



WikiLeaks Document Release

<http://wikileaks.org/wiki/CRS-RL30530>

February 2, 2009

Congressional Research Service

Report RL30530

*FOREIGN AID AUTHORIZATION: THE TECHNICAL
ASSISTANCE, TRADE PROMOTION, AND
ANTI-CORRUPTION ACT OF 2000*

Larry Nowels, Foreign Affairs, Defense, and Trade Division

Updated October 12, 2000

Abstract. For one of the few times during the past 15 years, legislation was reported in the Senate authorizing broad portions of U.S. foreign assistance programs. S. 2382, the Technical Assistance, Trade Promotion, and anti-Corruption Act of 2000, as reported by the Senate Foreign Relations Committee on April 7, selectively authorizes a range of foreign aid activities, updates permanent foreign assistance laws, expands several aid initiatives such as those to combat the spread of HIV/AIDS and tuberculosis, launches new initiatives, and repeals obsolete legislation.

WikiLeaks

CRS Report for Congress

Received through the CRS Web

Foreign Aid Authorization: The Technical Assistance, Trade Promotion, and Anti-Corruption Act of 2000

Updated October 12, 2000

Larry Nowels
Coordinator
Foreign Affairs, Defense, and Trade Division

<http://wikileaks.org/wiki/CRS-RL30530>

Foreign Aid Authorization: The Technical Assistance, Trade Promotion, and Anti-Corruption Act of 2000

Summary

For one of the few times during the past 15 years, legislation was reported in the Senate authorizing broad portions of U.S. foreign assistance programs. In the absence of foreign aid authorizations, Congress has overseen and funded the program through annual Foreign Operations appropriations bills. S. 2382, the Technical Assistance, Trade Promotion, and Anti-Corruption Act of 2000, as reported by the Senate Foreign Relations Committee on April 7, selectively authorizes a range of foreign aid activities, updates permanent foreign assistance laws, expands several aid initiatives such as those to combat the spread of HIV/AIDS and tuberculosis, launches new initiatives, and repeals obsolete legislation. S. 2382 incorporates a number of provisions previously approved by the Senate or some that have been enacted annually within appropriation bills, but never in permanent statute. Although S. 2382 is not a comprehensive foreign assistance authorization bill addressing each aid program, it represents the first broad foreign aid measure reported by the Senate Foreign Relations Committee since 1995, and would be the first of this type of legislation debated by the full Senate in a decade.

S. 2382 is selective in its approach. It authorizes amounts for HIV/AIDS, tuberculosis, and microenterprise programs for FY2001, but does not set funding ceilings for overall development assistance spending out of which these three programs will be drawn. It provides no authorizations for several other major economic aid accounts. S. 2382 provides a more comprehensive authorization for military assistance than for other foreign aid activities. It establishes funding levels for both Foreign Military Financing and International Military Education and Training activities and for several nonproliferation programs, earmarking amounts for selected countries, and updating various security assistance authorities. S. 2382 further incorporates a number of aid and foreign policy initiatives approved previously by the Senate, including the Trade Sanctions Reform and Export Enhancement Act, the Sudan Peace Act, and the Serbia Democratization Act. The bill would also enact into permanent law a number of provisions approved each year in Foreign Operations Appropriation bills. S. 2382 addresses about one-third of the President's proposed \$15.1 billion foreign assistance budget for FY2001. Funding for each program included in S. 2382 is authorized at or above levels requested by the Administration. Within the security aid accounts, S. 2382 earmarks specific amounts for certain high priority recipients, including Israel, Egypt, Greece, Turkey, and new NATO members.

Some major issues addressed in S. 2382 are: sanctions policy reforms for agriculture and medicine, population aid, Sudan, HIV/AIDS initiatives, tuberculosis control efforts; biotechnology in agriculture, debt relief for the world's poorest nations, World Bank and IMF operations, Serbia sanctions and democratization aid, microenterprise assistance, nonproliferation and export control aid, and assistance to Israel. The bill also addresses many other topics, not covered in this report.

While further Senate action on S. 2382 has stalled, Congress has considered, and in a few cases enacted as separate bills, several of the major issues initially incorporated in S. 2382.

CRS Policy Analysts Contributing to this Report

Issue	Name	Telephone
Biotechnology in Agriculture	Donna Vogt	7-7285
Debt Relief and HIPC	Larry Nowels	7-7645
HIV/AIDS	Raymond Copson	7-7661
Israel Aid	Clyde Mark	7-7681
Microenterprise Assistance	Curt Tarnoff	7-7656
Nonproliferation	Robert Shuey	7-7677
Population Assistance	Larry Nowels	7-7645
Serbia	Steven Woehrel	7-2291
Sanctions Policy	Dianne Rennack	7-7608
Sudan	Ted Dagne	7-7646
Tuberculosis	Lois McHugh	7-7627
World Bank and IMF	Jonathon Sanford	7-7682

Contents

Most Recent Developments	1
Introduction	1
Roadmap to the Technical Assistance, Trade Promotion, and Anti-Corruption Act of 2000 (S. 2382)	3
Major Policy Issues Addressed in S. 2382	5
Trade Sanctions Reform and Export Enhancement Act of 2000	5
Population Assistance Certification	6
Sudan Peace Act	7
Assistance to Countries With Large Populations Having HIV/AIDS	8
International Tuberculosis Control Act of 2000	10
Advancing the Global Opportunities for Biotechnology in Agriculture Act of 2000	10
Debt Relief Under the Heavily Indebted Poor Countries (HIPC) Initiative	11
International Financial Institutions Anticorruption and Accountability Standards	13
Serbia Democratization Act	15
Microenterprise Assistance	16
Nonproliferation and Export Control Assistance	17
Assistance for Israel	18

List of Tables

Table 1. Titles and Major Programs Authorized by S. 2382	3
Table 2. Funding Authorizations in S. 2382	4

Foreign Aid Authorization: The Technical Assistance, Trade Promotion, and Anti-Corruption Act of 2000

Most Recent Developments

What began as one of the few attempts during the past 15 years for Congress to debate a single bill proposing broad changes to U.S. foreign aid policy has been re-directed to a process of considering numerous individual measures dealing with issues included in the Technical Assistance, Trade Promotion, and Anti-Corruption Act of 2000. After the Foreign Relations Committee reported S. 2382 in early April, the bill was referred to the Banking Committee and further Senate debate on the broader legislation stalled. Subsequently, however, Congress has considered, and in a few cases enacted as separate bills, several of the major issues initially incorporated in the omnibus foreign aid authorization legislation. In August, President Clinton signed an HIV/AIDS authorization measure (H.R. 3519; P.L. 106-264) and in early October he approved broad security assistance authorizing legislation (H.R. 4919; P.L. 106-280). Congress cleared on October 6 a bill the President is expected to sign increasing the size and scope of microenterprise programs administered by the United States in developing nations (H.R. 1143). Each Chamber has passed different bills promoting democracy initiatives in Serbia (S. 720 and H.R. 1064) and House and Senate conferees agreed on October 6 to trade sanction reforms in H.R. 4461, the Agriculture Appropriations Act, FY2001. Each of these initiatives are major components of S. 2382. New legislation on poor country debt relief and international financial institution accountability has been introduced (S. 3129), but the issue remains under negotiation between congressional sponsors and the Administration.

Introduction

For one of the few times during the past 15 years, legislation was reported in the Senate authorizing broad portions of U.S. foreign assistance programs. S. 2382 or the Technical Assistance, Trade Promotion, and Anti-Corruption Act of 2000, as reported by the Senate Foreign Relations Committee on April 7, selectively authorizes a range of foreign aid activities, updates permanent foreign assistance laws, expands several aid initiatives such as those to combat the spread of HIV/AIDS and tuberculosis, launches new initiatives, and repeals obsolete legislation. S. 2382 incorporates a number of provisions previously approved by the Senate or some that have been enacted annually within appropriation bills, but never in permanent statute. Although S. 2382 is not a comprehensive foreign assistance authorization bill addressing each aid program, it represents the first broad foreign aid measure

reported by the Senate Foreign Relations Committee since 1995 and would be the first of this type of legislation debated by the full Senate in a decade.

Until the mid-1980s, Congress typically would consider two comprehensive foreign assistance bills each year. Largely under the jurisdiction of the House International Relations and Senate Foreign Relations Committees, the first piece of legislation would authorize U.S. economic and military aid programs: setting the maximum amount that could be spent on various activities, establishing congressional funding and policy priorities mainly by amending the Foreign Assistance Act of 1961 and the Arms Export Control Act, restricting executive branch management of aid programs in selected areas, and launching new assistance initiatives. These foreign aid authorization bills, which were sometimes enacted annually and sometimes biennially, often allowed Congress to debate broader policy issues beyond aid matters, and became important vehicles for congressional influence over executive foreign policy making in general. Following enactment of these authorizing measures, Congress would also approve an annual bill appropriating funds for foreign assistance programs.

Although this represented the traditional foreign aid legislative process, authorization measures became increasingly difficult to enact due to sharp policy differences between Congress and the President, first during the Vietnam War, and later regarding U.S. Central America policy. The executive branch objected strongly to aid restrictions and conditions imposed by Congress through authorization bills, believing that they eroded the President's ability to effectively manage foreign policy matters. The last comprehensive foreign aid authorization bill signed into law came in 1985 – the International Security and Development Cooperation Act of 1985. Since then, the House and Senate individually have passed authorizing measures on several occasions, but the bills have either not been taken up by the other body or have died in the face of a presidential veto threat. In 1994, the Clinton Administration submitted draft legislation proposing to substantially re-write U.S. foreign aid laws, but Congress did not act on the initiative.

In the absence of foreign aid authorizing legislation, Congress has approved funding levels and influenced policy decisions through annual enactment of the Foreign Operations Appropriations bill. Like the authorization measures, these bills frequently have generated controversy between the two branches, resulting in some years in a presidential veto or funding through a continuing resolution. But ultimately each year Congress has enacted some type of foreign aid appropriations bill that has become the major vehicle through which lawmakers oversee and influence U.S. foreign aid programs, and foreign policy more generally.

After the Senate Banking Committee sought referral of S. 2382, all action on the bill stopped when the legislation became embroiled in a dispute regarding provisions authorizing U.S. participation in the Heavily Indebted Poor Country Debt (HIPC) Initiative and World Bank/IMF reforms. In an effort to continue debate on specific elements of S. 2382, the Foreign Relations Committee marked up and reported several individual bills addressing the same issues as included in the omnibus foreign aid authorization measure. Two – those dealing with HIV/AIDS programs and security assistance – have been enacted into law, while a microenterprise bill is awaiting the President's signature. Bills recommending similar positions to those in

S. 2382 regarding Serbia democratization and trade sanctions reform have also advanced, but have not been finalized. The current status of each of these issues is noted in Table 1 below, and discussed in a box note under each section of this report.

Roadmap to the Technical Assistance, Trade Promotion, and Anti-Corruption Act of 2000 (S. 2382)

Table 1. Titles and Major Programs Authorized by S. 2382
(bill sections are shown in “()”)

Title	Major Programs Authorized in S. 2382	Status in Other Legislation
I - Promoting Trade & Protecting U.S. Jobs	<ul style="list-style-type: none"> * Private sector enterprise funds (101) * Aid, U.S. exports, and jobs (111-114) * Trade Sanctions Reform Act (121-129) 	* Agriculture App, HR 4461
II - Economic Assistance	<ul style="list-style-type: none"> * Development aid (201-204, 206-208) * Population aid certification (205) * Africa aid allocations (209) * Nonmilitary ed. & anticorruption aid (210) * Disaster aid (211-212) * Sudan Peace Act (221-233) * HIV/AIDS assistance (241-249) * Tuberculosis control (251-253) * Biotechnology in agriculture (261-267) 	<ul style="list-style-type: none"> * P.L. 106-264 * P.L. 106-264
III - Peace Corps	<ul style="list-style-type: none"> * Redesignation as Peace Corps of US (301) 	
IV - Strengthening Anticorruption Measures and Accountability	<ul style="list-style-type: none"> * Debt relief under HIPC (410) * Multilateral development bank funds (402) * Intl financial institution policies (403) 	* S. 3129
V - Serbia Democratization Act	<ul style="list-style-type: none"> * Support democratic opposition (511-513) * Aid to victims (521-523) * “Outer wall” sanctions (531-532) * Other sanctions (541-549) 	S. 720 and H.R. 1064
VI - Microenterprise	<ul style="list-style-type: none"> * Microenterprise authorizations (601-609) 	H.R. 1143
VII - Defense and Security Assistance	<ul style="list-style-type: none"> * Foreign Military Financing (701) * Intl Military Education & Training (721) * Nonproliferation & export control (731-34) * Antiterrorism (741) * Natl security aid strategy (751-752) * Aid for new NATO members (761), Greece/Turkey (762), Israel/Egypt (763), others (764) * Israel security aid, FY2001-2008 (781) * Naval vessel transfers (791-796) 	P.L. 106-280
VIII - Special Authorities	<ul style="list-style-type: none"> * Aid prohibition to governments that export lethal weapons to terrorist states (801) * Administration of justice (804) * Repeal of obsolete provisions (807) 	

As noted above, S. 2382 does not authorize all U.S. foreign aid programs in the same way that authorization bills had done until 1985. The legislation authorizes amounts for HIV/AIDS, tuberculosis, and microenterprise programs for FY2001, but does set funding ceilings for overall development assistance spending out of which these three programs will be drawn. There are no authorizations for several other major economic aid accounts, including disaster assistance, counternarcotics, Eastern Europe, the former Soviet Union, and the Economic Support Fund. Relative to other aspects foreign assistance, S. 2382 provides a comprehensive authorization for military assistance, establishing funding levels for both Foreign Military Financing and International Military Education and Training activities and for several nonproliferation programs, earmarking amounts for selected countries, and updating various security assistance authorities. S. 2382 further incorporates a number of aid and foreign policy initiatives that have been approved previously by the Senate, including the Trade Sanctions Reform and Export Enhancement Act, the Sudan Peace Act, and the Serbia Democratization Act. The bill would also enact into permanent law a number of provisions approved each year in Foreign Operations Appropriation bills. Table 1 illustrates the broad range of foreign aid activities authorized in S. 2382.

Table 2. Funding Authorizations in S. 2382
(\$s – millions)

	FY2000 enacted	FY2001 request	FY2001 S. 2382	Other Legislation
HIV/AIDS (USAID programs)	\$200.0	\$259.0	\$300.0	\$300.0 ^a
Global Alliance for Vaccines & Immunizations	--	\$50.0	\$50.0	\$50.0 ^a
Intl AIDS Vaccine Initiative	--	--	\$10.0	\$10.0 ^a
HIPC Trust Fund (debt relief)	\$0.0	\$150.0	\$600.0 ^b	\$600.0 ^c
Serbia Democracy Act	\$25.0	\$41.5	\$50.0	\$55.0 ^d
Microenterprise	\$135.0	\$135.0	\$150.0	\$155.0 ^f
Foreign Military Financing	\$4,788.9 ^e	\$3,538.2	\$3,627.0	\$3,550.0 ^h
Intl Military Education & Training	\$49.8	\$55.0	\$65.0	\$55.0 ^h
Nonproliferation & Export Control	\$124.8	\$110.0	\$129.0	\$129.0 ^h
Antiterrorism	\$38.0	\$72.0	\$73.0	\$72.0 ^h
TOTAL	\$5,361.5	\$4,410.7	\$5,054.0	NA

^a Authorized in PL 106-264.

^b Authorization for four years, FY2000-2003. The Administration requested \$600 million over three years.

^c Authorized in S. 3129.

^d Authorized in HR 1064.

^f Authorized in HR 1143.

^e Includes a one-time only \$1.8 billion appropriation for the Wye River/Middle East Peace accord.

^h Authorized in PL 106-280.

On funding issues, S. 2382 addresses about one-third of the President's proposed \$15.1 billion foreign assistance budget for FY2001. As shown in Table 2, funding for each program included in S. 2382 is authorized at levels requested by the Administration or more. Within the security assistance accounts, S. 2382 earmarks specific amounts for certain high priority recipients, including Israel, Egypt, Greece, Turkey, and new NATO members.

Major Policy Issues Addressed in S. 2382

Trade Sanctions Reform and Export Enhancement Act of 2000¹

The Trade Sanctions Reform and Export Enhancement Act of 2000 (Title I, subtitle C) most closely reflects the intent of the "Food and Medicine for the World Act," a measure introduced in several forms in the first session of the 106th Congress and nearly enacted in last year's agriculture appropriations bill.²

The Trade Sanctions Reform and Export Enhancement Act of 2000 prohibits the President from restricting or denying other countries access to U.S. agricultural commodities, agricultural assistance, medicine, and medicine-related devices for foreign policy or national security reasons unless he justifies such restrictions to Congress, and Congress enacts a joint resolution supporting the sanction. It further requires that existing sanctions regimes be adjusted to allow for most agricultural and medical commerce with the sanctioned country. The President retains the authority to restrict food assistance programs, or the availability of agricultural commodities, medicine, or medical devices under current law in some cases, and may also prohibit agricultural and medicine transactions in times of war or armed conflict. Any sanctions imposed to restrict access to U.S. agricultural commodities or medicine, however, would terminate two years after their imposition unless the President, once again, justified their continuance and Congress enacted a joint resolution supporting the policy.

¹ More than 100 bills have been introduced in the 106th Congress that pertain to the use of economic sanctions in foreign policy. They are chronicled in *Economic Sanctions: Legislation in the 106th Congress*, CRS Report RL30384, by Dianne E. Rennack. Among those hundred are bills that would limit the use of food and medicine in sanctions regimes, exempt agriculture-related transactions from restrictions, prohibit selectively restricting the sale or shipment of one agricultural commodity on which the targeted country might have a dependency, or overhaul the use of sanctions in foreign policy altogether. See also: *Economic Sanctions and U.S. Agricultural Exports*, CRS Report RL30108, by Remy Jurenas; and *Economic Sanctions to Achieve U.S. Foreign Policy Goals: Discussion and Guide to Current Law*, CRS Report 97-949, by Dianne E. Rennack and Robert D. Shuey.

² See S. 1233, Agriculture Appropriations for FY2000, amended by S.Amdt. 1499, into which was incorporated a secondary amendment, S.Amdt. 1507 – the Ashcroft amendment. S.Amdt. 1507 was adopted in the Senate by voice vote on August 4, 1999. Similar language was also adopted as S.Amdt 1516 by voice vote. S. 1233 went on to be incorporated into H.R. 1906, which was signed into law as P.L. 106-78 without the food and medicine exemption. Conferees dropped the food and medicine exemption after failing to agree on what the availability of food and medicine should be to countries found by the Secretary of State to be supporters of international terrorism, particularly to Cuba.

To some extent, the Clinton Administration has already minimized the impact passage of such a bill would have. In April 1999, the President announced that the United States would exempt commercial sales of agricultural commodities and medicine from future unilateral sanctions imposed by the executive branch. The President directed the Secretary of the Treasury to issue new regulations that would allow commercial food and medical exports to Libya, Iran, and Sudan, three states previously severely restricted from such transactions because they are on the State Department's list of countries that support acts of international terrorism.³ Current U.S. policy continues to restrict, to varying degrees, such exports to Cuba, Iraq, and North Korea, although the United States provides food and medicine to these three countries through other means, such as U.N.-mandated oil-for-food relief for Iraq, U.N. World Food Program humanitarian assistance to North Korea, and humanitarian donations to Cuba.

Congressional opinion has been uniformly positive on the matter of making agricultural commodities and medicine universally available, except when the policy is applied to countries found to be supporters of acts of international terrorism. Last year's efforts to enact the Food and Medicine for the World Act foundered on the notion that, some day, Cuba could be removed from the terrorist list, and thus become eligible for U.S. commodities, assistance and contracts. This measure provides for the continued use of the Secretary of State's authority to restrict access to U.S. foreign assistance, export assistance, credits and credit guarantees under the Foreign Assistance Act of 1961. Agricultural commodities and medicine may otherwise be made available to a terrorist state by way of one-year licenses and without benefit of Federal financing. How countries are put on or removed from the State Department's terrorist list, and what food or medicine is available to those countries while on the terrorist list, are likely to be key contentious issues when this measure is considered on the Senate floor.

Status of Trade Sanctions Reform in Other Legislation

A revised version of the Trade Sanctions Reform and Export Enhancement Act of 2000 was agreed to by House/Senate conferees as part of the FY2001 Agriculture Appropriations (H.R. 4461). Differences between the conference agreement and S. 2382 center on Cuba. The Agriculture Appropriations provision bars any U.S. private financing of food or medical sales to Cuba and codifies existing travel bans to Cuba.

³ Commercial transactions are restricted when a country is placed on the terrorist list required by Section 6(j) of the Export Administration Act (50 U.S.C. app. 2405). Foreign assistance, agricultural assistance, Peace Corps programs and Export-Import Bank financing are similarly restricted pursuant to Section 620A of the Foreign Assistance Act of 1961 (22 U.S.C. 22 U.S.C. 2371), and government-to-government arms sales and deliveries are similarly restricted pursuant to Section 40 of the Arms Export Control Act (22 U.S.C. 2780).

Population Assistance Certification

Population aid and abortion-related restrictions have been among the most controversial foreign aid policy issues since the Supreme Court's 1973 *Roe v. Wade* decision. Since 1973, U.S. permanent law has prohibited Federal funds from being used to perform abortions, involuntary sterilizations, or related biomedical research in developing nations. At the 1984 Mexico City population conference, the Reagan Administration broadened this restriction by requiring foreign non-governmental and international organizations receiving U.S. family planning grants to certify that they did not engage in the performance or promotion of abortions, even if no U.S.-supplied funds were involved. Despite congressional attempts to overturn this policy – known as “Mexico City” restrictions – these executive directives continued until early 1993 when the Clinton Administration lifted the Mexico City policy. Since 1995, when the majority in Congress changed, lawmakers have attempted to restore the Mexico City restrictions. Last year, President Clinton reluctantly agreed to accept modified Mexico City conditions when Congress linked the issue with approval of U.N. arrears payments. The White House will oppose efforts to renew these restrictions when they expire at the end of FY2000. (For more information, see CRS Issue Brief IB86026, *Population Assistance and Family Planning Programs: Issues for Congress.*)

Provisions in S. 2382 (Section 205) would not affect the current controversy over whether to extend the revised Mexico City restrictions that expire at the end of FY2000, but instead would add further conditions to the 1973 ban on the use of U.S. funds for performing abortions and other related activities as part of international family planning programs. Section 205 would require the USAID Administrator to certify annually that any organization about to receive U.S. population aid funds had not violated abortion, involuntary sterilization, and biomedical research restrictions under permanent law first enacted in 1973. If any organization violated these conditions, the group would be barred for ten years from receiving any U.S. foreign aid funds authorized under the Foreign Assistance Act of 1961. Under current policy, USAID, using discretionary authority, would most likely take remedial action or suspend grants to any organization it found to be in violation of the abortion-related restrictions. There is no Agency policy, however, regarding how this might affect an organization's eligibility for other, non-population foreign aid grants, nor is there a specified penalty like that imposed by Section 205. Again, USAID administrators would make determinations on a case-by-case basis, although it could be expected that the relationship between the Agency and an offending organization concerning future grants would be strained. The Administration, as well as family planning organizations and pro-choice proponents will oppose these additional restrictions in S. 2382 on the grounds that they undermine USAID discretionary authority, impose excessive administrative burdens on agency officials, and represent yet another, although perhaps symbolic, attack on international family planning programs.

Sudan Peace Act

For almost four decades, Sudan has been the scene of intermittent conflict. An estimated two million people have died from war-related causes and famine in southern Sudan, while millions more have been displaced. The Sudanese conflict, Africa's longest-running civil war, shows no sign of ending. The sources of the conflict are deep and complicated. Religion is a major factor because of the Islamic

fundamentalist agenda of the current government, dominated by the mostly Muslim/Arab north. Southerners, who are Christian and animist, reject the Islamization of the country and favor a secular arrangement. Social and economic disparities are also major contributing factors to the Sudanese conflict.

For over a decade, the United States has been at the forefront in providing humanitarian assistance to millions of Sudanese, including more than \$231 million in fiscal year 1999. Congress has been actively engaged on Sudan and has passed a number of resolutions over the years. In 1999, Congress gave the Clinton Administration legislative authority to provide food to opposition forces in Sudan. In February 2000, the Clinton Administration informed congressional leaders that it has not taken a decision to use or reject the authority.

S. 2382 (Title II, Subtitle C) incorporates the Sudan Peace Act, legislation passed unanimously in the Senate on November 11, 1999, calling for “viable, comprehensive, and internationally-sponsored” negotiations to end the 17-year civil war in Sudan. The Act supports the Inter-Governmental Authority for Development (IGAD)-sponsored peace process and urges the Clinton Administration to provide diplomatic and financial support to IGAD. The bill condemns the Government of Sudan for human rights violations, including slavery, and for restricting the delivery of food to affected areas in southern Sudan.

The Sudan Peace Act calls for reforms of Operation Lifeline Sudan (OLS), encourages the Clinton Administration to provide more assistance to non-OLS non-governmental organizations, and requests contingency plans for delivery of humanitarian assistance outside the OLS system. The initiative allocates \$16 million for fiscal years 2000-2003 for the Administration’s Sudan Transition Assistance for Rehabilitation (STAR) and provides additional authority to the President to administer the program. The legislation also calls for a report on “options or plans for non-lethal assistance” for opposition groups in Sudan.

Assistance to Countries With Large Populations Having HIV/AIDS

Many countries in sub-Saharan Africa have HIV/AIDS adult infection rates of between 10% and 25%, and it is clear that the disease is already exacting an immense toll in terms of human suffering and death. In coming years, HIV/AIDS is expected to have serious economic, political, and security consequences as well, and there is concern that problems on the scale Africa is facing could eventually occur in India, China, or elsewhere. Several AIDS-related bills have been introduced since January 2000, and subtitle D of Title II reflects provisions in these bills, although in contrast to some, it does not provide multi-year spending authorizations. (For further information, see CRS Issue Brief IB10050, *AIDS in Africa*.) Subtitle D includes provisions aimed at reducing mother-to-child transmission of AIDS, promoting the development of an AIDS vaccine, supporting AIDS prevention efforts, and encouraging programs to educate African AIDS orphans. The bill would also ensure AIDS education for African armed forces through the U.S. Africa Crisis Response Initiative, which provides training to potential African peacekeeping troops.

The specific authorizations in the subtitle are as follows.

- ! \$300 million for FY2001 for HIV/AIDS prevention and other programs, including the development and implementation of strategies to prevent mother-to-child transmission of HIV, in cooperation with international agencies. The authorization is to be in addition to funds otherwise available, and a formula specifies that not less than 65% shall be provided through non-governmental organizations.
- ! \$50 million in addition to amounts otherwise available for an FY2001 contribution to the Global Alliance for Vaccines and Immunizations, an international partnership, and \$10 million for the International AIDS Vaccine Initiative, which provides financing for private sector vaccine research in exchange for assured poor-country access to any vaccine that is developed. The President would be required to report on the effectiveness of the two programs, and he is urged to begin negotiations on a multilateral fund to buy and distribute vaccines for poor countries.
- ! \$100 million in FY2001 for the U.S. contribution to a World Bank Trust Fund, to be established through negotiations, for AIDS prevention and eradication.
- ! \$50 million in FY2001 for the U.S. contribution to a World Bank Trust Fund, to be established through negotiations, for the education of orphans in sub-Saharan Africa. Subtitle D would require the President to coordinate the development of a multi-donor strategy for supporting and educating African AIDS orphans.

U.S. spending on AIDS programs in Africa in FY2000 is projected to be approximately \$169 million, including \$134 million through the U.S. Agency for International Development and \$35 million through the Department of Health and Human Services. On January 10, 2000, Vice President Al Gore, chairing a session of the United Nations Security Council, said that as part of the FY2001 budget, the Administration would request an additional \$100 million for AIDS programs, principally in Africa but also in India and other countries. This increase, if approved, would bring total FY2001 international AIDS spending to \$325 million, again principally in Africa.

Status of HIV/AIDS Program Authorization in Other Legislation

Congress approved and the President signed the Global AIDS and Tuberculosis Relief Act of 2000 H.R. 3519; P.L. 106-264). The legislation closely follows the policy and funding authorizations in S. 2382, but includes more specific provisions on the establishment and implementation of the World Bank AIDS Trust Fund.

International Tuberculosis Control Act of 2000

Title II, subtitle E of S. 2382 calls for a stepped up effort to control tuberculosis (TB) around the world. The legislation authorizes \$60 million for USAID in FY2001 to achieve the goals of detecting 70% of infectious tuberculosis and to cure by December 31, 2010, 85% of those infected with TB in countries where USAID has programs. In FY2000, USAID expects to spend \$26 million on TB out of its Child Survival/Health appropriation. The Agency plans to spend the same amount for FY2001.

Proponents of the tuberculosis initiative are most concerned about the large number of people infected (one-third of the world population), the ease of TB transmission, its prevalence among HIV/AIDS infected persons, the growing numbers of TB treatment resistant cases due to poor treatment programs, and rising travel, trade, and migration with areas hosting large numbers of infected people. While TB is receiving considerable attention from international health experts, USAID currently funds a number of other programs dealing with serious diseases, including HIV/AIDS, out of its Child Survival/health account. Some fear that increasing funds for TB as well as HIV/AIDS programs without increasing the account overall, will result in activities to control other devastating diseases being reduced or terminated.

Status of International Tuberculosis Program Authorization in Other Legislation

Congress approved and the President signed the Global AIDS and Tuberculosis Relief Act of 2000 H.R. 3519; P.L. 106-264). The legislation is nearly identical to the tuberculosis policy and funding authorizations in S. 2382. One difference is that P.L. 106-264 authorizes \$60 million for each FY2001 and FY2002, instead of just FY2001 as in S. 2382.

Advancing the Global Opportunities for Biotechnology in Agriculture Act of 2000

Bioengineered foods, or genetically engineered foods (GE foods), refers to the use of recombinant DNA and related techniques to alter the genetic makeup of living organisms. These techniques allow scientists to identify and isolate genes of interest from any organism and put them into other plants or animals. Currently, GE food crops planted and marketed by U.S. farmers include corn, canola, rice, tomatoes, potatoes, soybeans, and sunflowers. All U.S. food safety agencies – the Food and Drug Administration, the U.S. Department of Agriculture (USDA), and the Environmental Protection Agency – are involved in the regulatory process for GE foods. Concerns have been raised about the effects of GE agricultural products. In this country, some critics have questioned whether U.S. federal agencies have scrutinized the long-term effects of these products on human and environmental health. (For more information, see CRS Report RL30198, *Food Biotechnology in the United States: Science, Regulation, and Issues*).

Overseas, this concern has become a trade issue. The European Union (EU), for example, requires mandatory labels for products containing more than 1% of GE material, and it has a moratorium on any new approvals of GE crops while it debates the establishment of a new regulatory framework and a new EU food safety agency. The EU has also been instrumental in influencing other countries to view bioengineered foods with caution. On January 29, 2000, delegates from 140 governments (most signatories were developing countries) finalized the Biosafety Protocol. The Protocol requires exporters of bio-engineered commodities used for food, feed, or for processing to label shipments with a declaration that the product “may contain” GE materials, and that the products that have seeds are not intended for release into the environment. The Protocol does not require exporters to segregate bioengineered products from traditional products. (For further information, see CRS Report RS20507, *Labeling of Genetically Modified Foods*).

Title II, subtitle F of S. 2382 – the Global Opportunities for Biotechnology in Agriculture – authorizes \$6 million for USAID to establish technical exchange programs. Such programs would bring foreign nationals to the United States to learn about the U.S. regulatory process for GE foods and send U.S. experts to foreign capitals to provide information on the scientific and regulatory process underlying U.S. approval of GE foods. The programs are to encourage acceptance by those countries of U.S. approved GE products. USAID would be required to create a group of federal government experts to carry out this education program. The President, acting through USAID, would coordinate a federal strategy to advance the benefits of biotechnology in international fora. USAID and USDA would work to ensure that foreign countries find GE grain and food acceptable food aid when it meets U.S. standards. S. 2382 also expresses the Sense of Congress that the Secretary of State should develop, through U.S. embassies, support from foreign governments for approval of science-based trading regimes in multilateral forums and organizations.

The primary purpose of this provision is to spread acceptance of GE foods, particularly among developing countries and international organizations, through a variety of educational activities. It is unclear how other countries would interpret these educational activities given the current level of controversy surrounding GE foods. It has been suggested that the EU and others could interpret these activities as an attempt by the United States to force its products and regulatory approval system onto its trading partners, which could produce results counter to the goals of this subtitle.

Debt Relief Under the Heavily Indebted Poor Countries (HIPC) Initiative

Last year, major foreign aid donors agreed to expand significantly the Heavily Indebted Poor Country Debt (HIPC) Initiative. HIPC, which was first implemented in 1996, is an effort to lower the debt burden of the world’s most severely indebted countries – many of which are in Africa – to sustainable levels and stimulate economic policy reforms and poverty reduction efforts in debtor nations. Previously, HIPC had been criticized for providing too little debt relief over a lengthy qualification period for a limited set of countries. HIPC expansion, first endorsed by the G-7 in June 1999 and later approved by the World Bank and the IMF in September, also resulted in

substantial cost increases for creditor nations and international financial institutions (IFIs) to which the debt is owed.⁴

The HIPC Initiative has two major components: cancellation of bilateral debt owed to the United States and other creditor governments, and reduction of debt owed to the World Bank, the IMF, and other regional IFIs. Creditor governments cover their own expenses individually for the forgiveness of bilateral debt at the Paris Club, an informal arena for negotiating debt reschedulings and reduction of publically held loans. To finance the cancellation of multilateral debts, the World Bank and IMF created the HIPC Trust Fund into which IFIs and aid donor governments would deposit contributions. The Bank and the Fund will cover their own costs, but other IFIs – especially the African Development Bank – do not have enough resources to cover the losses of cancelled loan repayments. Donor governments have agreed to make up the gap for those IFIs with insufficient funds. Although the IMF will not draw from the Trust Fund, members agreed last year to permit the IMF to engage in off-market gold transactions that would have the affect of revaluing IMF-held gold at current world market prices (about \$270 an ounce) rather than the original value of \$48 per ounce. The “profits” from these transactions would be invested, and the IMF would use the earnings to finance the write-off of HIPC debt.

During consideration of the Foreign Operations Appropriations, FY2000, Congress agreed to the bilateral debt component, but rejected the \$600 million proposed for HIPC Trust Fund contributions, FY2000-FY2003, and allowed the U.S. to support only partial IMF use of the gold transactions profits (9/14ths) for debt relief. The Administration has asked Congress in the FY2000 supplemental (H.R. 3908) to approve \$210 million for the Trust Fund, and separately, to finance the balance in FY2001 and 2002 appropriations and to agree to the full IMF gold transaction plan. Officials say that the absence of a U.S. contribution has convinced other creditor governments to hold back their own pledges until the U.S. acts. They argue that while most of the existing pledges are earmarked for African nations that will be among the earliest qualifiers, resources for Latin American debt relief – for Bolivia, Nicaragua, and Honduras – are not available. Without a U.S. contribution, they contend, debt workouts for these countries will be delayed. Critics of multilateral debt relief, including some in Congress, believe that before the U.S. contributes to the Trust Fund, IFIs should agree to suspend for a period of time new lending to HIPC countries once they receive debt relief so that they do not return to a severely indebted state.

S. 2382, Section 401, adopts both Administration requests. It authorizes, over four years beginning in FY2000, a \$600 million U.S. contribution to the HIPC Trust Fund. The provision further repeals the limitation enacted last year regarding the IMF gold transaction mechanism, thus permitting U.S. officials to fully support the plan.

⁴ For a full discussion of the HIPC initiative, see CRS Report RL30214, *Debt Reduction: Initiatives for the Most Heavily Indebted Poor Countries*. See also, CRS Report RL30449, *Debt and Development in Poor Countries: Rethinking Policy Responses*.

Status of HIPC Funding in Other Legislation

The Senate Foreign Relations reported legislation (S. 3129) on September 28 that is identical to HIPC debt relief provisions in S. 2382. Differences remain, however, between some congressional leaders and the Administration, and reportedly negotiations are continuing over whether to link HIPC Trust Fund authorization and release of the additional gold to requirements for World Bank and IMF reforms. Meanwhile, the House and Senate have included HIPC debt relief funding in FY2001 Foreign Operations Appropriations bills. The House approved \$238 million for debt relief (H.R. 4811), while the Senate included \$75 million (S. 2522).

International Financial Institutions Anticorruption and Accountability Standards

Title IV of S. 2382 seeks to establish standards and procedures to assure that money disbursed by the International Monetary Fund and the multilateral development banks (MDBs) is used for the purposes intended. It instructs the U.S. Executive Directors at the MDBs to seek the establishment of procedures in each bank to insure that the funds disbursed by the banks are used as intended and in a manner that complies with the conditions of the bank's loan to the borrower countries. It also stipulates that the General Accounting Office should be given sufficient access to information and documents of the World Bank and IMF for it to audit and monitor their operations. The GAO is also required to report annually to Congress as regards the sufficiency of the audits of the MDBs conducted by persons or entities outside the banks. The Secretary of the Treasury is required to certify that GAO has received adequate access to Bank and Fund documents to perform these tasks and, if sufficient access is denied, the Secretary must report to the appropriate congressional committees the reasons why this information was not obtained. The Secretary is also required to certify that the Bank and Fund have adopted procedures to prevent the diversion of funds, to assure that countries must implement the reforms specified in their loans before funds are disbursed, and to prevent their loans from displacing private sector finance. The IMF should also take steps to assure that it is a catalyst for private sector financing. The Secretary is also required to certify that loans from the World Bank finance specific development programs rather than providing short-term liquidity financing for borrower countries.

The provisions in Title IV aimed at preventing corruption and assuring that funds disbursed by the IFIs are used for their intended purposes seem to be in line with recent statements by top officials at the World Bank, International Monetary Fund and U.S. Treasury Department. Likewise, Treasury Secretary Lawrence Summers and the congressionally appointed International Financial Institutions Advisory Commission (called the Meltzer Commission, after its chairman, Professor Allan H. Meltzer) have both recommended that the Bank and Fund take care not to supplant the private

sector in their loan operations.⁵ They disagree, however, about what this principle means in practice. This bill does not address the central issue of that debate. It specifies [Sec. 401(c)(1)(B)(ii) and (C)(ii)] that the IMF and multilateral banks should have policies assuring that their loans do not supplant private sector financing. But it does not address the crucial related issue of whether private money would be available at rates the developing countries can afford. It is not clear, from this bill or the broader debate, whether the IFIs are supplanting private finance if they lend at interest rates below those the private market would require.

Regarding the issue of GAO access to documents and information, the FY1999 Foreign Operations Appropriations Act (P.L. 105-277) required the Treasury Secretary to certify that GAO had full access to financial records and management procedures of the World Bank's market-based and concessional loan programs for audit purposes. GAO recently issued its final report. It is not evident, however, that the World Bank is prepared to accept an annual audit of its books. The regional development banks may not accept the idea that they should give GAO sufficient access to their books to allow it to double check the audits conducted by their outside auditors. The annual audits of the IMF are conducted by an external audit committee, composed of three representatives from member countries, rather than by an independent audit organization. The IMF may not welcome the suggestion that it give GAO access to its internal financial records.

The bill says (Sec. 401(c)(1)(C)(v)) that the IMF should concentrate chiefly on short-term balance of payments financing. The bill does not say how countries should be expected to make the types of institutional reforms needed to make crisis lending effective. Most economists now agree that without major improvements in countries' budgetary, financial and monetary institutions, macroeconomic reforms will have limited (perhaps even counterproductive) effects.⁶ The Meltzer Commission would have the IMF lend only to countries that qualify for its assistance in advance by adopting major reforms in their financial systems. Secretary Summers says the IMF should be able to make loans to countries with weak monetary and banking systems, but it should expect them to undertake meaningful reforms as a condition for access to its resources.

The bill specifies [Sec. 401(c)(1)(B)] that the World Bank should take steps to assure that its funds are used to fund development projects, rather than short-term balance of payments financing. This does not address the question of what role, if any, the World Bank should play in helping countries institute institutional reforms in the wake of a financial crisis. It would also challenge with current practice. The World Bank has put considerable emphasis, in recent years, on programs that seek to promote policy reform in borrower countries. In most instances, the proceeds from the loans cannot be released until the borrower implements certain policies or takes

⁵ For a comparison and analysis of the recommendations of the Meltzer Commission and Secretary Summers, see the CRS General Distribution Memorandum titled "Proposals for Changing the IFIs," by Jonathan E. Sanford, dated April 14, 2000.

⁶ For a discussion of the issue of institutional reforms and IFI loans, see CRS Report RL30467, *IMF and World Bank Activities in Russia and Asia: Some Conflicting Perspectives*, March 15, 2000.

certain steps. Generally, however, the money disbursed for the loan is not used to fund the actual reforms – the costs of devising and implementing them is often much less than the total value of the loan. Many of those costs are also incurred in the country's own currency, for which no foreign loan is required. The proceeds of the loan go directly into the country's central bank, where they can be used for general budgetary support and current balance of payments financing. Many analysts believe the multilateral banks might have a more difficult time persuading countries to undertake difficult or politically awkward reforms if they are unable to offer short-term financing of this type as a benefit for compliance with the goals of the loan.

Serbia Democratization Act

Title V of S. 2382, entitled the Serbia Democratization Act of 2000, is virtually identical to S. 720, the Serbia Democratization Act of 1999. S. 720 was adopted by the Senate by unanimous consent on November 4, 1999, but was not taken up by the House. Title V authorizes \$50 million in assistance to groups in Serbia and Montenegro in FY2001 to promote democracy and free markets. It instructs the Voice of America and Radio Free Europe to increase broadcasts to Serbia and Montenegro. The legislation authorizes humanitarian and reconstruction aid for Kosovo. It conditions the lifting of the existing “outer wall” of sanctions against the Federal Republic of Yugoslavia (which includes blocking aid from international financial institutions) on a presidential certification that the FRY has made progress toward a settlement in Kosovo, compliance with the Dayton Peace Accords, internal democratization, resolving succession issues arising from the collapse of prewar Yugoslavia, and cooperation with the Yugoslav war crimes tribunal. The title also enumerates other sanctions currently in effect, including the blocking of FRY assets in the United States, prohibiting the entry of leading FRY and Serbian officials into the United States, barring the sale of strategic exports to the FRY, forbidding U.S. government and private loans and investments for companies controlled by FRY and Serbian officials, and prohibiting military-to-military cooperation. Kosovo and Montenegro are exempted from these sanctions. The President may waive the sanctions for up to 12 months if he certifies that it is important to the national interest of the United States or if the FRY makes significant progress toward establishing a democratic government.

The title states that it is U.S. policy to “support fully and completely” the indictment of Milosevic as a war criminal and to provide the International Criminal Tribunal for the Former Yugoslavia with intelligence information on Milosevic's crimes. It condemns the persecution of ethnic Hungarians in the Vojvodina region of Serbia and calls for NATO and the United States to devote attention during negotiations on Kosovo's status to establishing guarantees for the rights of ethnic Hungarians and other minorities in Vojvodina. It also calls for a just resolution of the disposition of diplomatic and consular properties owned by pre-war Yugoslavia. The title, which authorizes transition assistance to a new democratic Yugoslav government, requires the Administration to develop a plan for such assistance and transmit it to the relevant Congressional committees. (For more on Serbian democratization, see Serbia and Montenegro: Political Situation and U.S. Policy, CRS Report RL30371, November 16, 1999.)

Status of Serbia Democracy in Other Legislation

S. 720, which passed the Senate in 1999 and upon which Title V of S. 2382 is based, remains pending. Meanwhile, the House, on September 25, 2000, approved a companion measure, H.R. 1064, the Serbia Democratization Act of 2000. With the recent elections in Yugoslavia in which Slobodan Milosevic was defeated by Vojislav Kostunica and the subsequent partial removal of U.S. sanctions, however, many of the issues in House and Senate bills have been overtaken by events.

Microenterprise Assistance

For more than two decades, the Agency for International Development (USAID) has explored ways to provide credit and other assistance to “microentrepreneurs,” those with businesses too small and with too few assets to be counted in the “formal” economy. With little or no collateral, microentrepreneurs have had no access to financial credit with which to start or expand their business, outside of the exorbitant fees of moneylenders. Microenterprise programs provide credit (often using group pressure to guarantee repayment), business skills training to microentrepreneurs, and technical assistance to organizations that supply credit and other support to entrepreneurs. The most successful microcredit institutions have become financially self-sufficient. Microcredit programs are viewed by many as an effective way to help those in poverty increase their income – the majority of beneficiaries are women who use additional income to help their families and build their businesses.

The “Microenterprise for Self-Reliance Act of 2000”, title VI of the S. 2382, would formally authorize microenterprise programs that USAID has implemented for many years. The legislation authorizes for FY2000 a level of \$150 million, up from the FY1999 and FY2000 targets of \$135 million. The bill would ensure that programs target the poorest of the poor, requiring that half of funds be directed at those living in the bottom half below the poverty line with loans of \$300 or less in most of the world and somewhat higher amounts in more affluent regions. It also authorizes establishment of a microfinance loan facility that would help microfinance institutions avoid bankruptcy as a result of natural or other disasters. The measure calls on USAID to use its leadership role on this issue to encourage expansion of microcredit activities among international aid donors.

Since 1987, many in Congress have supported microcredit programs, either through earmarking funds in the Foreign Operations appropriations, or by recommending them in the appropriations committee report language. In 1994 and again in 1997, USAID and Members of Congress approved a Microenterprise Initiative that supported many of the principles embodied in the current proposed bill. Several authorizing bills similar to the Senate version have been approved by the House, most recently H.R.1143, which passed by voice vote on April 13, 1999.

Status of Microenterprise Initiatives in Other Legislation

On October 5, 2000, the House agreed to a Senate amendment to H.R. 1143 – the Microenterprise for Self-Help Reliance and International Anti-Corruption Act of 2000 – thus clearing the bill for the President’s signature. H.R. 1143 closely follows Title VI of S. 2382, but increases the authorization level for FY2001 and FY2002 to \$155 million. H.R. 1143 further adds a provision not in the Senate Committee bill that expresses the sense of the Congress that Mexico should be considered as a priority in USAID funding allocations for microenterprise programs.

Nonproliferation and Export Control Assistance

Subtitle C of Title VII would add a new chapter to the Foreign Assistance Act of 1961 authorizing the President to furnish assistance to help foreign countries halt proliferation of nuclear, chemical, biological, and advanced conventional weapons, providing guidance and limitations, and authorizing \$129 million for these activities in FY2001. The subtitle also specifies that of the total amount authorized, \$2 million may be used for training and educating foreign personnel in the United States; \$59 million may be used to fund science and technology centers in the former Soviet Union to help keep highly-trained personnel from emigrating to proliferating countries; and \$5 million may be used to establish a cargo x-ray facility in Malta, a country that is frequently transited by proliferation-related shipments.

Most of these types of nonproliferation and export control assistance are currently being provided by the State Department under the authority of the FREEDOM Support Act (P.L. 102-511, as amended) and various other acts, with funding provided by the Nonproliferation, Anti-Terrorism, Demining, and Related Program account and Assistance for the New Independent States (NIS) of the Former Soviet Union account. One change to current law that S. 2382 would make concerns restrictions on U.S. aid to Russia. Pursuant to the Foreign Operations Appropriations Act for FY2000 (included in H.R. 3194, P.L.06-113), assistance to Russia under the NIS account is limited to 50% of the appropriated amount until the President certifies that Russia has terminated certain proliferation activities. Assistance authorized under the new chapter added by S. 2382, however, would make these funds available “notwithstanding any other provision of law that restricts assistance to foreign countries.” This would have the effect of circumventing the restriction on assistance to Russia included in the appropriations act should Congress decide to continue the current Foreign Operations text in the FY2001 bill.

Although S. 2382 would consolidate some of the legislation on nonproliferation and export control assistance, other agencies will continue similar efforts: the Department of Energy provides training of foreign officials in export control focused on nuclear nonproliferation, and the Department of Defense conducts export control and border security training programs in conjunction with the Customs Service and conducts a counterproliferation and interdiction program with the Federal Bureau of Investigation. The Department of State is responsible for coordinating with these agencies, as well as with the Department of Commerce, which helps State Department

implement its export control assistance programs. For further information, see CRS Issue Brief IB95077, *The Former Soviet Union and U.S. Foreign Assistance*; Issue Brief IB98038, *Nuclear Weapons in Russia: Safety, Security, and Control Issues*; and CRS Report 97-1027, *Nunn-Lugar Cooperative Threat Reduction Programs: Issues for Congress*.

Status of Nonproliferation and Export Control Aid in Other Legislation

Title III of P.L. 106-280 (Security Assistance Act of 2000), enacted on October 6, is similar to nonproliferation and export control provisions incorporated in S. 2382. P.L. 106-280, like S. 2382, authorizes \$129 million for such purposes in FY2001, but increases the authorization to \$142 million in FY2002. The enacted legislation further extends the \$2 million authorization for training and educating foreign personnel in the U.S. for two years, and adds a \$65 million FY2002 authorization for science and technology centers in the former Soviet Union.

Assistance for Israel

In 1996, Israeli Prime Minister Binyamin Netanyahu announced that Israel would reduce its dependence on U.S. economic assistance. At the same time, Israel maintained that it needed to buttress its military capabilities by seeking an increase in U.S. military assistance. Israeli and U.S. officials agreed on a plan in 1998, by which U.S. Economic Support Fund (ESF) aid, then running at \$1.2 billion per year, would be eliminated over a ten-year period (a reduction of \$120 million per year), and U.S. military assistance would be increased from the \$1.8 billion level for FY1998 to \$2.4 billion in ten years (an increase of \$60 million per year). Subsequently, Congress earmarked FY1999 ESF for Israel at \$1.08 billion and \$960 million for FY2000. The Administration has requested \$840 million for FY2001. Congress earmarked military aid for Israel for FY1999 at \$1.86 billion and \$1.92 for FY2000. The Administration requested \$1.98 billion for FY2001. (In addition, the Administration requested \$1.2 billion in FMF for FY2000 for Israel to implement the Wye Agreement. The \$1.2 billion additional funding was included in the FY2000 appropriations bill passed by Congress.)

Section 781 of S. 2382 codifies a schedule for the years FY2001 through FY2008 that would reduce the ESF aid for Israel by equal annual increments of \$120 million and would increase FMF assistance by equal annual increments of \$60 million. Thus, Section 781 would place into permanent law the ten-year plan begun in FY1999 to phase out economic aid to Israel, while increasing military assistance. Because the language in S. 781 states that authorizations shall be “not less than” the amounts specified, this could have the effect of denying future Administrations the opportunity of reconfiguring the pace of the 10-year plan. In FY2000, the Administration proposed, but Congress rejected, an acceleration of the reduction in ESF assistance in order to gain funding for other aid activities. Likewise, in the past, Congress has been reluctant to commit future Congresses to a course of action. It may be argued that Section 781 closes the option of shortening the time period during which the ESF

aid will be phased out. Some Members of Congress have expressed the opinion that the ESF reductions for Israel should be accelerated to perhaps five years, rather than the ten years called for the Section 781. Section 781 also states that future adjustments in the Israeli ESF and FMF accounts will not be subject to rescissions or supplemental appropriations, as happened in FY2000. (See CRS Issue Brief IB85066, *U.S. Foreign Assistance*, for further information on this issue.)

Status of Israeli Aid Authorization in Other Legislation

Section 513 of P.L. 106-280 (Security Assistance Act of 2000), enacted on October 6, addresses the issue of modifying Israeli ESF and FMF annual aid allocations, but in a more limited way than in S. 2382. Instead of codifying the entire 10-year plan to decrease economic assistance and increase military aid, P.L. 106-280 authorizes a \$120 million reduction in ESF and a \$60 million increase in FMF for each of FY2001 and FY2002 only. This would not alter the pace during the next two years of Israeli aid modification envisioned in S. 2382, but excludes funding authorizations beyond FY2002. In addition, P.L. 106-280 authorizes for FY2001 and FY2002 a similar aid modification plan for Egypt. Along with Israel, Congress has been reducing Egypt's ESF allocation by \$40 million the past two years. Section 514 of the enacted legislation authorizes the continuation of \$40 million annual cuts in Egyptian economic assistance through FY2002. It further authorizes \$1.3 billion for military assistance in each year, a same level as appropriated for FY2000.