senate Leadership. I also have written to the Japanese Finance Minister and leaders of the Diet to inform them that we intend to take action on the treaty quickly.

I am hopeful that the entire Senate will join this Committee in promptly considering these agreements.

IAEA Additional Protocol

The next item on the agenda is the Additional Protocol to the Agreement between the United States and the International Atomic Energy Agency (IAEA). The United States signed the Additional Protocol in Vienna on June 12, 1998, and President Bush submitted it to the

Senate on May 9, 2002. The State Department submitted the implementing legislation to Congress on November 19, 2003. At the Administration's request, I introduced the implementing legislation in the Senate last December.

The NPT and its existing safeguards agreements have been insufficient to stem the tide of proliferation. The Additional Protocol seeks to fill holes in the existing patchwork of declarations and inspections. It will require the declaration of many locations and activities to the IAEA not previously required, and allow, with less than 24 hours' notice, inspections of such locations. To ensure that materials and technologies are devoted only to peaceful uses, it is in the interest of the United States that the IAEA have the power to conduct intrusive inspections in a non-nuclear-weapon state.

The United States, as a declared nuclear-weapon state party to the NPT, may exclude the application of IAEA safeguards on its activities. Under the Additional Protocol, the United States also has the right to exclude activities and sites of direct national security significance in accordance with its National Security exclusion contained in Article 1.b. This provision protects U.S. nuclear weapons-related activities, sites, and materials as a declared nuclear power.

The Additional Protocol does not contain any new arms control or disarmament obligations for the United States. Although there are increased rights granted to the IAEA for the conduct of inspections in the United States, the Administration has assured the Foreign Relations Committee that the likelihood of an inspection occurring in the United States is very low. Nevertheless, should an inspection under the Additional Protocol be determined to be potentially harmful to U.S. national security interests, the United States has the right, through the National Security Exclusion, to prevent the inspection.

For the past month, the majority and minority staffs of the Committee have been working closely with the Administration to craft a resolution of ratification that will gain broad support in the Senate. I thank Senator Biden and his staff for their cooperation in this effort.

Nominations

Finally, the Committee will turn to a group of nominations that have been cleared on both sides. I am aware of no objections to these nominations.

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