

# ***SECURITY ASSISTANCE LEGISLATION AND POLICY***

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## **Congress and the Fiscal Year 1987 Security Assistance Budget: A Study in Austerity**

**By**

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For Fiscal Year 1987, Congress has passed a severely restrictive budget for security assistance programs--a budget substantially below the Administration's request and one which has required major cuts in the annual assistance levels allocated to practically every recipient country. As a consequence, the effective implementation of this austere budget to achieve desired program objectives will place extraordinary management demands on the security assistance community in FY 1987.

Once again, the annual security assistance budget has been provided through the makeshift legislative mechanism of a Joint House Continuing Appropriations Resolution (commonly termed a *continuing resolution* or *CR*).[1] This represents the fifth consecutive year in which a CR has served as the instrument for security assistance funding, and reflects the tortuous process the 99th Congress encountered in providing appropriations for U.S. government agencies and programs for FY 1987.[2]

Faced with a statutory budget deficit target of \$144 billion as imposed in the Gramm-Rudman-Hollings legislation (P.L. 99-177) and sharp legislative-executive conflicts over budget priorities, plus an institutional overload of new major legislation (e.g., tax reform, Department of Defense reorganization, immigration reform, and narcotics control), Congress again proved unable to meet its annual budget timetable. As Fiscal Year 1986 drew to an end and the 1987 national elections approached, none of the 13 annually required appropriations bills had yet been passed.[3] Congress then resorted to a series of four interim CRs providing temporary FY 1987 funding at FY 1986 levels. It was not until 17 October--two weeks beyond the originally scheduled end of the 99th Congress and less than three weeks before the 4 November elections--that Congressional passage of an omnibus CR for FY 1987 (H.J. Resolution 738) finally occurred.

The CR was enacted into law as P.L. 99-500 with President Reagan's signature on 18 October; however, a previously undetected clerical error in the bill which omitted funds for certain public buildings required a corrected bill to be resubmitted for Presidential signature.[4] On 30 October the revised bill was signed and redesignated as P.L. 99-591. This is the first such CR to

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**Editor's Note.** The author is indebted to the following personnel for their valued assistance in the preparation of this article: Dr. Larry A. Mortsof, Director, Research and Consultation, DISAM; Mr. Jerome H. Silber, General Counsel, DSAA; Dr. Henry H. Gaffney, Director, Plans, DSAA; and Mr. Brian I. McCleary and Lt Col John G. Bowman, PM-SAS, Department of State.

embrace all 13 regular appropriations bills, and consequently, is the largest single spending measure in U.S. history, providing a total budget authority of \$575.9 billion, with anticipated outlays in FY 1987 of \$560 billion.

The purpose of this article is to examine the funding and related security assistance provisions of the FY 1987 CR which are contained in a separate section of P.L. 99-591 entitled, "Foreign Assistance and Related Programs Appropriations Act, 1987." The article opens with a general discussion of key funding issues which arose during the legislative process. It then provides an analysis of the separate appropriations accounts (and associated statutory provisions) for each of the principal security assistance programs. This is followed by an examination of the impact of the CR on other related security assistance programs and activities. Readers seeking more expanded information are encouraged to examine the various annotated references identified at the end of this article.

## FISCAL YEAR 1987 SECURITY ASSISTANCE FUNDING

In its presentation to Congress of the FY 1987 budget request, the Administration pointed out that insufficient security assistance appropriations in FY 1986, together with subsequent Gramm-Rudman-Hollings (GRH) budget reductions (uniform 4.3% cuts in FY 1986 appropriations for every country and regional program), meant that "virtually all countries . . . [were] receiving less assistance in FY 1986 than they received in FY 1985." [5] Noting that "U.S. policy imperatives and country requirements have not diminished," the Administration proposed a FY 1987 security assistance budget amounting to \$10,859.10 million, or 13.9 percent above the GRH adjusted FY 1986 appropriations of \$9,346.5 million. [6]

Congressional reception to the Administration's request was generally inhospitable. In late January, 1986, Senator Richard G. Lugar (R-Indiana), Chairman of the Foreign Relations Committee, advised the Administration that it would be "inviting 'catastrophe' for the entire foreign aid program if it seeks across-the-board increases for fiscal 1987." [7] Similarly, Representative Dante B. Fascell (D-Florida), Chairman, House Foreign Affairs Committee, reported that the substantial foreign aid increase sought by the Administration, "is going to have rough sledding. It's going to be impossible to consider it . . . [since] it circumvents the process of Gramm-Rudman . . . [and] it circumvents the whole process of deficit reduction." [8] Adding to the criticism was Senator Alan Cranston (D-California), a member of the Foreign Relations Committee, who remarked on the floor of the Senate that, "It is absolutely other worldly to think Congress is going to increase the dollars we send overseas to foreign governments by some 15 percent when we are making deep cuts at home." [9]

These congressional views foreshadowed the strong opposition to the proposed security assistance budget that Administration spokesmen were later to encounter in formal committee hearings on the budget. Perhaps the most outspoken congressional opponent of increases in foreign assistance funding was Representative David R. Obey (D-Wisconsin), Chairman, Subcommittee on Foreign Operations and Related Agencies of the House Committee on Appropriations. In a 6 March 1986 hearing, Representative Obey offered his views to two Administration witnesses [Lt Gen Philip C. Gast, USAF, Director, Defense Security Assistance Agency (DSAA), and Mr. William Schneider, Jr., Under Secretary of State for Security Assistance, Science, and Technology]:

I have absolutely no intention of producing a bill out of this committee which does more than provide for aid for the Middle East at Gramm-Rudman levels for 1987 and which provides at most a billion dollars on the economic side and a billion dollars on the military side, because I can't pass anything bigger than that. In fact, I honestly don't think I can pass that. . . . I am not trying to harass you. I am trying to make

certain you people downtown understand where we are at. We don't have a snow - ball's chance in hell of passing a foreign aid bill unless it is cut dramatically. . . .[10]

As the legislative process proceeded through the spring and summer, the actions of the House and Senate Budget Committees made it clear that substantial reductions in security assistance funding were indeed likely to be effected. This perception was reinforced on 5 August when the House Appropriations Committee (HAC) completed its mark-up of the foreign assistance budget with a bill (H.R. 5339) providing \$8,213.7 million for the five major security assistance programs. (See Table 1.) This bill represented an overall cut of 12.12 percent below the GRH adjusted appropriations for FY 86, and 24.36 percent under the Administration's request. In the HAC report accompanying its proposed bill, the Committee acknowledged that it did "not believe that the funds recommended in this bill adequately meet the program needs for the U.S. foreign assistance program." [11] However, as the Committee further pointed out, "unless the Congress and the Administration can find an institutionally agreed upon way to deal with the problem presented by Gramm-Rudman, the Committee has no choice but to present this kind of bill to the House." [12]

**TABLE 1**  
**Appropriations for FY 1987 Security Assistance Programs**  
(\$ in millions)

	FY86 Appropriations*	FY87 Budget Request	HAC Bill 5Aug86	SAC Bill 16Sep86	FY87 Continuing Resolution	FY87 % Increase/ Reduction from FY86	FY87 % Reduction from Request
Foreign Military Sales Credit (FMSCR) Program	\$4,966.8	\$5,611.0	\$4,264.7	\$4,922.5	\$4,040.4	-18.7%	-28.0%
Military Assistance Program (MAP)	748.4	1,046.5	675.7	0.0	900.0	+20.3%	-14.0%
International Military Education and Training Program (IMET)	52.2	68.8	47.1	65.0	56.0	+7.3	-18.6%
Economic Support Fund (ESF)	3,546.6	4,093.8	3,196.8	3,900.0	3,550.0	+0.1%	-13.3%
Peacekeeping Operations (PKO)	32.5	39.0	29.4	34.0	31.7	-2.5%	-18.7%
<b>TOTALS</b>	<b>\$9,346.5</b>	<b>\$10,859.1</b>	<b>\$8,213.7</b>	<b>\$8,921.5</b>	<b>\$8,578.1</b>	<b>-8.2%</b>	<b>-21.0%</b>

\* Reflects 4.3 percent reductions in all programs as required by Gramm-Rudman-Hollings budget deficit legislation.

The Senate Appropriations Committee (SAC) version of the bill (S. 2824) was not approved until 16 September, but it proved more favorable than the HAC version. A total of \$8,921.5 million was approved by SAC for security assistance, an increase of \$707.8 million above the HAC bill, but still 4.55 percent below FY 86 funding, and 17.84 percent below the budget request.

The Administration was clearly disturbed by these committee reductions to the budget request. On 16 September, Secretary of State George P. Shultz is reported to have told a group of business executives meeting in Washington, D.C., that, "The foreign affairs budget is being massacred." [13]

Neither the House nor the Senate took formal action to vote on their respective committee bills, as it was decided to incorporate them into the omnibus continuing resolution. Thus, the two bills were subject to the reconciliation process of a Joint House Appropriations Conference Committee which was faced with the enormous task of resolving differences not only in the foreign affairs budget, but also in all the other 12 annual appropriations bills.

The process of negotiating the differences between the HAC and SAC foreign affairs bills during the Conference Committee meetings was particularly difficult, and reportedly broke down on 10 October when House conferees threatened to take the disagreements back to the full House for separate votes.[14] Although differences in program funding levels were at the heart of the dispute, substantial problems also arose regarding the issue of providing foreign military sales credits as grants versus loans. (See the following discussion of the Foreign Military Sales Credit Program.) By 15 October, an agreement had been reached which, in the words of one analyst, "took the bite out of the deepest cuts that each chamber's bill had made" and represented "an uneasy balance among the kinds of programs favored by various members for ideological and other reasons." [15] Thus, the resultant funding for security assistance for FY 1987 at \$8,578.1 million represented a significant compromise between the House and Senate, and is a marked improvement over what might have been appropriated had the HAC version been passed. Nevertheless, as Table 1 illustrates, the approved funding remains \$768.4 million (or 8.2 percent) below the previous year, and \$2,281.0 million (or 21 percent) below the budget request.

This is the second consecutive year of funding cuts for security assistance. Although some congressional observers suggest a supplemental appropriation for foreign assistance "is considered virtually certain" to be submitted to Congress, there can be no assurance that sufficient additional funds will be made available by Congress to restore the present cuts.[16] In any event, as the following discussion of the individual security assistance programs reveals, program managers throughout the security assistance community will have to attempt to maintain viable country programs with severely reduced funding.

### THE FOREIGN MILITARY SALES CREDIT (FMSCR) PROGRAM

The single largest funding reduction in security assistance for FY 1987 applies to the FMSCR Program. At \$4,040.4 million, the program is \$1,570.6 million (or 28 percent) below the Administration's budget request. In addition to severely cutting the overall FMSCR appropriation, Congress *earmarked* (or fenced off) specified funding levels for four FMSCR recipient countries (Israel, Egypt, Greece, and Pakistan) totaling \$3,755.5 million. (See Table 2.)

**TABLE 2**  
**Congressional Earmarks of FY 1987 FMSCR Program Funds**  
 (\$ in millions)

<u>Country</u>	<u>FY 1987 Budget Request Level</u>	<u>Earmarked Funding Level</u>	<u>Earmark as a % of the FY 1987 Appropriation</u>
Egypt	1,300.0	1,300.0	32.2%
Greece	500.0	343.0	8.5%
Israel	\$1,800.0	\$1,800.0	44.6%
Pakistan	340.0	312.5	7.7%
All Others (Non-Earmarked)	<u>1,671.0</u>	<u>284.9</u>	<u>7.0%</u>
Totals	\$5,611.0	\$4,040.4	100.0%

It should be noted that the FMSCR funding for Greece is technically classified as a *ceiling* rather than an *earmark*. An *earmark* is designated by statutory language which calls for funding at a "not less than" funding level, which is "available only for" a designated country. This is the language used in the FY 1987 CR for appropriating FMSCR funding for Israel, Egypt, and Pakistan, and it requires full funding at the designated levels. The statutory language applying to Greece, however, states that "\$343 million shall be available for Greece," and thereby permits funding below the specified ceiling. Nevertheless, in the Conference Committee Report on the CR, the Committee indicated it agreed "to *earmark* military assistance . . . for Greece [emphasis added]," and the Administration has allocated the full \$343 million in FMS credits to Greece. In a similar fashion, a ceiling of \$490 million was designated for military assistance to Turkey, but the statutory language employed permits Turkish funding to be allocated between both the MAP and FMSCR accounts. Accordingly, the Administration has allocated \$312.1 million in MAP grants and \$177.94 million in FMS credits for Turkey. (See Tables 3 and 4 and the discussion of MAP which follow.)

Since earmarked funds are not subject to reduction, the Administration was left with only \$284.9 million (or just seven percent of the total appropriation for this account) to be allocated among all remaining FMSCR recipients. In previous years such Congressionally-mandated earmarking of program funds has presented significant problems in the effective allocation of non-earmarked funds; however, these problems seriously intensify when, as in FY 1987, they are coupled with major reductions in overall program funding. To illustrate, in its budget request for FY 1987, the Administration proposed an FMSCR Program for 20 countries in addition to the four which are to receive earmarked funds.[17] Because of the program reductions and earmarks, the Administration has been forced to readjust its funding plans dramatically, with only three countries (Morocco, Spain, and Turkey), plus the earmarked four, now programmed to receive FMSCR funding. Moreover, because of the limited availability of funds, the FY 1987 FMSCR accounts for these three countries were required to be established at levels far below those originally proposed. For example, the FMSCR account for Spain--a critical base rights country--had to be cut by almost 75 percent, from a requested level of \$400 million to an FY 1987 allocation of only \$105 million. Similarly, funds for Turkey were cut from \$600 million to \$177.941 million, and Morocco from \$10 million to \$2 million, although both countries will also receive MAP funds.

**TABLE 3**  
**FY 1987 FMS Credit Program Funding Allocations\***  
**(\$ in millions)**

<u>Country</u>	<u>Forgiven Credit</u>	<u>Concessional Rate</u>
Egypt	\$1,300.00	
Israel	1,800.00	
Greece		\$343.000
Morocco		2.000
Pakistan		312.500
Spain		105.000
Turkey		<u>177.941</u>
<b>Totals</b>	<u>\$3,100.00</u>	<u>\$940.441</u>

\*Total FMSCR Appropriation: \$4,040,441 million.

The painful choices associated with making these limited funding allocations have also had the effect of entirely eliminating FMS credits for several key U.S. allies which in prior years had been the recipients of substantial credits. These include Indonesia, Jordan, Korea, the Philippines, Portugal, and Thailand. The Administration was able to offset the funding problems for these countries somewhat through increased allocations in their grant MAP accounts. (See the following discussion of MAP.) However, such MAP funding also remains well below that originally pro-

posed, and in the case of Korea, no military assistance other than a small IMET program will be provided in FY 1987.

A variety of special statutory provisions in the CR are attached to the FMSCR accounts for specific countries. As in the past two years, the *entire* FMSCR funding for Israel and Egypt (totaling \$3.1 billion and representing 76.8 percent of the total FY 1987 FMSCR appropriation) consists of *forgiven credits*, i.e., loans for which both countries are released from their "contractual liability to repay the United States Government." [18] The practice of "forgiven credits," in effect a grant assistance program, emerged as a major point of controversy between representatives of the House and Senate Appropriations Committees during the Conference Committee deliberations preceding passage of P.L. 99-591 and is worthy of discussion.

The Senate Appropriations Committee, in its mark-up of the foreign assistance bill (S. 2824), had proposed fundamental changes in the security assistance program. Under these SAC proposals, country and regional program funding through the all-grant Military Assistance Program (MAP) was to be eliminated. In its stead, the SAC recommended that *all* assistance furnished under the FMSCR program be placed, at the discretion of the Administration, on a *forgiven credit* (or grant) basis, rather than be provided as repayable loans at Treasury or concessional rates of interest. [19] The Committee recognized that its funding proposals would substantially reduce overall military assistance levels; however, since the FMSCR loans could all be forgiven, the Committee argued that, "in economic terms, countries which receive this type of assistance in effect obtain the same or similar levels as requested." [20]

In its report on S. 2824, the SAC provided the following rationale for this major legislative initiative:

The FMS debt of countries which have received assistance under this program [FMSCR] has become a burden to many of the countries on which we depend for mutual security. In fact, in many instances, we face the possible default of that debt, an event which would be very costly to the U.S. taxpayer. The all grant FMS program, in addition to alleviating budgetary pressures, will provide the administration with sufficient quality resources to undertake a military assistance program which otherwise would not be possible under the budget allocations provided to this committee for this purpose. [21]

Viewing this approach as a major reform that had long been needed to streamline the U.S. security assistance effort, the Committee anticipated criticism of its proposal since it could involve the provision of "grant assistance to some countries which can afford loans. . . ." In response, the Committee pointed out that "the loans heretofore provided under FMS, in fact, [already] carry a significant grant element in them." [22] Moreover, as the Committee noted:

If at a later time, under different budgetary constraints and different economic conditions in those countries which receive this assistance, Congress should desire to go back to Treasury or concessional loans under FMS, it will be able to do so within existing authorization and under this [FMSCR] account. This would not be possible under the MAP account and that is, therefore, one of the reasons why the Committee recommends elimination of this [MAP] account. [23]

In addition to permitting the entire FY 1987 FMSCR program to be placed on an all-forgiven credit basis, the Senate Appropriations Committee further proposed adding forgiven status to all previously appropriated (i.e., prior year) FMSCR funds which had not yet been disbursed. [24] The practical effect of this sweeping proposal would have been to convert unused loans reportedly of up to \$3.5 billion into grant assistance. [25]

Representatives of the House Appropriations Committee, viewing as more appropriate their own security assistance budget proposal (which retained MAP and limited FMSCR forgiveness to Israel and Egypt), are reported to have "adamantly opposed" the Senate initiatives. Representative Obey, for example, is quoted as having argued that foreign countries "should not get a better deal than American farmers." [26]

Finally, after considerable wrangling, a compromise was reached on the controversial issues of funding levels and forgiveness versus grants. The Conference Committee agreed to reduce funding for the FMSCR Program below the levels that each of the two Appropriations Committees had originally proposed. However, the grant MAP program, which the Senate Appropriations Committee had deleted, was restored and at a level (\$900 million) significantly above that proposed by the House Appropriations Committee (\$675.1 million). Combining the FMSCR and MAP appropriations for FY 87, a total of \$4,940.4 million is available for the two programs. Although the funding distribution among the two programs differs, the total equates exactly to the original HAC funding proposal, and also is, in fact, \$17.9 million greater than the total SAC recommendation.

With respect to the SAC *forgiveness* initiative, this was deleted from the final bill, with the exception of the FMSCR programs for Israel and Egypt. However, as a result of the Conference Committee compromise, the new law provides that FMSCR loans for *all* other countries, "*may be made available* at concessional rates of interest" [emphasis added], i.e., at rates below the Treasury rate but no lower than five percent per year. [27] In allocating the FY 1987 FMSCR funds, the Administration originally planned to continue to furnish loans at both Treasury and concessional rates of interest, a procedure which would be permissible under the discretionary language of the CR. However, after considerable deliberation on this matter, the decision was made to permit *all* FY 1987 FMSCR repayable loans to be issued at concessional rates, as shown in Table 3 above.

In its report on the CR, the Conference Committee acknowledged that the Senate's proposals regarding FMSCR forgiveness "have merit, particularly in the context of a global debt crisis which threatens default." [28] Consequently, the conferees asked the Administration to "study these proposals, and . . . present to the Congress a comprehensive plan for addressing requirements for FMS reform and debt relief for selected recipients of U.S. economic and security assistance." [29] The report was requested to be provided "in preparation for the Congressional review of the Fiscal Year 1988 budget submissions," scheduled to occur in January, 1987. [30]

In addition to the above issues, Congress applied other special provisions to the FMSCR Program. For example, up to \$150 million of the \$1.8 billion in forgiven credits available to Israel may be used, at Israel's request, for expenditure in the United States for research and development associated with the controversial Israeli-developed *LAVI* (i.e., Lion) jet fighter program. Similarly, not less than \$300 million may be expended, at Israel's request, for the procurement in Israel of defense articles and services, including research and development, for the *LAVI* program "and other activities, if requested by Israel." Comparable *LAVI*-related provisions have been included in prior year security assistance appropriations, and the FY 1987 CR brings the total amount of funds designated for the *LAVI* since FY 1984 to \$1.7 billion. A new feature in the FY 87 CR provides that FMSCR "funds for the *LAVI* program shall be expended upon the Department of Defense's determination that the proposed contracts meet applicable technical standards." [31] By way of explanation of this unusual provision, U.S. and Israeli government officials have been in disagreement for some time regarding the development and production costs associated with the *LAVI*. [32] Further, serious questions have been raised regarding Israel's domestic technical capacity for meeting the specifications of this high technology aircraft. According to a *Congressional Quarterly* report, the new legislative provision "was aimed at thwarting the Pentagon's past practice of holding up payments on the *LAVI* as a way of pressuring Israel to consider dropping the program." [33] This view was confirmed in the SAC report on S. 2824, which further states

that "such action by the Department of Defense can only lead to difficulty between the United States and this very important ally." [34]

One other new legislative provision regarding the FMSCR Program should be noted. Considerable concern was expressed during the 99th Congress regarding both the level of budget outlays and the rapid rate of annual government expenditures. The SAC effort to eliminate MAP, for example, was directly related to this concern, since MAP funds had been previously treated as outlays as soon as they were appropriated and transferred to respective country accounts in the FMS Trust Fund. [35] However, this procedure actually represents a transfer of funds from one U.S. government account to another, rather than an outlay (or expenditure) of funds. The true outlay of MAP funds, like FMSCR funds, does not actually occur until the funds are disbursed against specific FMS cases. Agreement has now been reached with the Congressional Budget Office to treat the outlays for MAP and FMSCR in the same way, i.e., to count them as outlays only when the funds are actually disbursed. For its part, the Appropriations Conference Committee, in an effort to reduce the budgetary impact of FY 1987 outlays, adopted a proposal (subsequently enacted) which requires that both MAP and FMSCR funds "be expended at the minimum rate necessary to make timely payment for defense articles and services." [36]

### THE MILITARY ASSISTANCE PROGRAM (MAP)

Though well below the Administration's FY 1987 budget request, the \$900 million appropriated for MAP represents the highest funding level for this program since FY 1966. [37] In fact, this MAP appropriation exceeds (by \$94.9 million) the funding authorization provided in the FY 1986-1987 authorization act for security assistance. [38] While an authorization bill generally provides funding ceilings for specific appropriations, Congress may waive such ceilings, as it did in this case. [39]

As discussed above, MAP survived the effort by the Senate Appropriations Committee to eliminate it and replace it with an all-grant FMSCR program. In restoring the program, Congress nevertheless substantially reduced the Administration's budget request. The Administration had asked Congress to provide \$1,046.5 million for the FY 1987 MAP account to support funding for 40 country and regional programs, as well as general costs (totaling \$48 million and including \$39.1 million for overseas military management), plus \$1 million for an anti-narcotics aircraft armaments program. [40] Since the appropriation (\$900 million) was cut 14 percent below the budget request, adjustments in program allocations became necessary. As shown in Table 4, the MAP appropriation will now be allocated among only 38 country and regional programs. Similarly, only \$46.250 million is available for MAP general costs, with a statutory ceiling of \$37 million established in the CR for "Overseas Military Program Management." [41]

The single largest MAP allocation (\$312.059 million) was made to Turkey. Together with its FMSCR allocation of \$177.941 million, Turkey will receive \$490 million in military assistance in FY 1987. This sum equates to the ceiling specified in the CR on Turkish military aid, but is \$330 million below the total of \$820 million the Administration had requested for Turkey. Further, when the total military assistance funding for Turkey is compared to the \$343 million in FMSCR allocated to Greece (which will receive no MAP funds), it reflects the Congressional policy--practiced continuously since FY 1980--of maintaining a 7 to 10 ratio in the provision of military assistance to Greece and Turkey. [42]

Special reporting requirements involving military assistance funding for El Salvador are also contained in the FY 1987 CR. For example, no funding or export licenses may be issued for the transfer of helicopters or other aircraft to El Salvador unless the two Appropriations Committees first receive at least 15 days advance notification by the Administration. [43] Similarly, the Conference Committee Report includes a "notice on law enforcement activities funding in El Salvador" which restricts such funding until both Committees have received "the same notice as

provided to the authorizing committees." [44] Under Section 660(d) of the Foreign Assistance Act (FAA) of 1961, as amended, U.S. assistance for law enforcement in either El Salvador or Honduras is conditional upon the notification to the congressional authorization committees of a Presidential determination that significant progress has been made in the respective country in eliminating human rights violations; such reports are now also required by the appropriations committees. [45] A third restriction applying to El Salvador involves the requirement to withhold \$5 million from the combined MAP and IMET appropriation for El Salvador pending yet an additional report to the Appropriations Committees. This report, dealing with a long unresolved murder case, must indicate that the Government of El Salvador has "substantially concluded all investigative action" associated with the January, 1981, murder of two U.S. land reform consultants and an El Salvador land reform official, and that it has obtained "a verdict of those who ordered and carried out the . . . murders." [46]

**TABLE 4**  
**FY 1987 MAP Funding Allocations**  
( \$ in millions)

<u>Country/Regional Program</u>	<u>Funding Level</u>	<u>Country/Regional Program</u>	<u>Funding Level</u>
Africa Civic Action	\$ 3.906	Jamaica	\$ 3.000
Belize	0.500	Jordan	39.941
Bolivia	2.000	Kenya	7.500
Botswana	1.500	Liberia	1.000
Cameroon	0.500	Madagascar	0.500
Central African Republic	0.500	Malawi	0.500
Chad	5.000	Morocco	32.000
Colombia	3.000	Niger	1.500
Costa Rica	1.500	Panama	5.844
Djibouti	1.000	Philippines	50.000
Dominican Republic	1.500	Portugal	80.000
Eastern Caribbean*	5.000	Senegal	1.000
Ecuador	3.000	Somalia	7.500
El Salvador	115.000	Sudan	5.000
Guatemala	2.000	Thailand	50.000
Guinea	1.000	Tunisia	32.500
Haiti	1.000	Turkey	312.059
Honduras	60.000	Yemen (Sana)	1.000
Indonesia	10.000	Zaire	4.000
		General Costs	46.250
		Narcotics Aircraft	<u>1.000</u>
		<b>TOTAL</b>	<b>\$900.000</b>

\* The Eastern Caribbean program includes the following ten countries: Anguilla, Antigua, Barbados, British Virgin Islands, Dominica, Grenada, Monserrat, St. Christopher-Nevis, St. Lucia, and St. Vincent and the Grenadines.

### THE INTERNATIONAL MILITARY EDUCATION AND TRAINING (IMET) PROGRAM

The Administration's budget request proposed \$68.8 million for the FY 1987 IMET Program. [47] The Senate Appropriations Committee endorsed the full request, but the House Appropriations Committee recommended a substantial cut to \$47.1 billion. The \$56 million that was finally appropriated for IMET represents a compromise between the two appropriations committees that was reached in the Conference Committee, and has been allocated among 105 country and special programs.

No major statutory changes affecting IMET were included in the CR. Authority was permitted to continue IMET funding in FY 1987 for the United States Army School of the Americas (USARSA), which relocated to Fort Benning, Georgia, from Fort Gulick, Panama, in late 1984. However, the Senate Appropriations Committee has indicated that "pursuant to an agreement with the Department of Defense and the Department of State . . . , this will be the last year funding for this institution will be provided under the IMET account." [48] The SAC report stated further that "future funding will come from the regular Department of Defense budget." [49]

The House Appropriations Committee expressed its continuing concern with the Administration's request for grant IMET funding for "high income countries" with annual per capita incomes exceeding \$5,500. [50] Similar Committee concern was expressed in 1985, and the Committee has now asked the Defense Security Assistance Agency to provide specific justifications for any future requests for IMET funding for any high income countries. [51] Moreover, prior to obligating FY 1987 IMET funds, the Committee similarly wants to receive specific justifications for funds to be allocated to any such high income countries. [52]

A special feature of the IMET Program for FY 1987 involves its use in support of international narcotics control. The recently enacted *International Narcotics Control Act of 1986* contains a special provision which earmarks (or sets aside) not less than \$2 million of the FY 1987 IMET funding "for education and training in the operation and maintenance of aircraft used in narcotics control interdiction and eradication efforts." [53] Also, this training assistance is authorized to be provided notwithstanding the general prohibitions relating to police training in Section 660, FAA/61. [54] Related to these training activities is a provision in the *Conference Committee Report* on the FY 1987 CR that "funding for additional aircraft for narcotics control" is to be borne by the increased funding made available for International Narcotics Control rather than from MAP funds. [55] The CR originally appropriated \$66.445 million for international narcotics control; this funding was increased to \$75.445 million in the *International Narcotics Control Act of 1986*, with \$10 million earmarked to provide helicopters or other aircraft, primarily to be "based in Latin America for use for narcotics control eradication and interdiction efforts throughout the region." [56]

## THE ECONOMIC SUPPORT FUND (ESF)

With annual program appropriations over the past several years in excess of \$3 billion, the ESF is the second largest funded security assistance program, ranking just below the FMSCR Program. Although ESF suffered a significant budget cut for FY 1987, the reduction (13.3 percent below the budget request) was the lowest percentage cut of any of the five principal security assistance programs. Further, FY 1987 ESF funding, at \$3,550.00 million, is actually 0.1 percent above the FY 1986 post-sequester (GRH) appropriation of \$3,546.6 million. An observer of this year's congressional appropriations process, however, would have found it difficult to predict the final funding level which would be assigned to the ESF account. The House Appropriations Committee (HAC) had recommended only \$3,196.8 million for ESF, whereas the Senate Appropriations Committee (SAC) had proposed \$3,900.0 million. [57] Thus, the two committees were essentially \$700 million apart; but, as often occurs in appropriations conference committees, a compromise was effected which essentially split the difference, resulting in the \$3,550.0 million appropriation.

Congressional concern over the level and rate of annual outlays, as discussed previously in regard to the MAP and FMSCR programs, was also reflected in committee action on the ESF account. The SAC, for example, while recommending a \$3.9 billion budget for ESF, nevertheless proposed a ceiling of not more than \$3.19 billion in obligations for FY 1987. The Committee reported that this action was "necessary in order to remain within outlay limitations as mandated by the budget resolution, and . . . as an alternative to any outlay cap provision as recommended by the

House reported legislation." [58] This latter reference involved a recommendation in the HAC bill (H.R. 5339), which would have established an overall ceiling of \$10,641 billion for *all* FY 1987 foreign assistance expenditures (including security assistance), together with an FY 1987 outlay ceiling of \$4.81 billion for all "discretionary budget authority" provided in the bill. [59] The divergence of the approaches taken by the two congressional committees regarding the outlay issue reflected another principal source of contention in producing the final CR. The problem was resolved in the Conference Committee by permitting the ESF monies to be obligated over a two-year period, i.e., FY 1987 and FY 1988, which would have the effect of reducing the impact of outlays during FY 1987. [60] As a consequence, the ESF ceiling for FY 1987 proposed by SAC, and also the overall program ceilings recommended by HAC, were deleted from the final version of the CR. Also, it should be noted that the two-year obligation authority does not apply to any other security assistance program except ESF.

**TABLE 5**  
**FY 1987 ESF Program Funding Allocations**  
( \$ in millions)

<u>Country</u>	<u>Allocation</u>	<u>Country</u>	<u>Allocation</u>	<u>Special Programs</u>	<u>Allocation</u>
Belize	\$2.254	Madagascar	\$1.000	Afghan Humanitarian	\$12.152**
Bolivia	15.000	Mauritius	1.000	Cambodian Non-Communist	
Botswana	5.000	Morocco	10.000	Resistance Forces	3.350**
Chad	5.000	Mozambique	10.000	Eastern Caribbean	19.231
Costa Rica	87.716	Niger	2.000	Economic Policy Reform Program	
Cyprus	15.000*	Oman	15.000	(EPRP) for Africa	27.000
Djibouti	1.900	Pakistan	250.000*	International Fund for Northern	
Dom. Republic	20.000	Peru	5.000	Ireland and Ireland	35.000*
Ecuador	12.500	Philippines	250.000*	Latin America and Caribbean	
Egypt	815.000*	Portugal	64.812***	Regional	5.825
El Salvador	181.747	Senegal	12.000	Middle East Regional	14.406
Fiji	1.400	Seychelles	2.000	Southern Africa Regional	24.304***
Guatemala	58.787	Somalia	17.500	South Pacific Ocean Research	1.000
Haiti	29.165	South Africa	1.700	South Pacific Fisheries Development	0.500
Honduras	71.406	Spain	5.000	Regional Office for Central America	
Israel	1,200.000*	Thailand	5.000	and Panama (ROCAP)	13.090
Jamaica	25.000	Tunisia	16.203		
Jordan	14.000	Turkey	100.000	<b>TOTAL</b>	<b>\$3,550.000</b>
Kenya	15.000	Uruguay	12.152***		
Lebanon	0.500	Zaire	10.000		
Liberia	15.000	Zambia	12.400		

\* Earmarked/allocation funding level in FY 1987 CR (P.L. 99-591), except for the Philippines for which the earmark is \$200 million and the allocation is \$250 million. (See note 61.)

\*\* Special funding provision in P.L. 99-591.

\*\*\* Earmarked funding in FY 1986-FY 1987 authorization act (P.L. 99-83).

The FY 1987 ESF appropriation has been allocated among 42 countries and 11 special programs. As reflected in Table 5 above, the ESF account, like the FMSCR account was heavily earmarked in the CR. A total of not less than \$2,515.00 million (representing 70.8 percent of the FY 1987 ESF appropriation) was specifically designated for five countries (Cyprus, Egypt, Israel, Pakistan, and the Philippines), plus the International Fund for Northern Ireland [a part of the United Kingdom] and Ireland. [61] Several other special funding provisions in the CR and in the authorization bill for FY 1986-FY 1987 are also reflected in Table 5 which, when taken together with the FY 1987 earmarkings, severely restricted the Administration in its allocation of the ESF account. For example, the CR directs that not less than \$30 million in ESF and other assistance funds be made available for the provision of food, medicine, and other humanitarian assistance to

the Afghan people.[62] Accordingly, \$12.152 million has been allocated from the ESF account for this purpose, with additional funding made available from other non-security assistance accounts. Similarly, not less than \$1.5 million nor more than \$5 million in MAP and/or ESF funds was directed to be made available to the Cambodian non-Communist resistance forces.[63] The Administration elected to limit the total funding for this special program to \$3.350 million, all in ESF assistance.

In addition to these requirements, the Administration was also required to honor a number of ESF earmarks which do not appear in the CR but which are contained in the FY 1986-FY 1987 foreign affairs authorization act (P.L. 99-83). These earmarks, as reflected above in Table 5, apply to the funding for Portugal, Uruguay, and the Southern African Regional Program. However, a special provision in the CR permits such earmarks to be reduced in direct proportion to the funding reduction in FY 1987 appropriations as compared to the post-sequester (GRH) FY 1986 appropriations.[64] Thus, while the three original earmarks totaled \$125 million, the actual allocations for FY 1987 total \$105.42 million, reflecting an overall reduction in the earmarks of 15.7 percent.[65]

Other statutory considerations affecting the ESF allocations involved ceilings placed on certain country and program funding. For example, the CR provides for up to \$1 million "to assist the Government of El Salvador's Special Investigative Unit for the purpose of bringing to justice those responsible for the murders of U.S. citizens in El Salvador." This provision, of course, relates to the previous discussion of the El Salvador MAP allocation and the statutory restrictions on El Salvador's use of its FY 1987 MAP and IMET allocations. In a related provision, Congress authorized up to \$20 million from the ESF account "to carry out the Administration of Justice Program;" this program, established under Sec. 534, FAA/61, serves "to strengthen the administration of justice in countries in Latin America and the Caribbean."[66]

A ceiling of up to \$15 million was also established in the CR for Jordan, with the stipulation that these funds are "in addition to [ESF] funds otherwise made available . . . and allocated to Jordan." Finally, a unique ESF provision authorizes up to \$20 million as a type of "bonus incentive" for distribution among countries "that are receiving 'International Narcotics Control' assistance and that have made substantial progress in illicit drug control efforts." The allocation of any of these special ESF funds to a specific country must be accompanied by a notification to the Appropriations Committees, to include a report containing "an explanation of the progress in illicit drug control that has been made by the recipient country."

Several additional country-specific provisions were included in the CR and are deserving of note. As in past years, the entire ESF account for Israel (earmarked as a grant of \$1.2 billion) was required to be made available as a direct cash transfer, to be disbursed by 31 October 1986 or within 30 days of the enactment of the CR, whichever was later.[67] Also, another provision attached to the Israeli ESF account in previous years was again included in the FY 1987 CR and provides that, "it is the policy and intention of the United States" that Israel's ESF funds "shall not be less than the annual debt repayment (interest and principal) from Israel to the United States Government in recognition that such a principle serves United States interests in the [Middle East] region."[68]

The CR also stipulates that a direct cash transfer of not less than \$115 million be provided to Egypt from her earmarked ESF grant of \$815 million. Additionally, not less than \$200 million of the Egyptian ESF account is earmarked as a Commodity Import Program, i.e., to subsidize Egyptian imports of U.S. export commodities. A further provision authorizes the Agency for International Development (AID, the administrative agency for all ESF monies) to obligate additional ESF funds in the Egyptian account as a direct cash transfer "in support of the implementation of a comprehensive structural economic reform program." Any such obligations above the primary cash transfer authorization of \$115 million are to be "derived through proportionate reductions in

both the Commodity Import Program and project assistance" programs embraced in the overall Egyptian ESF account.

Congressional intent regarding the substantial funding levels for Israel and Egypt, which together represent 56.8 percent of the total FY 1987 ESF appropriation, are reflected in the CR in the following statement:

It is the sense of Congress that the recommended levels of assistance for Israel and Egypt are based in great measure upon their continued participation in the Camp David Accords and upon the Egyptian-Israeli peace treaty; and that Egypt and Israel are urged to continue their efforts to restore a full diplomatic relationship, including [the exchange of] ambassadors, and achieve realization of the Camp David accords.

An additional country-specific provision in the CR involves the continuation of a restriction on El Salvador's ESF appropriation which requires that *all* of its ESF funds which "are placed in the Central Reserve Bank of El Salvador . . . be maintained in a separate account and not commingled with any other funds." Also, a similar provision, with much broader application than just to El Salvador, has been introduced in the FY 1987 CR. As stated, this provision applies to *any* country which receives, after 1 February 1987, "in excess of a total of \$5,000,000 as cash transfer assistance." Such countries now also must maintain ESF funds in separate accounts which may not be commingled with other funds.

One final aspect of the ESF account involves special funding authorized for Central American countries. The Administration had originally proposed that a funding total of \$550 million be provided for the Central American democracies of Costa Rica, El Salvador, Guatemala, and Honduras. This request was reduced to \$300 million and was passed as an amendment to the *Military Construction Appropriations Act, 1987*, which was part of the overall FY 1987 CR. This \$300 million is to be transferred to the ESF account from other designated appropriations accounts and is to be included as part of the overall ESF appropriation of \$3.55 billion.[69] Another important amendment to the *Military Construction Act, 1987*, includes the widely-reported appropriation of \$100 million of unobligated FY 1986 DOD funds for assistance to the *Nicaraguan democratic resistance* (i.e., the *Contras*), of which \$70 million is available for military assistance, and \$30 million for humanitarian assistance.[70]

## PEACEKEEPING OPERATIONS (PKO)

The PKO program represents the smallest funded of the five principal security assistance programs, and currently supports two separate activities: the Multinational Force and Observers (MFO), an independent international organization which implements the security arrangements established in the Egyptian-Israeli Peace Treaty of 1979; and the United Nations Force in Cyprus (UNFICYP) which has helped since 1964 to preserve the peace in Cyprus. For FY 1987, Congress reduced the Administration's overall request for PKO from \$39 million to \$31.7 million, an 18.7 percent cut. The budget request had proposed \$30 million for the MFO and \$9 million for the UNFICYP. Faced with the requirement for funding these two separate but vital programs with a substantially reduced appropriation, the Administration chose to allocate the PKO funds in equal proportion to the overall reduction in the PKO account. Thus, \$24.377 million will be available for the MFO, and \$7.312 million has been allocated for the UNFICYP.

In addition to the reduction in the PKO appropriation, Congress was also concerned with the fact that the UNFICYP was continuing to operate at an annual financial deficit. This PKO activity is financed by the eight countries which contribute troops and military police to the UNFICYP (i.e., Austria, Australia, Canada, Denmark, Finland, Ireland, Sweden, and the UK), plus the contributions of other U.N. member states, such as the United States. However, such member state contributions have not increased to meet rising costs, and as of 15 December 1985, the UNFICYP

had an accumulated deficit of \$113.9 million.[71] The House Appropriations Committee stated that the U.S. "essentially has been absorbing" the annual deficit, and the HAC recommended the following restriction be placed on the UNFICYP appropriation: "not more than half of the funds allocated for the UNFICYP may be obligated for the U.S. contribution to that Force until the Secretary of State submits a report to the Congress detailing how the United States and other contributing countries plan to eliminate the final deficit of that Force." [72] Although the SAC had no similar provision in its recommended bill, the HAC language was adopted by the Conference Committee and included in the final language of the CR.

## MISCELLANEOUS PROVISIONS

A number of additional and noteworthy provisions affecting a variety of security assistance activities are included in the FY 1987 CR. One such provision includes the authority to obligate up to \$315,820,000 for the **Special Defense Acquisition Fund (SDAF)** during FY 1987. This fund permits the acquisition of defense articles and services in anticipation of future foreign requirements, thereby reducing procurement lead times and also permitting improved responses to emergency requirements. Originally, the Administration had sought an SDAF obligational authority for FY 1987 of \$350 million. This request was fully supported by the SAC, but was reduced to \$281 million by the HAC. The resulting appropriation again reflected a Conference Committee compromise achieved by essentially dividing the difference in the two committee bills. Also, the SAC had recommended a two-year obligational authority (i.e., FY 1987 and FY 1988) which would have aided the Administration in the effective expenditure of SDAF monies. In fact, in 1985 the Administration had sought a three-year obligational authority for the SDAF, but failed to receive Congressional approval. Similarly, this year's two-year proposal by the SAC failed in the Conference Committee, which limited the obligational period to only FY 1987.

Another interesting CR provision introduces a new element into the U.S. Security Assistance Program--that of **reciprocal leasing**. Introduced in the Senate as an amendment to the CR, this provision, as further amended in the Conference Committee, permits the U.S. to enter into cross-leasing agreements in Fiscal Year 1987, at no charge, with the Government of Israel.[73] As noted by Senator Robert W. Kasten, Jr. (R., Wis.) in the Senate discussion of the original amendment, "It is prompted by the positive experience of the U.S. Navy, which last year [1985] entered into a leasing agreement with Israel, wherein the Israeli Air Force leased a squadron of KFIR jet fighters to perform the aggressor role in certain training programs conducted by the Navy." [74] Senator Kasten went on to note that the leasing program was so successful that the Navy decided to lease a second squadron of Israeli KFIR's for the Marine Corps. Recognizing the potential for cross-leases of other U.S. defense articles in exchange for items from NATO and non-NATO allies on "substantially reciprocal terms" (i.e., no cost), Senator Kasten concluded that such agreements "will clearly be to the mutual benefit of the United States and the NATO or non-NATO ally," although this authority is at present limited to only Israel.[75] Also, it has been reported that in exchange for the KFIR leases, Israel wishes to enter into leases with the U.S. Army for Cobra anti-tank helicopters.[76]

Another important new statutory provision relating to security assistance involves the **authority to transfer excess defense articles to countries of NATO's southern flank**. This provision, included in the *National Defense Authorization Act for Fiscal Year 1987* (P.L. 99-661), adds a new section 516 to the FAA/61, and is designed as a means of providing, on a grant basis, "such defense articles as the President determines necessary to help modernize the defense capabilities of "NATO countries on the southern flank of NATO." [77] Equipment which may be transferred under this new authority must meet three criteria: (1) it must be drawn from existing stocks; (2) no funds may be expended for the procurement of equipment for this purpose; and, (3) the President must determine that any such transfers will not have "an adverse impact on the military readiness of the United States." [78] In the Conference Committee report accompanying P.L. 99-661, the conferees expanded on these criteria with the following comments: the

equipment must either "be excess to the requirements of U.S. active duty forces, or programmed to be excess;" the recipient countries must be eligible for FMS credits and/or MAP grants; and that the "President grant such equipment on the basis of the military requirements of the southern flank nations and the contribution such transfers will make to the defense of the southern flank of NATO." [79] The Committee report also notes that "the conferees intend that items such as F-4, A-7, and T-33 aircraft, M-48A1 tanks, and M114A2 howitzers, or other equipment of comparable military utility are illustrative of the types of equipment that could be transferred." [80] Additionally, although the statute defines member countries on the southern flank of NATO as including Greece, Italy, Portugal, Spain, and Turkey, the Committee report points out that, "The conferees understand that, at the present time, this provision would authorize the transfer of equipment [only] to Greece, Portugal, and Turkey." [81]

A final point of interest regarding the FY 1987 security assistance legislation involves a number of **country-specific limitations and restrictions on security assistance**. As an example, no assistance funds may be obligated or expended for either **Sudan or Liberia**, except through "the regular notification procedures of the Committees on Appropriations"--a procedure not normally required for other countries. [82] Further, Congress retained a provision which was first included in the FY 1986 CR (P.L. 99-190) whereby no funded assistance whatsoever is to be provided to Sudan in the event that "the President determines that the Sudan is acting in a manner that would endanger the stability of the region, or the Camp David peace process." [83] These restrictions stem from political issues in the two nations. Sudan's political flirtation with Libya, plus Sudan's negative record with respect to humanitarian needs, particularly the special needs of refugees, has prompted considerable Congressional concern. [84] In the case of Liberia, the HAC reported its concern about "the deteriorating economic and political situation" in that country: a controversial election in October, 1985, coupled with continuing concern over a variety of human rights conditions evoked the restrictions on assistance to Liberia. [85]

Varying restrictions have also been placed on five Latin American countries--Guatemala, Chile, Bolivia, Jamaica, and Peru. **Guatemala**, for which a number of human rights-related restrictions were included in the FY 1986 - FY 1987 Authorization Act, had an additional limitation placed on its assistance in the FY 1987 CR. [86] This new provision specifies that no U.S. assistance may be provided for Guatemala's "rural resettlement program" except through the regular notification procedures of the Appropriations Committees, the same procedure required for Sudan and Liberia. [87] A "sense of Congress" statement in the FY 1987 CR regarding **Chile** reflects the Congressional view that the U.S. "should oppose all loans to Chile from multilateral development institutions, except for those for basic human needs" until the Government of Chile takes concrete steps to restore democracy and has ended its gross abuse of human rights. [88] Also, the CR prohibits any ESF or military assistance funds from being obligated or expended for Chile. [89]

Statutory restrictions on assistance for Bolivia, Jamaica, and Peru are related to drug control issues. With respect to **Bolivia**, the CR permits assistance to be provided only in accordance with various drug control provisions which are applicable to Bolivia as specified in the FY 1986 - FY 1987 authorization act (Sec. 611, P.L. 99-83), as amended by section 2011 of H.R. 5484 as passed by the Senate on 30 September 1986. [90] In the case of **Jamaica and Peru**, the CR places a 50 percent limitation on the normal obligation of funds made available for either country. In order to exceed this limitation, the President must determine and report to the Congress "that the Governments of these countries are sufficiently responsive to the United States Government concerns on drug control and that the added expenditures of the funds for that country [either Jamaica or Peru] are in the national interest of the United States." [91] The CR, however, excludes from this requirement any funds made available to either country to carry out international narcotics control functions under the provisions of Section 481 of the FAA/61, as amended. [92]

In addition to the above country-specific drug-related requirements of the CR, the *International Narcotics Control Act of 1986* (P.L. 99-570) includes a major new provision with far broader applications. This provision, which amends Sec. 481 of the FAA/1961, places an annual 50 percent limitation on the obligation and expenditure of all U.S.-funded assistance "for every major illicit drug-producing country or major drug-transit country" [emphasis added].[93] Here again, similar to the CR provisions applying to Jamaica and Peru, a Presidential determination and certification to the Congress provides the instrument for releasing the remaining 50 percent of a specific country's assistance funds. The following terminology, which must be fully addressed in such Presidential certifications, reflects the specific concerns of Congress which prompted these new legislative provisions:

During the previous year the country has cooperated fully with the United States, or has taken adequate steps on its own, in preventing narcotic and psychotropic drugs and other controlled substances produced or processed, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents, or from being transported, directly or indirectly, into the United States and in preventing and punishing the laundering in that country of drug-related profits or drug-related monies.[94]

For a country "that would not otherwise qualify" for such a certification, the President may nevertheless certify to the Congress the need for releasing the withheld funds when "the vital interests of the United States require the provision of such assistance . . ."[95] In either case, these Presidential certifications may be negated by Congressional action, and the assistance funds withheld, "if the Congress enacts, within 30 days of continuous session after receipt of certification . . . , [a] joint resolution disapproving the determination of the President contained in such certification." [96] This new legislation further requires that the subject Presidential certifications be provided to Congress not later than 1 March each year in conjunction with a previously-required annual report on "United States policy to establish and encourage an international strategy to prevent the illicit cultivation and manufacture of and traffic in narcotic and psychotropic drugs and other controlled substances." [97] For FY 1987, the Administration tentatively has identified the following 22 countries (plus the British Crown colony of Hong Kong) for which the new certification requirements apply: Afghanistan, the Bahamas, Belize, Bolivia, Burma, Colombia, Cuba, Ecuador, India, Iran, Jamaica, Laos, Lebanon, Malaysia, Mexico, Morocco, Nicaragua, Pakistan, Panama, Peru, Syria, and Thailand.

Finally, Congress prohibited any foreign assistance funds from being "obligated to finance indirectly any assistance or reparations" to any of the following eight countries: Angola, Cambodia, Cuba, Iraq, Libya, the Socialist Republic of Vietnam, South Yemen, or Syria.[98] Such assistance, however, may be provided if "the President of the United States certifies that the withholding of these funds is contrary to the national interest of the United States." [99]

## CONCLUSION

As the preceding discussion has illustrated, Congressional appropriations for FY 1987 security assistance programs fell far below the levels requested by the Administration. Of the overall 118 countries and special/regional programs proposed for the FY 1987 Security Assistance Program, only two countries--Israel and Egypt--were fully funded at the requested levels. The impact of these funding reductions coupled with widespread Congressional earmarking of specific country/program funding, has meant that requested funding levels for non-earmarked recipient countries/programs had to be cut by an average of almost 50 percent. It is quite evident that such funding cuts have seriously damaged the ability of the Administration to maintain a viable Security Assistance Program, i.e., one which can effectively pursue the crucial foreign policy and national security goals inherent in that program. In the recent words of Michael H. Armacost, Under

Secretary of State for Political Affairs, "No one can expect us to defend effectively our interests in the world while imposing such limits on our means." [100]

As previously noted, a request for supplemental appropriations for security assistance for FY 1987 is likely to be presented to the 100th Congress after it convenes in January. The outcome of such a request, for which there is ample justification, cannot be predicted at this time. Nevertheless, one may safely assume that while Congress may appropriate some additional monies, it will not restore all of the funds cut in the original appropriations process for FY 1987. Indeed, under the governing provisions of the Gramm-Rudman-Hollings legislation, which require offsetting funding sources for any such supplemental appropriations, there is no feasible means at present of identifying sufficient funding sources to recover all of the lost funds. Thus, even with some level of supplemental assistance, our funded security assistance programs are likely to remain severely restrained, and the management efforts associated with such programs will present considerable challenges to all security assistance personnel to assure that maximum benefits are derived from minimal funds.

## NOTES

1. Congress employs the continuing resolution mechanism in the absence of a formal annual appropriations bill. The traditional use of such resolutions has been to provide temporary funding authority for a specific, limited time period, usually until Congress can agree on a formal appropriations bill. However, in recent years, Congress has experienced considerable difficulty in passing such formal bills and thus has relied increasingly on a CR to provide funding for an entire fiscal year.
2. The last regular appropriations act for security assistance funding was enacted in 1981 for FY 1982 (*Foreign Assistance and Related Programs Appropriations, 1982*, P.L. 97-121, 29 December 1981). Also, no new authorization bill for security assistance was enacted in FY 1987. The Administration had considered submitting to Congress a request for such a bill, but decided to forego that request, and thereby operate within the provisions of P.L. 99-83 (8 August 1985) which provides security assistance authorizations for both FY 1986 and FY 1987.
3. With certain exceptions, government funding is provided through 13 general appropriations bills. The exceptions involve entitlement programs (e.g., Social Security, Medicare, veteran's pensions, federal retirement programs, etc.) and certain other government obligations (e.g., interest payments on the federal debt) for which funding is provided automatically through authority granted in permanent law; outlays for these obligations will exceed \$400 million in FY 1987. The 13 general appropriations bills have all been incorporated in the FY 87 CR and furnish funding for the following government agencies and their programs: Foreign Assistance, Defense, Military Construction, Legislative Branch, Labor-Health and Human Services-Education, Interior, Transportation, Treasury-Postal Service, Commerce-Justice-State, Agriculture, Energy-Water Development, Housing and Urban Development-Independent Agencies, and the District of Columbia.
4. Wehr, Elizabeth. "Signs of Thrift Seen in Largest-Ever Money Bill," *Congressional Quarterly Weekly Report*, 1 November 1986, p. 1.
5. *Congressional Presentation [Document] for Security Assistance Programs for Fiscal Year 1987*, Vol. I, p. 3. Hereafter cited as CPD. The actual FY 86 appropriations for the five major security assistance programs (FMSCR, MAP IMET, ESF, and PKO) totaled \$9,760.49 million, or 0.8 percent above the FY 85 funding level of \$9,685.82 million. The 4.3 percent Gramm-Rudman-Hollings reductions, however, brought the total down to \$9,346.50 million--an overall 3.5 percent reduction from FY 85 funding levels and 12.9 percent below the FY 86 budget request of \$10,731.00 million.
6. *Ibid.*, pp. 3-7.
7. "Senator Lugar Warns White House about Seeking Foreign Aid Rise," *Washington Post*, 30 January 1986, p. 9.
8. *Ibid.*
9. *Congressional Record*, 4 February 1986, p. S887.
10. U.S. House of Representatives. "Foreign Assistance and Related Programs Appropriations for FY 1987," *Hearings before the Subcommittee on Foreign Operations and Related Agencies of the Committee on Appropriations*, Part 3, 99th Cong., 2d sess., p. 294.

11. U.S. House of Representatives. *Foreign Assistance and Related Programs Appropriations Bill, 1987*. Report 99-747 of the Committee on Appropriations to Accompany H.R. 5339, 5 August 1986, p. 13. Hereafter referred to as HAC Report.
12. *Ibid.*
13. Pressman, Steven. "Senate Panel Makes Major Shift in Arms Aid," *Congressional Quarterly Weekly Report*, 20 September 1986, p. 2205.
14. Felton, John. "Foreign Aid Cutbacks: Minimizing the Pain," *Congressional Quarterly Weekly Review*, 25 October 1986, p. 2671.
15. *Ibid.*
16. Wehr, *op. cit.*, p. 2730.
17. *CPD, op. cit.*, p. 61.
18. Sec. 101, P.L. 99-83, 8 August 1985.
19. The relevant clause in S. 2824 (Senate Report No. 99-443) regarding an *all forgiven* FMSCR Program stated "That assistance provided under sections 23 and 24 of the Arms Export Control Act [i.e., the sections governing FMS credit sales] *may be disbursed without requirement of repayment of principal or interest*" [emphasis added].
20. U.S. Senate, *Foreign Assistance and Related Programs Appropriation Bill, 1987*. Report 99-443 of the Committee on Appropriations to accompany S. 2824, 16 September 1986, p. 27. Hereafter cited as *SAC Report*.
21. *Ibid.*, p. 123.
22. *Ibid.*, p. 124.
23. *Ibid.*
24. The relevant provision (Sec. 551, S. 2824) providing forgiveness on earlier appropriated funds stated that, "Funds appropriated under prior year Appropriations Acts for the purposes of Sections 23 and 24 of the Arms Export Control Act *may be disbursed without the requirement of repayment of principal or interest*" [emphasis added].
25. Felton, *op. cit.*, p. 2672. It should also be noted that the SAC proposals would have had the effect of substantially increasing the funding available for financing Direct Commercial Sales (DCS) under the Arms Export Control Act. This is so because FMSCR funds, when approved by the Defense Security Assistance Agency (DSAA), may be employed to finance DCS; however, grant MAP funds are prohibited by law from such use. [Sec. 503(a)(3), FAA/61]
26. *Ibid.*
27. P.L. 99-591.
28. U.S. House of Representatives. *Making Continuing Appropriations for Fiscal Year 1987*. Conference Report to Accompany House Joint Resolution 738, 15 October 1986, p. 682. Hereafter cited as *Conference Report*.
29. *Ibid.*
30. *Ibid.* For additional background on this new reporting requirement, see *SAC Report, op. cit.*, p. 124.
31. The *SAC Report* on S. 2824 points out that the relevant term *applicable technical standards* "is intended to refer only to such reviews or functions previously performed by DOD with reference to LAVI contracts and [it] is not intended that any additional reviews or functions be performed as a result of that language." *SAC Report, op. cit.* p. 126.
32. Over 22,000 Israelis are employed by Israel Aircraft Industries (IAI) on the LAVI project, the nation's single largest industrial program. The official roll-out of the LAVI occurred on 21 July 1986, with the first flight test performed on 31 December 1986. IAI plans to produce 300 aircraft by the year 2000. While Israeli officials estimate the cost per plane at \$15 million, U.S. officials reportedly believe the cost will be about 50 percent more. See the following: "Israel's Controversial LAVI Fighter Debuts," *Los Angeles Times*, 22 July 1986, Part 4, p. 1; "Americans Urge Israel to Scrap LAVI Fighter Plane Project," *New York City Tribune*, 11 June 1986, p. 3; "To U.S. Chagrin, Israel Touts LAVI as Top Jet Fighter," *Dayton Daily News and Journal Herald*, 9 November 1986, p. 12-A; and, "U.S. Bids Anew to Get Israel to Kill LAVI Jet," *Washington Times*, 1 January 1987, p. 5.
33. Felton, *op. cit.*, p. 2672.
34. *SAC Report, op. cit.*, p. 126.
35. The allocation of security assistance funds to specific country programs occurs within 30 days after the enactment of the annual appropriations bill. In the case of grant MAP funds, when the allocation process is completed, and the Office of Management and Budget apportions the money to the Defense Security Assistance Agency, these funds are transferred to the respective country trust fund accounts maintained by the Security Assistance Accounting Center in Denver, Colorado. This transfer had previously been treated as an outlay of funds, even though the actual expenditure of the funds in support of an FMS case might not occur for several

months, or even longer. As noted in the text, a new accounting procedure has been implemented by which MAP outlays, like FMSCR outlays, are considered to occur only when the funds are actually disbursed as payments against specific FMS cases.

36. P.L. 99-591.
37. *CPD, op. cit.*, Vol. I, p. 91.
38. Sec. 103, P.L. 99-83.
39. The applicable waiver is contained in the following language of the CR: "That amounts appropriated under this heading [i.e., Military Assistance] shall be available notwithstanding section 10 of P.L. 91-672, and section 15(a) of the State Department Basic Authorities Act of 1956."
40. *CPD, op. cit.*, pp. 63-64. The initial Administration budget request sought \$996.5 million for MAP. A later revision to the request reduced \$50 million from the FMSCR Program and added it to MAP, targeted for the Philippines, thereby increasing the MAP request to \$1,046.5 million. One million dollars in MAP funds for an anti-narcotics aircraft armaments program was earmarked for both FY 1986 and FY 1987 in the *International Security and Development Cooperation Act of 1985* (i.e., the foreign assistance authorization act). The relevant provision states that these funds "shall be made available to arm, for defensive purposes, aircraft used in narcotics control eradication or interdiction efforts." [Sec. 607, P.L. 99-83]
41. The HAC had restricted MAP funds for "Overseas Program Management" to \$34.4 million. The SAC, however, set the ceiling at \$39.1 million. The Conference Committee resolved the issue by essentially "splitting the difference" and settling on a ceiling of \$37 million.
42. The 7-10 ratio for the distribution of military aid to Greece and Turkey has its foundation in the Cyprus dispute and in a provision of the International Security Assistance Act of 1977 which reflects Congressional interest in maintaining a balance of military strength among the two countries. Though not a statutory requirement, congressional action on the FY 1980 security assistance budget resulted in the first application of the 7-10 ratio, and it has continued to be treated by Congress, particularly the Senate, as a fixed feature of U.S. security assistance. The HAC made no special provisions (either earmarks or ceilings) for funding either country in FY 1987; however, the SAC established the ceilings reported in the text which were sustained in the Conference Committee. In the *SAC Report* on S. 2824 the Committee observed that, "This level of assistance . . . provides funding recommendations based on the historic 7-to-10 ratio which Congress has consistently supported." *SAC Report, op. cit.*, p. 125.
43. Sec. 537, P.L. 99-591.
44. *Conference Report, op. cit.*, p. 682.
45. The authority to provide law enforcement assistance to El Salvador and Honduras--actually, a waiver of the general prohibition on such assistance--was first enacted in Sec. 711, P.L. 99-83 (8 August 1985) which added Sec. 660(d) to the FAA/61.
46. Sec. 545, P.L. 99-591. The two U.S. personnel, Michael Hammer and Mark Pearlman were AFL/CIO advisors to the El Salvadoran government. They and Mr. Rodolfo Viera, Salvador Land Reform Institute Director, were killed on 3 January 1981 as they sat in a Salvadoran coffee shop. Two Salvadoran National Guard corporals subsequently confessed to the crime, and implicated a Lt. Lopez Sibrian and a Capt. Avila as ordering the murders. Both officers were subsequently tried and acquitted of any involvement in these murders. A government appeal of Sibrian's acquittal was rejected in a 1984 decision of the Supreme Court of El Salvador. No such final disposition, however, has been made in Avila's case, which the government is also appealing. The U.S. Department of State reports that, "No military officer [in El Salvador] has been successfully prosecuted for human rights violations in recent years." *Country Reports on Human Rights Practices for 1985*, Washington DC: U.S. Government Printing Office, February, 1986, p. 524.
47. *CPD, op. cit.*, pp. 66-67.
48. *SAC Report, op. cit.*, p. 120.
49. *Ibid.*
50. *HAC Report, op. cit.*, p. 80.
51. *Ibid.*
52. *Ibid.*
53. Sec. 2004(a), P.L. 99-570, 27 October 1986.
54. Sec. 2004(c), P.L. 99-570.
55. *Conference Report*, pp. 681-682.
56. Sections 2002(1) and (2), P.L. 99-570.
57. *HAC Report, op. cit.*, p. 64, and *SAC Report, op. cit.*, p. 83.
58. *SAC Report, op. cit.*, pp. 84-85.

59. *HAC Report, op. cit.*, pp. 96-97. The HAC bill (H.R. 5339) specified a number of accounts and programs whose funding would fall within the discretionary funding limit of \$4.81 billion, to include ESF earmarks for Israel, Egypt, Pakistan, and Ireland, and FMSCR earmarks for Israel, Egypt, and Pakistan.
60. *Conference Report, op. cit.*, p. 679.
61. The FY 1987 ESF allocations for these five countries, plus the Irish aid, as shown in Table 5, all equate to the earmarked levels in P.L. 99-591, with the exception of the Philippines. The relevant provision in the CR regarding the Philippines states that it shall receive "not less than an *additional* sum of \$200,000,000" [emphasis added]; the FY 1987 allocation for the Philippines totals \$250 million.
62. Sec. 541, P.L. 99-591.
63. Sec. 543, P.L. 99-591. The CR adds that such funds for the Cambodian non-Communist resistance forces be obligated in accordance with the provisions of Sec. 906, P.L. 99-83. These provisions prohibit the obligations of such funds "for the purpose or with the effect of promoting, sustaining, or augmenting, directly or indirectly, the capacity of the Khmer Rouge or any of its members to conduct military or paramilitary operations in Cambodia or elsewhere in Indochina."
64. Sec. 552, P.L. 99-591. This special provision for reducing earmarks in other foreign assistance legislation applies to "each account for countries other than Israel, Egypt, and Pakistan," thereby precluding reductions in earmarks for these three countries.
65. The authorization act earmarks, as compared to the reduced FY 1987 allocations, are as follows: Portugal, \$80 million and \$64.812 million; Uruguay, \$15 million and \$12.152 million; and Southern Africa Regional Programs, \$30 million and \$28.456 million. Cf., Secs. 204, 720, and 802, P.L. 99-83.
66. *Loc. cit.*
67. Since the CR was enacted on 18 October, this meant that the cash transfer of ESF funds to Israel was required to be completed by 17 November.
68. Sec. 531, P.L. 99-591. The statutory language preceding the statement of this policy notes the vital importance to U.S. security interests of achieving progress in the Middle East peace process, and that Israel has incurred severe economic burdens as a result of fulfilling its obligation under the Israeli-Egyptian Peace Treaty of 1979. Further, Sec. 531 includes the statement that, "the Congress recognizes that an economically and militarily secure Israel serves the security interests of the United States, for a secure Israel is an Israel which has the incentive and confidence to continue pursuing the peace process."
69. Sec. 205(a), *Military Construction and Appropriations Act, 1987*, included in P.L. 99-591. Accounts from which the \$300 million is to be transferred include: Title II, "Bilateral Economic Assistance," *Foreign Assistance and Related Programs Appropriations Act, 1986*; Title IV of the *Agriculture, Rural Development and Related Agencies Appropriations Act, 1986* (P.L. 99-190); and Title II of the *Urgent Supplemental Appropriations Act, 1985* (P.L. 99-10).
70. Sec. 206(a)(2) and Sec. 208(a), *Military Construction Act, 1987*, included in P.L. 99-591. Sec. 208(b) of this Act further specifies that of the \$30 million made available for humanitarian assistance, "\$3,000,000 shall be available only for strengthening programs and activities of the Nicaraguan democratic resistance for the observance and advancement of human rights."
71. U.S. House of Representatives. *Foreign Assistance and Related Programs Appropriations for 1987*. Hearings before the Subcommittee on Foreign Operations and Related Agencies, of the Committee on Appropriations, Part 4, 99th Cong., 2d. Sess., p. 693. For a reprint of PKO data from this Committee report, see, "Peace-keeping Operations," *The DISAM Journal*, Fall, 1986, pp. 23-26.
72. *HAC Report, op. cit.*, p. 76.
73. Amendment 83 to the CR. As originally proposed, this authority would have become a permanent part of the AECA and apply to other governments as well as Israel. The Conference Committee further amended the proposal to limit it to one year (FY 1987) and for one country.
74. *Congressional Record*, 2 October 1986, p. S14732.
75. *Ibid.*
76. Felton, *op. cit.*, p. 2672.
77. Sec. 1101, *National Defense Authorization Act for Fiscal Year 1987* (P.L. 99-661), as adds Sec. 516 to the FAA/61.
78. *Ibid.*
79. U.S. House of Representatives. *National Defense Authorization Act for Fiscal Year 1987*. Conference Report to Accompany S. 2638, 14 October 1986, p. 518.
80. *Ibid.*, p. 519.
81. *Ibid.*, p. 518.
82. Sec. 549, P.L. 99-591.
83. Sec. 542, P.L. 99-591.

84. *HAC Report, op. cit.*, p. 38.
85. *Ibid.*, p. 34.
86. Sec. 705(b)(3), P.L. 99-83.
87. Sec. 538, P.L. 99-591.
88. Sec. 557(a), P.L. 99-591.
89. Sec. 557(b), P.L. 99-591.
90. Sec. 536, P.L. 99-591.
91. *Ibid.*
92. *Ibid.* For additional information on drug control legislation related to U.S. assistance programs, see the testimony of Deputy Secretary of State Whitehead and the accompanying report of the Bureau of International Narcotic Matters elsewhere in this issue of *The DISAM Journal*.
93. Sec. 2005, P.L. 99-570, as amends Sec. 481(h) of the FAA of 1961.
94. *Ibid.*
95. *Ibid.*
96. *Ibid.*
97. Sec. 481(e), FAA/1961, as amended.
98. Sec. 560, P.L. 99-591.
99. *Ibid.*
100. Armacost, Michael H. "U.S. Foreign Policy Achievements and Challenges." An address presented to a State Department foreign policy conference in Salt Lake City, Utah, 18 October 1986; published as Department of State Current Policy No. 885. The full text of this address is published elsewhere in this issue of *The DISAM Journal*.

## ABOUT THE AUTHOR

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