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CONGRESSIONAL PERSPECTIVES ON THE TRADE/AID LINKAGE

Congressional Overview

The second session of the 102nd Congress, faced with a lingering recession and increasing public opposition to the growing revelations of Congressional "perks", has shown little appetite for dealing with foreign assistance legislation. On the contrary, Congress has been increasingly preoccupied with passing domestic legislation to jump-start the stalled U.S. economy before the November elections.

This focus on the domestic agenda, coupled with the end of the Cold War, which had provided a philosophical underpinning for much of foreign aid, is making it more difficult than usual for Congress to provide funding for foreign assistance budget requests. Although the House and Senate recently passed, by substantial margins, the Fiscal 1992 foreign assistance Continuing Resolution, this legislation reduces funding for most foreign aid programs below last year's levels and was passed only after funding had already expired for most foreign assistance activities.

In an effort to make any foreign aid legislation it passes less politically risky, some in Congress have sought to emphasize how foreign assistance helps U.S. commercial interests. Although many in A.I.D. have stressed that improving the economic policies of developing countries ultimately leads to stronger markets for U.S. exports, Congress, in the future, may want to place greater emphasis on programs, whether in A.I.D. or in export-oriented agencies (TDP, Ex-Im Bank, OPIC), that are perceived to be more directly benefitting the U.S. economy. Contributing to this sentiment is the belief by some in Congress that an insufficient amount of foreign aid resources, especially those provided in the form of cash transfers, returns to the U.S. economy. This perception has been buttressed by the Agency's inability to provide reliable data on the percentage of economic assistance that returns to the U.S. economy.

However, notwithstanding Congress' recent attempts to underline its support for the role of U.S. business in implementing foreign assistance programs through provisions such as the Boren-Bentsen-Byrd-Baucus amendment (discussed further below), the major Congressional leaders on foreign aid have thus far ensured that development assistance has been exempted from legislative targeting for funding capital projects. This Congressional protection of A.I.D.'s development assistance accounts from capital projects targets and the current legislative prohibition on using development assistance for tied aid credits reflect the beliefs of the leadership of the foreign assistance authorization and appropriations subcommittees that A.I.D. should use its development funds to focus on its development mandate, while allowing ESF and other forms of bilateral economic aid to be used to more directly promote U.S. exports and other commercial interests.

In this context, it is important to understand that much of the pressure on the Hill for A.I.D programs to show more direct commercial benefits for the U.S. (including the Boren-Bentsen-Byrd-Baucus amendment itself) has originated with Members of Congress whose responsibilities are in the trade area rather than with Members who serve on A.I.D. oversight committees. As noted above, substantial reservations with respect to using A.I.D. programs for commercial purposes have been raised by members of key committees with responsibiility for A.I.D programs. However, the mood of the country is perceived to be such that any Senator or Representative confronted with a recorded vote on "motherhood" legislation such as the "4Bs" feels bound to vote in favor of it, as evidenced by the 99-0 vote in the Senate.

Congressional Oversight Committees

The following is a summary of the role of A.I.D.'s major oversight committees in crafting foreign assistance legislation, and the current status of that legislation.

Budget Committees

The House and Senate Budget Committees set the overall funding ceilings for Federal programs. Under the Budget Enforcement Act of 1990, separate spending caps were established for three categories of discretionary spending -- defense, domestic, and international affairs. All of A.I.D.'s programs are funded under the international affairs category. The BEA also prohibits the transfer of funds among these three funding categories until FY 1994.

The latter provision has been pivotal for foreign assistance funding, as it has prevented Members of Congress from transferring foreign aid funds to the more popular domestic programs. Although it had appeared earlier this year that Congress would break the so-called budget "firewalls" surrounding the three funding categories in order to allow defense funds to be transferred to domestic programs (which would also have allowed foreign assistance funds to be transferred to other Federal programs), Congress ultimately decided to retain these firewalls for FY 1993. While the House and Senate Budget Committees have yet to resolve the final conference levels for the FY 1993 budget resolution, the retention of the international affairs firewall will make it somewhat easier for Congress to

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provide funding for an FY 1993 foreign assistance funding measure.

Authorization Committees

The House Foreign Affairs Committee (HFAC) and the Senate Foreign Relations Committee (SFRC) have Congressional oversight over a broad range of foreign policy issues and legislation, including foreign assistance authorization legislation. Although 1985 was the last time a foreign aid authorization bill was enacted, both committees last year reported, and their respective houses passed, an FY 1992-1993 foreign assistance authorization bill (H.R. 2508).

However, on October 30, 1991, the conference report on that measure was defeated by the House on a vote of 262-159. While a Presidential veto threat (over Mexico City population policy, UNFPA, FMF, and cargo preference) contributed to its defeat, the conference report was mainly the victim of a growing America-first sentiment, spurred by the domestic recession. Given the magnitude of the defeat of H.R. 2508, it is unlikely that the House leadership will want to ask Members to vote on this measure again this year, even though HFAC Chairman Dante Fascell has stripped out the veto items and re-introduced it as H.R. 4070.

Before the House defeated the conference report on the foreign assistance authorization bill, the Senate, in debating H.R. 2508 last summer, had agreed to add the Boren-Bentsen-Byrd-Baucus amendment ("Four Bs") to the legislation. Passed by a vote of 99-0, the "Four Bs" and Lieberman amendments would have mandated an aggressive new tied aid policy using Eximbank, A.I.D., and TDP programs; restricted ESF cash transfers (60% in FY 1992 and 50% in FY 1993); set targets for A.I.D.-administered capital projects funding (from ESF, SAI and SEED funds) of $750 million in FY 1992 and $1 billion in FY 1993 for the purchase of U.S. goods and services for use in recipient countries; emphasized capital projects in Eastern Europe; restricted waivers of "Buy America" provisions; and mandated an A.I.D. capital projects office and a Capital Projects Interagency Board with State, Commerce, and EPA as non-voting members.

The Administration strongly opposed these Senate amendments, largely because the funding targets for capital projects and restrictions on ESF cash transfers would have limited its flexibility, and the emphasis on capital projects in Eastern Europe would have run counter to its objective of keeping Eastern Europe a tied-aid free zone. Based on concerns within the SFRC and HFAC and the Administration's strong opposition, and since the House bill had no comparable provisions, the conference version of the "Four Bs" and Lieberman amendments was diluted. Entitled the "Aid, Trade, and Competitiveness Act of 1991", Title XI of H.R. 4070 dropped the "Four Bs" and Lieberman amendments' restrictions on ESF cash transfers and lowered the targets for capital projects funding (from ESF, MAI and SEED funds) to $650 million in FY 1992 and $700 million in FY 1993. Since no authorization bill was passed, these amendments were not enacted.

Although Congress is not expected to reconsider the foreign assistance authorization bill this year, the HFAC is again poised to mark up legislation incorporating the conference version of the "Four Bs" and Lieberman amendments. Renamed the "Aid, Trade, and Competitiveness Act of 1992", Title III of the "Jobs Through Exports Act of 1992" would again authorize A.I.D. to fund capital projects (from ESF, SEED, and MAI funds) at a level of $650 million in FY 1992 and $700 in FY 1993. Significantly however, this legislation would not allow the use of development assistance funds to meet these capital projects targets.

Appropriations Committees

The House and Senate Appropriations Subcommittees on Foreign Operations play a critical role for A.I.D., since they provide the funding -- and the authorization when no separate authorization bill has been enacted -- for all of A.I.D.'s programs (with the exception of P.L. 480) and its administrative expenses. This year the Appropriations Committees' role is especially pivotal as they will have recommended funding for both the FYs 1992 and 1993 foreign assistance appropriations bills in a year when most Members of Congress do not want to have to vote for foreign aid.

FY 1992 appropriations bill

On June 19, 1991, the House passed H.R. 2621, the FY 1992 foreign assistance appropriations bill, by a vote of 301-102. The $15.3 billion funding measure, which would have funded most of A.I.D.'s programs and operating expenses at or above the request level, was backed by Representatives David Obey and Mickey Edwards, Chairman and Ranking Republican of the House Appropriations Subcommittee on Foreign Operations, and received the bipartisan support of the full House.

In the Senate, the Appropriations Subcommittee on Foreign Operations, led by the Chairman, Senator Patrick Leahy, and the Ranking Republican, Senator Robert Kasten, were preparing last September to mark up the FY 1992 appropriations bill. As it became clear that the Senate would add $10 billion in loan guarantees for Israel to the FY 1992 foreign assistance appropriations bill, the Administration, about to convene the Middle East peace conference, asked Senator Leahy to postpone the markup of his bill for 120 days. He agreed, and an FY 1992 Continuing Resolution was passed in October 1991, providing funding for foreign assistance programs at the lower of the FY

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1991 enacted or the FY 1992 request levels, through March 31, 1992.

By March 1992, nothwithstanding intense negotiations between the Administration and the leadership of the Leahy Subcommittee on the conditions under which the U.S. would be prepared to provide $10 billion in loan guarantees for Israel, no resolution had been reached on this issue. As a result, the Administration supported an FY 1992 Continuing Resolution, crafted by Chairman Obey, in which most foreign assistance programs were funded at the FY 1991 levels. On April 1, one day after funding had expired for most foreign aid activities, the Congress passed and the President signed into law H.J. Res. 456 (P.L. 102-266), which provides funding for foreign assistance programs through September 30, 1992, at an annual rate of $14.2 billion. Among the provisions contained in that legislation is the FY 1991 carry-over provision prohibiting the use of development assistance funds appropriated in this legislation, for tied aid credits.

FY 1993 appropriations bill

The President's FY 1993 budget request was transmitted to Congress in January 1992. In briefings of A.I.D.'s Congressional oversight staff, one aspect of the Agency's request proved to be most controversial -- the $100 million request for a Capital Projects Fund. The Democratic staff of the House and Senate Appropriations Subcommittees on Foreign Operations, as well as of the House Foreign Affairs Committee, have criticized this provision, especially since it has been requested out of the development assistance (DA) funding pool.

Noting A.I.D.'s past experience with capital projects, some wondered why the Agency would want to create a separate account for these activities, while others suggested that providing additional U.S. Government funding for these projects would be incompatible with the Administration's emphasis on privatization. Given the current prohibition on using development assistance funds for tied-aid credits, and the successful efforts of the leadership of the Senate's foreign assistance oversight committees in holding development assistance harmless from capital projects targets and earmarks, some questioned the Agency's judgment in offering to fund capital projects out of its development assistance funds.

While supportive of efforts to strengthen U.S. exports, the leadership of the House and Senate Appropriations Subcommmittes on Foreign Operations would prefer to achieve this end by increasing funding for the Ex-Im Bank, OPIC, and TDP, rather than displacing development assistance funds. In fact, Chairman Obey, during an oversight hearing this March on the various types of export assistance funded by his Foreign Operations Subcommittee, noted what appeared to him to be overlapping export services

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provided by Ex-Im Bank, OPIC, TDP, and A.I.D. Focusing on A.I.D.'s request for a Capital Projects Fund, Obey asked why he shouldn't recommend, in his FY 1993 funding bill, that half of the Agency's $100 million request for this Fund be given to TDP.

Underlying this comment is the belief by the leadership of the Obey Subcommittee that development assistance, while supportive of U.S. business interests, should be undertaken primarily for developmental, rather than commercial reasons. Recent indications are that if it felt commercial rather than developmental issues were driving the Agency's development assistance requests, the Obey Subcommittee would consider in the future reducing A.I.D.'s budget requests and instead directly funding capital projects in the United States.

In the Senate, it is believed that if an FY 1993 foreign assistance appropriations bill is considered this year on the floor, an earmark for capital projects can be expected. At this point, it is thought that development assistance would probably be exempted as a funding source.

Regardless of the specifics of the FY 1993 foreign aid funding measure, which may again be in the form of a Continuing Resolution, both the House and Senate now plan, following the November election, to re-craft foreign assistance legislation to better reflect the realities of the post Cold War world. While almost certain to acknowledge that foreign assistance should continue to be provided primarily for development purposes, any revision in foreign aid legislation can also be expected to call for a clearer link between U.S. economic assistance and our commercial and trade interests.

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