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FOREIGN ASSISTANCE APPROPRIATIONS ACT, 1980 (H.R. 4473)

STATUS

The House Appropriations Foreign Operations Subcommittee completed markup of its omnibus foreign assistance bill in May. On June 11 the full Appropriations Committee considered and, with few changes, reported out H.R. 4473. This bill appropriates funds for the programs authorized in the International Security Assistance Authorization Act, H.R. 3173, and the International Development Cooperation Act of 1979, H.R. 3324, which were passed by the House on March 29 and April 10 respectively. The Senate passed comparable authorization measures: S. 584, the International Security Assistance Act, on May 22 and S. 588, the International Development Assistance Act of 1979, on June 19.

Floor consideration of H.R. 4473, which provides appropriations for all foreign assistance programs totaling $7,888,552 in new budget authority is tentatively scheduled for June 26. Should the House pass this measure, the Senate Appropriations Committee will complete action on its comparable bill.

TITLE I, MULTILATERAL ECONOMIC ASSISTANCE ($2,989,161,251 recommended)

This section details the funding appropriated to the President for U.S. contributions to the following international financial institutions: the Inter-American Development Bank, the International Bank for Reconstruction and Development (IBRD or World Bank), two branches of the IBRD, the International Finance Corporation and the International Development Association, the Asian Development Bank, the African Development Fund, and various International Programs and Organizations, such as those sponsored by the United Nations.

The largest component of the Administration's foreign aid package, in terms of dollars requested, was the U.S. contribution to the multilateral development banks totaling $3.6 billion. While the Committee reduced possible funding to $2,721,881,251, this is still $207 million above the FY 1979 appropriation level. The largest single cut made in committee was that of an additional $217 million from the World Bank funding request.

The purpose of multilateral development agencies is to encourage a wide source of funding for basic projects aimed specifically at ameliorating poverty conditions and strengthening infrastructures in the most needy lesser developed nations. Although there is no contention in Congress that U.S. funding through these bodies is in many cases productive (providing some indirect repayment other than satisfaction of humanitarian concerns for the U.S.), the question still remains concerning the loss of U.S. control over its contributions. Congressional scrutiny of the operations of these bodies, through which increasingly larger proportions of total U.S. foreign assistance is channeled, appears to be waning. The Surveys and Investigative Staff of the House Appropriations Committee recently concluded a year-long study of the International Financial Institutions in which an almost even number of operational improvements and continued concerns were cited. Yet, while not wishing to single out human rights, the report does conclude that "there are no guidelines for gauging acceptable human rights conditions" and "there is no criteria by which can be judged the extent a project meets basic human needs so as to outweigh the unacceptable human rights record of a country." The same problem of flexibility translated into inconsistency plagues the U.S. application of a human rights policy to all foreign policy objectives.

The IFI Report casually mentions in its discussion of human rights the issue which has become the greatest source of contention opposing the concept of multilateral development efforts: that the IFI's "feel that by making a loan they are not endorsing the political policies of the government and all members are aware that the loans made are based purely on economic considerations." The United States is currently recognizing the politicization of economics with the energy "crisis." As early as 1971 during the Nixon "shocks," Peter Peterson, President Nixon's Assistant for International Economic Affairs warned that one must accept

> ...the realization that political, economic, and security questions are inseparable in long-range policy planning....In an increasingly economic, interdependent and competitive era, we shall also find increasingly that economics is politics.[1]

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1. Peter G. Peterson, The U.S. in the Changing World Economy, Vol. 1, "A Foreign Economic Perspective" (Washington, D.C.: U.S. Government Printing Office, 1971), p. 51.

Perhaps now is the time for the U.S. to question increasingly additional contributions to the International Financial Institutions, with respect to both fiscal austerity and policy objectives, rather than to allow the opposition to subside.

TITLE II, BILATERAL ECONOMIC ASSISTANCE ($4,119,391,000 recommended)
DEVELOPMENT ASSISTANCE

The Agency for International Development (AID) programs for agriculture rural development and nutrition, population, health, and education and human resources are directed toward alleviating mass poverty and the backward social conditions plaguing many of the under-developed nations. The Appropriations Committee recommends funding amounts below both the Administration's request and House authorizations (accounting for the five percent across-the-board cut) yet above both the Senate authorizations and the FY 79 appropriations. H.R. 4473 provides $1,106,000,000 for these four programs.

The concern of Congress with respect to these and all functional development programs should center on the list of recipients. The House authorizations bill (H.R. 3324) prohibits functional development aid to Panama, Mozambique, Tanzania, Angola, Zambia, Vietnam, Cambodia, and Cuba, while the Senate Foreign Relations Committee during markup on S. 588 cut out the program funding for the Central African Empire, Nicaragua, Guatemala, El Salvador, Paraguay, Ethiopia, Haiti, Pakistan, Panama, and Afghanistan. To strengthen and reconcile these restrictions the Congress has the option of including specific prohibitions on aid transfers in the appropriations bill.

ECONOMIC SUPPORT FUND

Although the Economic Support Fund, also referred to as Security Supporting Assistance, has not yet found a permanent niche under either development or security (i.e. military) assistance, the expressed purpose of the program is clear. According to John Gilligan, the former Administrator of AID, this program "provides economic assistance to countries where U.S. interests can be served by bolstering economies which have been effected by political or economic crises." The Appropriations Committee recommended $1,917,000,000 for FY 80, slightly above both the FY 79 appropriations and the funding authorized in H.R. 3324, yet $42 million under the Senate's authorization. Over two-thirds is earmarked for Israel and Egypt. Turkey receives the next largest sum of $98 million. The actual expenditure of these funds is on economic development and infrastructure programs, many of which overlap other AID projects. However, the countries chosen as recipients (originally not to total more than twelve in one fiscal year) reflect where the U.S. feels its security could be directly or indirectly threatened, thus necessitating congressional support of this program. As Paul Hoffman, the first administrator of the Marshall Plan commented in the early 1970s,

> Every single internal conflict since 1946 has started and been fought in poverty stricken areas of the world and almost every international crisis came to a boil in these same areas.[2]

This particular program is perhaps the best example of "mutual assistance" rather than foreign assistance. Through bilateral economic aid the United States is choosing to support viable political economies whose interests are closely aligned with the U.S., thus benefiting both the donor and recipient.

INSTITUTE FOR SCIENTIFIC AND TECHNOLOGICAL COOPERATION (ISTC)

$23,750,000 is the recommended appropriation to fund the initial creation of the ISTC, a research-oriented establishment which has been endorsed by the House in passage of H.R. 3324, but whose title of authority was deleted by the Senate in passage of S. 588. If the Senate's sense of fiscal responsibility does not prevail, this $24 million will create a completely new agency sub-division which would overlap similarly structured programs funded through AID.

TITLE III, MILITARY ASSISTANCE ($770,000,000 recommended)
MILITARY ASSISTANCE PROGRAM (MAP)

The general authority for MAP as outlined in the Foreign Assistance Act of 1961, as amended, provides:

> The President is authorized to furnish military assistance on such terms and conditions as he may determine to any friendly country or international organization, the assisting of which the President finds will strengthen the security of the United States and promote world peace and which is otherwise eligible to receive such assistance, by- (1) acquiring from any source and providing (by loan or grant) any defensive article or defensive service; or (2) assigning or detailing members of the Armed Forces of the United States and other personnel of the Department of Defense to perform duties of a non-combatant nature.

H.R. 4473 recommends $110 million for FY 80 MAP expenditures, which is $200,000 below the House authorizations, $400,000 above

2. Paul G. Hoffman, "The Two Way Benefits of Foreign Aid," Fortune, March 1972, p. 120.

Senate authorizations, and $50,200,000 below the Administration's request. Yet, this amount is $26,625,000 above the FY 79 appropriations. The Administraiton is asking new program funding for only five countries: the Philippines, Jordan, Portugal, Spain, and Turkey. Four of these countries permit the U.S. access to and use of their national military-related facilities.

INTERNATIONAL MILITARY EDUCATION AND TRAINING (IMET)

According to Secretary of State Cyrus Vance, the IMET program "continues to provide a significant return on a modest investment." The U.S. has contributed through this program to the military proficiency of allied and friendly nations, training almost 500,000 foreign nationals since 1950.

The Appropriations Committee approved $25 million for this program, $7.9 million below the House authorization and Administration request and $6.3 million below the Senate authorization. This is also $2.9 million below the FY 79 appropriations. On a strictly economic basis, it is much cheaper for the U.S. to financially support the training of foreign national troops vital to maintaining U.S. security interests than it would be to send U.S. troops abroad for either preventive measures or actual combat.

However, one objection might be raised concerning the recipient countries.After examining the list provided in the House Appropriations report, it becomes necessary to clarify what troops, for instance in Yemen and Afghanistan, the U.S. really wishes to train. Due to the application of human rights considerations the Committee cut back the funding for this program by twenty-four percent.

FOREIGN MILITARY CREDIT SALES

The largest proportion of finances authorized and appropriated for military assistance falls under aggregate foreign military credit sales. The authorized ceilings set by the House and Senate respectively for FY 80 are $657.9 million and $673.5 million, while the Appropriations Committee recommends $645 million. Of the $2,088,000,000 total proposed credit sales program for FY 80, $1 billion is earmarked for Israel with an authorized debt forgiveness extended for $500 million.

There has been much controversy over this program since 1977 when President Carter announced the U.S. would view arms transfers as "an exceptional foreign policy implement" and set a ceiling on credit sales to countries other than U.S. alliance partners and Israel. The FY 79 ceiling of $8.43 billion is expected to be grossly violated. Human rights considerations are inequitably applied and foreign availability often is ignored.

The U.S. unilateral arms restraint policy has not noticeably reduced the total world-wide transfer of weaponry, but has had the reverse affect of increasing arms sales by American allies, particularly Great Britain and France. The actual effect of the U.S. arms sales policy is especially disturbing in Latin America. By placing human rights restrictions on arms sales the U.S. has both removed herself from the arms market in this region and prompted the creation of an indigenous arms manufacturing capability. Brazil stopped purchasing U.S. arms, refusing to supply human rights reports, and with the help of Europeans built her own plant. She now exports weapons to Chile, Uruguay, and Sudan. Some have suggested adding a sense of Congress amendment to the appropriations bill in this section, urging a thorough review by the Administration of this program prior to FY 81 appropriations in order to emphasize the importance of the program in maintaining U.S. security interests in many global regions.

TITLE IV, THE EXPORT-IMPORT BANK OF THE UNITED STATES

The House bill supports an increase from FY 79 of over $250 million in the total limitation for the Bank's FY 80 operations, raising the ceiling to $5,612,370,000. The Export-Import Bank receives no direct appropriations from the Congress, yet Congress mandates its yearly program expenditures. Monetary support for the Bank's activities is gained through the Bank's authority to borrow directly from the U.S. Treasury (average short-term borrowing during the period ending September 30, 1978 was at the rate of 7.06 percent) as long as total outstanding loans remain valued under $6 billion. The Bank extends direct credits at a recently lowered rate ranging between 7.75 and 8.75 percent in order to promote competitive financing for U.S exporters.

Perhaps more important than actually setting the expenditures of the Bank, Congress has the ability to attach any government and/or foreign policy restrictions on lending activities. Such restrictions have grown to include human rights considerations, environmental protection, terrorism, nuclear proliferation, and the Jackson-Vanik Amendment of the 1974 Trade Act. While the use of the Export-Import Bank in the scheme of overall U.S. export promotion is vital, the Bank must adhere to the objectives of U.S. foreign policy, while balancing domestic concerns. In the hearings before the Foreign Operations Subcommittee, Cong. Bill Young (R.-Fla.) asked how one could explain the logic of supporting railroad construction through General Electric in Mozambique when AMTRAK could not muster financial support within the U.S. to maintain standard operations. Questions must continue to be raised concerning how the Bank determines which loan applications are sound. Here Congress needs to utilize its prerogative to examine closely the economic and political consequences of the Bank's loans.

The recent question of Ex-Im funding in Zaire exemplifies the complexity surrounding many of the Bank's "clients". Involved in a congressional decision on additional support of a hydroelectric project in Zaire are the country's ability to repay the loans, whether its human rights record has improved and what type of relationship Zaire currently maintains with Angola. Thus the purely political considerations of whether or not to extend additional loans are joined by equally pressing political concerns.

TITLE V, GENERAL PROVISIONS

Section 512: This section provides that none of the funds obligated or expended may be used to aid the efforts of any country to "repress the legitimate rights of the population of such country contrary to the Universal Declaration on Human Rights." This is the only specific reference to human rights considerations in the bill.

Section 513, 514, 515: These sections list the countries to which the transfer of any funds or assistance is prohibited. With the exception of Mozambique, the remaining countries of Angola, Central African Empire, Cambodia, Laos, Vietnam, and Cuba are not subject to a presidential waiver.

The Committee report accompanying H.R. 4473 (Rpt. No. 96-273) again enumerates all the countries about which they received either testimony or expressed concerns regarding possible human rights violations. The only change from last year's list was the addition of the Central African Empire and the withdrawal of Argentina. Those countries on the list, to which no reference is made in the appropriations bill are Bangladesh, Bolivia, Cameroon, Chad, Dominican Republic, El Salvador, Ethiopia, Ghana, Guatemala, Haiti, Indonesia, Mali, Morocco, Nepal, Nicaragua, Panama, Paraguay, Philippines, Sudan, Thailand, Tunisia, Yemen, South Korea, and Zaire.

Furthermore, Committee concern is expressed in the report regarding the obvious lack of a consistent human rights policy and a formal set of criteria for determining who is and who is not a violator. The suggestion is made that the Administration provide Congress with two lists of criteria, one pertaining to how to determine violators and the other to determine whether or not the assistance in question is reaching the needy and should in no case be disrupted. Deputy Secretary of State Warren Christopher, in testimony before the House International Organizations Subcommittee earlier this spring, acknowledged that the inital "flexibility in the Administration's human rights policy was necessary but that more concrete guidelines had not emerged. However, Christopher went on to state that "decisions to extend or withhold assistance are often taken on the basis of trends in human rights considerations." Other than saying that the use of diplomacy and threat of aid withdrawal "must be calibrated and sequential" no specific criteria were mentioned.

Differences between the House and Senate authorization bills as regards prohibitions on aid for human rights violations will need to be reconciled and in the future these restrictions must be more judiciously applied.

Section 520-521: Of the funds appropriated to the President for U.S. contributions to the multilateral development banks, none are to be distributed to organizations which prevent the U.S. representative from obtaining information on all borrowers and amounts of loans or any other management documents. The U.S. currently controls 22.74 percent of the voting power in the World Bank, with its subscriptions totaling slightly over twenty-five percent. In the International Development Association the U.S. controls 20.28 percent of the votes while contributing in subscriptions and supplementary resources over twenty-eight percent to IDA's total resources.

Since the ultimate goal of these international institutions is to more evenly distribute the financing among its members, the United States can expect to lose control of the voting power, but will always be guaranteed an important role as a key member of any coalition. Keeping track of all borrowers and their cumulative loans and potential dealings with the banks allows the U.S. to at least initiate objections where they are needed.

Section 526: The full Committee added this provision which prohibits the use of any military assistance funding for Panama in view of the Canal revenues which are estimated to provide the Republic with $60 million a year beginning in October. The House restricted authorizations for both economic and military assistance for Panama, leaving open this option for the full House consideration of H.R. 4473.

CONCLUSION

As reported by the Appropriations Committee the $7,888,552,251 proposed funding for FY 80 foreign assistance programs is an approximate six percent increase over the FY 79 funding level of comparable programs. While this amount represents only a small percentage of U.S. yearly GNP, the political weight wielded through this program mandates that the difficult task of carrying out a concentrated review of all of the programs contained in this omnibus bill be fulfilled.

The fiscally conservative attitude reflected in the various committees' desire to maintain budget cuts in the Administration's requests in domestic programs can easily be applied to foreign assistance programs. However, the superficial approach must not preclude intensified efforts to restructure aid programs, shifting where necessary the emphasis and direction of U.S. foreign assistance.

The appropriations procedure provides Congress with yet another opportunity to estimate the benefits obtained from the total program while simultaneously weighing the specific program benefits. The goals of spending American dollars wisely while continuing to assist U.S. friends and allies that clearly require help need not be mutually exclusive. At the same time Congress can halt the subsidizing of indirect aid which flows to communist and marxist regimes and finally undertake the time-consuming task of streamlining and removing overlapping U.S. foreign assistance programs.

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