

**Written Budget Testimony of Secretary of State Condoleezza Rice
Submitted for the Record to the Senate Budget Committee
Thursday, February 16, 2006**

Thank you, Mr. Chairman, Members of the Committee.

I appreciate this opportunity to address the Committee and to talk about America's role in meeting the unprecedented challenges of our world today. I look forward to working closely with Congress to ensure that America's diplomacy has the necessary resources to secure our interests, advance our ideals, and improve people's lives around the world. In all of these mutual efforts, of course, we must remain committed to our responsibility to be good stewards of the American taxpayers' hard-earned dollars.

The President's FY 2007 International Affairs Budget for the Department of State, USAID, and other foreign affairs agencies totals \$35.1 billion. President Bush also plans to request supplemental funding to support emergency, one-time programs that are essential to the success of some of our highest foreign policy priorities.

This money will do more than support our diplomacy; it will strengthen our national security. America today is a nation at war. We are engaged in a long conflict against terrorists and violent extremists. Across the world, the members of our Foreign Service, Civil Service, and our Foreign Service Nationals are advancing America's diplomatic mission, often working in dangerous places far away from their friends and loved ones. Our nation's men and women in uniform are also shouldering great risks and responsibilities. They are performing with courage and heroism, and many have made the ultimate sacrifice to secure our way of life. Today, I want to recognize these courageous public servants and their families, who endure long periods of service abroad and painful separation with fortitude.

America's enemies remain eager to strike us again, but our actions in the past four years have weakened their capability. Our diplomacy plays a vital role in defeating this threat. We are building partnerships with traditional allies and with new partners that share our perception of the threat. Most importantly, we are working directly with foreign citizens who wish to build thriving free societies that replace hatred with hope.

Mr. Chairman, I would now like to offer an overview of the current mission of the men and women of the State Department—a mission that we have called *transformational diplomacy*.

A New Diplomacy for a Transformed World

In his Second Inaugural Address, President Bush laid out the vision that leads America into the world: “It is the policy of the United States to seek and support the growth of democratic movements and institutions in every nation and culture, with the ultimate goal of ending tyranny in our world.”

The President’s vision stems from the recognition that we are living in an extraordinary time, one in which centuries of international precedent are being overturned. The prospect of violent conflict among great powers is more remote than ever. States are increasingly competing and cooperating in peace, not preparing for war. Peoples in China, India, South Africa, Indonesia, and Brazil are lifting their countries and regions to new prominence. Democratic reform has begun in the Middle East. And the United States is working with our democratic partners in every region of the world, especially our hemispheric neighbors and our historic treaty allies in Europe and Asia, to build a true form of global stability: a balance of power that favors freedom.

At the same time, other challenges have assumed new urgency. The greatest threats today emerge more within states than between them, and the fundamental character of regimes matters more than the international distribution of power. It is impossible to draw neat, clear lines between our security interests, our development goals, and our democratic ideals in today’s world. Our diplomacy must integrate and advance all of these goals together.

So I would define the objective of transformational diplomacy this way: To work with our many partners around the world to build and sustain democratic, well-governed states that will respond to the needs of their people and conduct themselves responsibly in the international system. This is a strategy rooted in partnership, not paternalism—in doing things with other people, not for them. We will use America’s diplomatic power and our foreign assistance to help foreign citizens better their own lives, build their own nations, transform their own futures, and work with us to combat threats to our common security, including the spread of weapons of mass destruction.

Practicing Transformational Diplomacy

Faced with such extraordinary challenges, we must transform old diplomatic institutions to serve new diplomatic purposes, and we must empower our people to practice transformational diplomacy. With the generous support of the Congress, my good friend and predecessor, Colin Powell, brought American diplomacy into the 21st century. Now, my leadership team and I are building on this strong foundation and beginning the generational work of transforming the State Department. This will not only strengthen national security, it will improve our fiscal stewardship. We are committed to using American taxpayers' dollars in the most effective and responsible way possible to strengthen America's mission abroad.

In the past year, we have begun making changes to our organization and our operations that will enable us to advance transformational diplomacy. We are forward-deploying our people to the cities, countries, and regions where they are needed most. We are starting to move hundreds of diplomats from Europe and Washington to strategic countries like China, India, South Africa, and Indonesia. We are giving more of our people new training and language skills to engage more effectively with foreign peoples. We are enabling our diplomats to work more jointly with America's servicemen and women. And I have announced that I am creating a new position of Director of Foreign Assistance. This reform will transform our capability to use foreign assistance more efficiently and more effectively to further our foreign policy goals, to bolster our national security, to reduce poverty, and to improve people's lives around the world.

We are making the initial changes using our existing authority, and the additional funding we are requesting in the FY 2007 budget will help us continue implementing our vision to transform the State Department to meet the challenges of the 21st century. For this purpose, we are requesting \$9.3 billion for State Department operations.

Transformational diplomacy begins with our people—ensuring that they are in the right places, with the necessary tools and training to carry out their mission. We are requesting \$23 million for 100 new positions on the new frontlines of our diplomacy: key transitional countries and emerging regional leaders in Africa, Latin America, the Middle East, and Asia. These new positions will complement the 100 that we are already repositioning as part of our ongoing effort to change our global diplomatic posture. This

repositioning effort will require a renewed commitment to secure and modernize our many posts overseas, and we are seeking \$1.5 billion for security-related construction and rehabilitation of our diplomatic facilities.

In addition to requesting new positions, we will continue to invest in our people, our greatest resource. More and more, we are calling upon our diplomats to leave their families and serve at unaccompanied “hardship posts” that now make up 20 percent of our yearly overseas assignments. With your help, as part of our effort to modernize the Foreign Service, we will institute a new pay-for-performance system that fairly compensates our men and women working abroad. We will also further our efforts to train America’s diplomats to speak critical languages like Chinese, Urdu, and Arabic, which they will increasingly need, in addition to more traditional languages, as they progress in their careers. New training will also make full use of dynamic new technologies, and we are asking for \$276 million to integrate our workforce with the latest information technology and to support professional training needed for success.

These new tools and training will better enable our nation’s diplomats to tell America’s story to the people of the world, and in turn, to listen to the stories they have to tell. We have heard the legitimate criticisms that have been made of our public diplomacy, and we are rethinking how we do business. I have stressed that public diplomacy is the responsibility of every single member of our diplomatic corps, not just our public diplomacy specialists. One idea we are beginning to implement is the creation of forward-deployed, regional public diplomacy centers. These centers, or media hubs, will be small, lean operations that work out of our embassies or other existing facilities, enabling us to respond quickly to negative propaganda, to correct misinformation, and to explain America’s policies and our principles. The \$351 million that we seek will be essential for us to continue revitalizing our public diplomacy.

To complement our public diplomacy, we must ensure that America remains a welcoming place for all tourists, students, and businesspeople, while at the same time protecting our homeland from terrorists and criminals who would exploit our open society to do us harm. The State Department, in partnership with the Department of Homeland Security, has taken new steps in the past year to realize the President’s vision of secure borders and open doors through information technology. Our request of \$1.1 billion will fund the Border Security Program and enable us to hire 135

new consular officers and passport staff to meet the growing demand of foreign citizens seeking to travel to America, while maintaining our fundamental commitment to serve each and every American citizen when they go abroad. At the same time, we are seeking \$474 million to support our educational and cultural exchanges, which increase mutual understanding between our citizens and the peoples of the world.

Finally, we must continue to enable our nation's diplomats to work effectively with their partners in the United Nations and other international organizations. We seek \$1.6 billion to fund U.S. assessed and voluntary contributions to international organizations. The United States takes our international obligations seriously, and we remain committed to strengthening the financial stability, efficiency, and effectiveness of international organizations.

Defeating Terror and Advancing Liberty

The President's FY 2007 budget will help prepare the men and women of the State Department to meet the goals of transformational diplomacy. Our principal objectives are to stem the tide of terrorism and to help advance freedom and democratic rights.

We are requesting \$6.2 billion to strengthen the coalition partners who are standing shoulder to shoulder with us on the front lines in the fight against terrorism. Our assistance empowers our partners to practice more effective law enforcement, police their borders, gather and share essential intelligence, and wage more successful counterterrorism operations. In many states, our assistance will also help to bolster thriving democratic and economic institutions reducing the societal schisms that terrorists exploit for their own ideological purposes. Our FY 2007 request includes, among others, \$739 million for Pakistan, \$560 million for Colombia, \$154 million for Indonesia, \$457 million for Jordan, and \$335 million for Kenya.

Essential to winning the war on terrorism is denying our enemies the weapons of mass destruction that they seek. Our diplomacy cannot focus on non-proliferation alone; we must also develop new tools and new policies of counter-proliferation: actively confronting and rolling up the global networks involving rogue states, outlaw scientists, and black market middlemen who make proliferation possible. We are building on the achievements of the Proliferation Security Initiative, the G-8 Global Partnership, and UN Security Council Resolution 1540. We are working to

stop Iran and North Korea from succeeding in their quest for weapons of mass destruction, and we continue to do everything in our power to deny terrorists access to the world's most dangerous weapons, including threatening conventional weapons like MANPADS. The FY 2007 budget proposes to increase funding for our State Department's efforts to help countries fight the proliferation of dangerous weapons and materials.

These requirements are essential and immediate, but our vision must look beyond present horizons. To defeat the threat of terrorism, we must work to build a future of freedom and hope. As President Bush has said, in the long run, liberty and democracy are the only ideas powerful enough to defeat the ideology of hatred and violence. Freedom is on the march today all around the world, and the United States must continue to open a path for its expansion, especially in Iraq and Afghanistan.

In December, over 12 million Iraqi people voted in free elections for a democratic government based on a constitution that Iraqis themselves wrote and adopted. Through their actions, the overwhelming majority of Iraqis are demonstrating that they support freedom and oppose terrorism. The democratic government that is taking shape in Baghdad today should support human rights, foster new opportunities for prosperity, and give all Iraqis a stake in a free and peaceful future. It should separate stalwart Iraqis from the purveyors of terror and chaos. Iraq is on a track of transformation from brutal tyranny to a self-reliant emerging democracy that is working to better the lives of its people and defeat violent extremists.

Although Iraqis are undertaking this work themselves, international assistance remains essential to Iraq's success. U.S. assistance is helping Iraqis to build their security capabilities, empowering civil society and democratic institutions, increasing and improving the production and availability of electricity, distributing millions of new textbooks, providing access to clean water for millions of Iraqis, and helping protect millions of Iraqi children from disease.

The President's request of \$771 million, along with the forthcoming supplemental request, is an essential part of our National Strategy for Victory in Iraq. The funding for the Department's operations and programs is a critical counterpart to the efforts of our troops in the field as we pursue our integrated security, economic, and political tracks to success in Iraq. The supplemental request will fund programs that are integral to our

counter-insurgency campaign and to the operating and security costs of our diplomatic mission, while the FY 2007 request supports capacity development essential for Iraq's transition to self-reliance. The money requested by State will allow us to work effectively with our Iraqi partners to advance our strategy of "Clear, Hold, Build"—clearing areas of insurgent control, holding newly gained territory under the legitimate authority of the Iraqi government, and building economic infrastructure and capable national democratic institutions that are essential to Iraq's success.

Our work also continues in Afghanistan. After the United States, along with our allies and friends, removed the Taliban regime, the Afghan people set out to liberate themselves. They did so with the international community by their side. And today, the Afghan people have achieved the ambitious vision that we all set together four years ago in Bonn, Germany: a fully functioning, sovereign Afghan government. This government was established through successful presidential and parliamentary elections, in which millions of men and women voted freely for the first time. Today, Afghanistan has a democratic constitution; an emerging free economy; and a growing, multi-ethnic army that is the pride of the Afghan people.

Despite this dramatic progress, there is still much hard work to be done. President Bush's request of \$1.1 billion for Afghan reconstruction, along with supplemental funding to be requested, will allow us to continue helping the people of Afghanistan meet the remaining political, economic, and security challenges they face. With your continued support, along with help from NATO, the United Nations, and all other contributors from the international community, we can help the Afghan people complete their long journey toward a future of hope and freedom.

The people of Iraq and Afghanistan are helping to lead the transformation of the Broader Middle East from despotism to democracy. This is a generational challenge, in which elections are an important and necessary beginning. The freedom to choose invests citizens in the future of their countries. But as President Bush has said, one election does not establish a country as a democracy. Successful democracies are characterized by transparent, accountable institutions of governance; a thriving civil society that respects and protects minority rights; a free media; opportunities for health and education for all citizens; and the official renunciation of terrorism and ideologies of hatred. On this last point especially, we will continue to insist that the leaders of Hamas must recognize Israel, disarm,

reject terrorism, and work for lasting peace. Helping the nations of the Broader Middle East to make progress in building the foundations of democratic societies is the mission of the Middle East Partnership Initiative, for which we are seeking \$120 million. We are also requesting \$80 million for the National Endowment for Democracy to continue its good work in promoting lasting democratic change all around the world.

The progress of the Broader Middle East is hopeful, but it still faces determined enemies, especially the radical regime in Tehran. Iran is a strategic challenge to the United States, and we have a comprehensive view of the threat that Iran poses. The regime is seeking to develop nuclear weapons. It is a leading state sponsor of terrorism. It is working to destabilize its region and to advance its ideological ambitions. And the Iranian government oppresses its own people, denying them basic liberties and human rights. Through its aggressive and confrontational behavior, Iran is increasingly isolating itself from the international community.

In recent months, U.S. diplomacy has broadened the international coalition to address Iran's nuclear ambitions, and Iran's case will soon be heard in the U.N. Security Council. Our goal now is to broaden this coalition even further, to intensify the international spotlight and encourage our many international partners to respond to the full spectrum of threats that the Iranian regime poses.

For our part, the United States wishes to reach out to the Iranian people and support their desire to realize their own freedom and to secure their own democratic and human rights. The Iranian people should know that the United States fully supports their aspirations for a freer, better future. Over the past two years, the Department of State has invested over \$4 million in projects that empower Iranian citizens in their call for political and economic liberty, freedom of speech, and respect for human rights. We are funding programs that train labor activists and help protect them from government persecution. We are working with international NGOs to develop a support network for Iranian reformers, political dissidents, and human rights activists. We will devote at least \$10 million to support these and other programs during this year (FY 2006), and we are eager to work more closely with Congress to help Iranian reformers build nationwide networks to support democratic change in their country.

Meeting Global Challenges

Like terrorism and nuclear proliferation, many of the greatest challenges in today's world are global and transnational in nature. These threats breach even the most well-defended borders and affect all nations. Today's global threats require global partnerships, and America's diplomats are helping us transform our relationships with countries that have the capacity and the will to work on a global basis to achieve common purposes—countries like India, Japan, South Korea, Australia, El Salvador, and our allies in Europe.

One major global threat comes from disease, especially the scourge of HIV/AIDS. This pandemic affects key productive members of societies: the individuals who drive economies, raise children, and pass on the customs and traditions of their countries. The United States is committed to treating people worldwide who suffer from AIDS because conscience demands it, and also because a healthier world is a safer world. The hallmark of our approach is the President's Emergency Plan for AIDS Relief. This program is the largest international initiative ever by one nation to combat a single disease. The Emergency Plan combines our strong bilateral programs with complementary multilateral efforts to fight AIDS and other debilitating infectious diseases through contributions to the Global Fund to Fight AIDS, Tuberculosis, and Malaria, of which America is by far the largest contributor since the program's inception.

The Emergency Plan is rooted in partnership. Our approach is to empower each nation to take ownership of its own fight against HIV/AIDS through prevention, treatment, and care. The results to date have been remarkable. In the past two years, the Emergency Plan has expanded life-extending antiretroviral treatment to 471,000 people worldwide, 400,000 of whom are located in sub-Saharan Africa. And as of last year, the Emergency Plan has extended compassion and care to more than 1.2 million orphans and vulnerable children. The President's 2007 Budget requests \$4 billion, \$740 million more than this year, to continue America's leadership in the global fight against HIV/AIDS.

The 2007 budget also includes \$225 million to fight malaria, which is a major killer of children in sub-Saharan Africa. This request is part of the President's pledge to increase U.S. funding of malaria prevention and treatment by more than \$1.2 billion over five years. The United States is committed to working with the international community to increase preventive and curative programs in 15 African countries with particularly

high rates of infection by 2010. We seek to reduce malaria deaths by 50 percent in these countries after three years of full implementation.

The United States is also playing a key global role in preparing for the threat of a possible avian influenza pandemic—providing political leadership, technical expertise, and significant resources to this effort. In September 2005, President Bush announced the International Partnership on Avian and Pandemic Influenza. The Partnership, which includes 89 countries and nine international organizations, generates political momentum and coordinating action among all partners. At the January 2006 International Pledging Conference on Avian and Pandemic Influenza held in Beijing, the United States pledged \$334 million in current budget authority to protect health in the United States and around the world. The most effective way to protect the American population from an influenza outbreak is to contain it beyond our borders. The 2007 Budget provides resources to continue these activities in countries already experiencing outbreaks of influenza and in other countries on the cusp of infection.

Another key global challenge is to curtail the illicit drug trade and to dissolve the relationships between narco-traffickers, terrorists, and international criminal organizations. The 2007 Budget requests \$722 million for the Andean Counterdrug Initiative, which advances the President's goal of strengthening democracy, regional stability, and economic development throughout the hemisphere. The Initiative provides funding for law enforcement, security programs, and alternative livelihood assistance for those at risk from the trade of illicit narcotics.

Finally, as we transform our diplomacy to meet the increasingly global challenges of the 21st century, the United States remains committed to putting the power of our compassion into action wherever and whenever it is needed. In 2005, the United States led the world with our generous emergency responses to people suffering from unprecedented natural disasters—from the Indian Ocean tsunami, to the earthquake in Pakistan, to the mudslides in Central America. Our swift action has helped to provide relief, to prevent the spread of disease, and to begin restoring livelihoods and rebuilding these devastated regions. The United States remains the world's most generous provider of food and other emergency humanitarian assistance. Throughout the world, we are also helping refugees to return to their countries of origin. When that is not a viable option, the United States leads the international community in resettling refugees here in our

nation. The FY 2007 request of \$1.2 billion for humanitarian relief, plus \$1.3 billion in food aid, will ensure that we are prepared to extend the reach of American compassion anywhere in the world.

Three Goals of U.S. Foreign Assistance

The United States will continue to build strong partnerships to meet the global challenges that increasingly define international security in the 21st century. But we recognize that many states cannot meet the basic responsibilities of sovereignty, including just and effective control over their own territory. In response, the United States must assist the world's most vulnerable populations through our transformational diplomacy—using our foreign assistance and working with our partners to build state capacity where little exists, help weak and poorly governed states to develop and reform, and empower those states that are embracing political and economic freedom. These are three main goals of our country assistance programs, with the ultimate purpose being “graduation” from foreign economic and governance assistance altogether. Vibrant private sectors in free, well-governed states are the surest form of sustainable development.

Building State Capacity

We must do all we can to anticipate and prevent the emergence of failed states that lead to humanitarian crises, serious regional instability, and havens for terror and oppression that threaten our security. On September 11, we were attacked by terrorists who had plotted and trained in a failed state, Afghanistan. Since then, we have spent billions of dollars and sacrificed precious lives to eliminate the threat and liberate the brutally repressed people of Afghanistan. We must use all the tools and resources available not only to prevent future failed states, but to help nations emerging from conflict and war to become responsible, democratic states.

The Office of the Coordinator for Reconstruction and Stabilization was established to address complex and challenging situations around the globe. Partnering with the international community, we will help countries in crisis achieve a path to lasting peace, good governance, and economic development. Working in conjunction with our lead regional bureaus, our Reconstruction and Stabilization office is already beginning to advance this mission in the field. It deployed a team to Sudan to assess the effectiveness of our assistance programs in implementing the Comprehensive Peace Agreement, in negotiating a political settlement in

Darfur, in delivering humanitarian assistance, and in establishing security. As a result of these assessments and planning efforts, U.S. resources have been allocated more effectively to help people in need in Sudan. Our office has also helped the Haitian people take a decisive step toward a better future, pinpointing problems with voter registration and the electoral council in time for them to be remedied before last week's historic elections.

The 2007 Budget proposes to strengthen this office's ability to lead U.S. planning efforts for countries and regions of most concern, and to coordinate the deployment of U.S. resources when needed. The Budget proposes \$75 million, including a Conflict Response Fund to build our civilian response capabilities, to prevent failing states, and to respond quickly and effectively to states emerging from conflict around the world. With an early and effective civilian response, we can reduce the need for a more robust and costly military commitment by more quickly shifting responsibility for key functions to civilian actors.

Our efforts to build state capacity continue in Sudan. The need for security is of the utmost importance to this effort, and the Comprehensive Peace Accord (CPA) points the way forward. The CPA, which ended 22 years of North-South civil war in Sudan, is the framework for resolution of conflict throughout Sudan. The CPA created a Government of National Unity that shares power and wealth, and establishes elections at every level by 2009.

Implementing the CPA is essential to ending the genocide in Darfur. The United States is appalled by the ongoing atrocities that have persisted in Darfur, and we continue to lead the ongoing international effort to aid the region's displaced people, assisting over 1.8 million internally-displaced persons and over 200,000 Sudanese refugees in Chad. I ask for your full support of the President's upcoming supplemental request, which will include support for the African Union and for transition to a UN Peacekeeping Mission to bring peace to this war-torn area. We are requesting \$1.1 billion in the FY 2007 budget to transition to peace in Sudan, meet humanitarian needs, lay the foundations for economic development, and strengthen sustainable democratic institutions.

We are also continuing to partner with the people of Haiti to advance the cause of freedom and build lasting foundations of a democratic state. Just last week, the people of Haiti held fair and free elections. We now look forward to working with the citizens of Haiti, their newly elected

government, and the international community to help Haiti chart a positive path of freedom and prosperity by strengthening good governance, improving security and the rule of law, fostering economic recovery, and addressing critical humanitarian needs.

As is evident by the hard work and sacrifice of the UN peacekeepers in Haiti, international peacekeeping missions carried out by the United Nations and partner organizations are essential to creating the secure conditions conducive for democratic elections and basic state capacity. The \$1.3 billion request for these efforts worldwide is also crucial to facilitating the delivery of humanitarian relief and providing a stable political and economic environment that fosters democratic institutions and development. To continue to provide well-trained, effective peacekeepers that understand and respect human rights, I am requesting over \$100 million for the third year of the Global Peace Operations Initiative to train and equip 75,000 troops by 2010. Current missions and capacity building efforts increase our security at home and provide relief to the heroic troops in our own armed forces.

Helping Developing States and the Most Vulnerable Populations

Where the basic foundations of security, governance, and economic institutions exist, the United States is advancing bold development goals. Under President Bush, the United States has embarked on the most ambitious development agenda since the Marshall Plan, including a new debt relief initiative, the doubling of Official Development Assistance since taking office, and funding for the international financial institutions that is linked to performance. Development is an integral pillar of our foreign policy. In 2002, for the first time, the President's National Security Strategy elevated development to the level of diplomacy and defense, citing it as the third key component of our national security. States that govern justly, invest in their people, and create the conditions for individual and collective prosperity are less likely to produce or harbor terrorists. American diplomacy must advance these development principles.

U.S. development assistance focuses on building the tools for democratic participation, promoting economic growth, providing for health and education, and addressing security concerns in developing nations, while at the same time responding to humanitarian disasters. Such investments are crucial to improving the lives of people around the world and enhancing our

own national security. At the same time, we must invest in reform in countries so that these efforts will not go to waste, but provide both the necessary tools and the right incentives for host governments to secure the conditions necessary for their citizens to achieve their full potential.

Relieving the burden of heavily indebted countries is essential to ending a destabilizing lend-and-forgive approach to development assistance for poorer countries and allowing these countries to progress on the road to prosperity. At the Gleneagles summit last July, the G-8 agreed on a landmark initiative to provide 100 percent cancellation of qualifying Heavily Indebted Poor Countries' debt obligations to the World Bank, the African Development Bank, and the International Monetary Fund. U.S. leadership was instrumental in securing this agreement. We estimate that a total of 42 countries will receive up to \$60 billion in debt relief as a result of this initiative. The Budget that I present to you today fully supports the U.S. share of the multilateral debt forgiveness provided by the G-8 proposal.

The United States and our G-8 partners went much further than relieving debt. I ask you to go much further as well and support our government's commitment for the most ambitious package for Africa ever supported by the G-8. This package will fight malaria, HIV/AIDS, and corruption and help create an environment where democracy and economic opportunity can flourish. Specifically, the 2007 Budget supports the President's commitment to double our assistance to Africa between 2004 and 2010. In addition, the request supports the U.S. Government's commitment to help African countries to build trade capacity; to educate their citizens through the four year, \$400 million Africa Education Initiative; and to combat sexual violence and abuse against women through a new Women's Justice and Empowerment Initiative.

Although Africa is a focus of our efforts to reduce poverty and invest in people and reform, it is by no means the only continent on which our resources are directed. We seek a total of \$2.7 billion for Development Assistance and Child Survival and Health funds. By investing in the citizens of developing countries, we are investing in the future of the American people.

Empowering Transformational States

The final goal of our country assistance programs is to empower those states that are governing justly and to help them address key constraints to their economic growth and poverty reduction. The flagship of our efforts is the Millennium Challenge Account, which is helping states that are making measurable progress to achieve sustainable development and integration into the global economy.

In 2002, in Monterrey, Mexico, the nations of the world adopted a new consensus on how to reduce international poverty. Developed nations agreed to dramatically increase their amount of assistance to developing countries, and developing countries committed to making progress toward good governance, economic freedom, and an investment in the health and education of their people. In response to this Monterrey Consensus, our Administration and the Congress created the revolutionary Millennium Challenge Account, which targets billions of dollars in new development assistance to countries that meet benchmarks of political, economic, and social development. This innovative approach partners with and invests in low and lower-middle income countries that take ownership for their own sustainable development and poverty reduction.

In the past year, we have accelerated our efforts to negotiate and sign development compacts between transformational countries and the Millennium Challenge Corporation. To date, the MCC has identified 23 countries eligible for development compacts, and we have approved compacts worth a total of \$1.5 billion with eight countries: Armenia, Benin, Cape Verde, Georgia, Honduras, Madagascar, Nicaragua, and Vanuatu. Nine eligible countries have prepared proposals totaling \$3.1 billion, and another six will soon submit proposals of their own. We are seeking \$3 billion of new funding in the FY 2007 budget, with the goal of approving up to 10 new compacts.

As important as our foreign assistance is, free trade is ultimately the key to every country's sustained development and economic growth. As the President stressed in the State of the Union, promotion of free trade is essential to enhancing the prosperity of the American people and to supporting developing countries in their effort to participate fully in the global economy. The Bush Administration has signed or negotiated free trade agreements with Chile, Singapore, Jordan, Bahrain, Oman, Morocco, Australia, five Central American countries plus the Dominican Republic, and most recently, Peru. Fostering free trade is a vital part of our

development policy. In the past five years, the United States has more than doubled our investment in helping developing countries to trade freely and competitively in the global economy. We pledged at the recent WTO ministerial in Hong Kong to increase this assistance to \$2.7 billion by 2010, and our FY 2007 request for trade-related development assistance will be an important step toward that ambitious and hopeful goal.

Mr. Chairman: America's purpose in this young century is to marry our democratic principles with our dramatic power to build a more hopeful world. Our purposes are idealistic, that is true; but our policies are realistic, and we are succeeding. President Bush and I have called upon the men and women of the State Department to practice transformational diplomacy, and they are rising to this challenge with enthusiasm and courage. They are helping our many partners around the world to build a future of freedom, democracy, and hope for themselves and their families.

Realizing the goals of transformational diplomacy will require a sustained effort over the course of a generation. Most importantly, it will require a strong partnership with the Congress. We at the Department of State will do our part to use our existing authority to make our foreign assistance more effective and to enhance our ability to serve as responsible stewards of the American taxpayers' money. Our goal in establishing the new position of Director of Foreign Assistance is a first step. We welcome a dialogue with Congress about how we can work together to improve America's foreign assistance further, enabling us to respond more quickly and more effectively to the world's development challenges. By making America's foreign assistance more efficient and more effective, we will help people around the world to improve their lives, we will strengthen the hope that comes with freedom, and we will advance our national security.