150

International Affairs

Budget function 150 covers all spending on international programs by various departments and agencies whose missions concern international affairs. The category includes spending by the Department of State to conduct foreign policy and exchange programs, funds controlled directly by the President to give other nations economic and military aid, and U.S. contributions to international organizations such as the United Nations, multilateral development banks, and the International Monetary Fund. Function 150 also includes financing for exports through the Export-Import Bank. CBO estimates that discretionary outlays for the function will total $20.1 billion in 2000. Repayments of loans and interest income in the Exchange Stabilization Fund account for the negative balances in mandatory spending for this function. Discretionary appropriations for international affairs hovered around the $20 billion level throughout the 1990s.

Federal Spending, Fiscal Years 1990-2000 (In billions of dollars)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Estimate 2000
Budget Authority (Discretionary)	20.0	21.3	20.9	33.3	20.9	20.2	18.1	18.2	19.0	41.5	22.1
Outlays											
Discretionary	19.1	19.7	19.2	21.6	20.8	20.1	18.3	19.0	18.1	19.5	20.1
Mandatory	-5.2	-3.8	-3.1	-4.3	-3.7	-3.7	-4.8	-3.8	-5.0	-4.3	-3.9
Total	13.9	15.9	16.1	17.2	17.1	16.4	13.5	15.2	13.1	15.2	16.2
Memorandum:											
Annual Percentage Change in Discretionary Outlays		3.4	-2.7	12.6	-3.5	-3.3	-8.8	3.5	-4.6	7.8	3.2

150-01 Eliminate Overseas Broadcasting by the U.S. Government

	Savings (Millions of dollars) Budget Authority	Outlays
Relative to WODI		
2001	247	321
2002	263	297
2003	323	313
2004	395	338
2005	410	372
2001-2005	1,638	1,641
2001-2010	3,688	3,673
Relative to WIDI		
2001	261	332
2002	288	319
2003	360	347
2004	444	385
2005	472	432
2001-2005	1,825	1,815
2001-2010	4,382	4,338

SPENDING CATEGORY:

Discretionary

Several entities provide U.S. overseas broadcasting. Radio Free Europe (RFE) and Radio Liberty (RL) broadcast country-specific news to Eastern Europe and the former Soviet Union, respectively. The Voice of America (VOA) oversees radio broadcasts that provide news and U.S.-related information to audiences worldwide. The State Department oversees television broadcasting services similar to VOA's radio broadcasts and also manages a broadcasting service to Cuba. In 1996, the Congress consolidated the appropriations for VOA, RFE/RL, and television and film service into the international broadcasting operations account. Funding for radio and television broadcasting to Cuba and for construction of broadcast facilities was provided in separate appropriations.

This option would eliminate VOA and RFE/RL and end broadcasting services to Cuba, all overseas construction of broadcast facilities, and U.S. overseas television broadcasting. Compared with the funding level in 2000, those cuts would save almost $3.7 billion over 10 years. (The savings are net of the near-term costs of termination, such as severance pay for employees.)

Proponents of ending overseas broadcasting by the U.S. government say that RFE/RL and VOA are Cold War relics that are no longer necessary. RFE and RL continue to broadcast to former Communist countries in Europe even though those countries now have ready access to world news. With the advent of satellite television broadcasting, most nations can receive news about the United States and the world from private broadcasters, such as the Cable News Network (CNN). Some proponents of termination also argue that the primary technology used by VOA and RFE/RL—shortwave radio—limits the audiences and thus the effectiveness of U.S. overseas broadcasting. In addition, proponents maintain that foreigners may distrust the accuracy of broadcasts sponsored by the U.S. government.

Critics of this option would argue that the current level of broadcasting should continue or even increase. The process of change in Eastern Europe and the former Soviet Union needs nurturing, they say, and U.S. broadcasting can help in that process. In addition, many countries in other parts of the world remain closed to outside information. Supporters of VOA and RFE/RL argue that shortwave radio is the best way to reach audiences in closed countries because very few people there own satellite dishes, which are needed to receive television broadcasts such as those of CNN. Moreover, they note, VOA and RFE/RL are broadcasting more programs over AM and FM frequencies. Supporters of U.S. government broadcasting also argue that it should be sharply increased to some countries, such as China and North Korea. Further, they maintain that television is a powerful communications tool, and private television networks cannot adequately communicate U.S. policy and viewpoints.

150-02 Reduce Assistance to Israel and Egypt

	Savings (Millions of dollars) Budget Authority	Outlays
Relative to WODI		
2001	1,505	483
2002	1,665	1,070
2003	1,825	1,536
2004	1,985	1,899
2005	2,145	2,054
2001-2005	9,125	7,043
2001-2010	21,770	19,295
Relative to WIDI		
2001	1,586	528
2002	1,825	1,178
2003	2,071	1,719
2004	2,319	2,165
2005	2,566	2,405
2001-2005	10,367	7,995
2001-2010	26,484	23,339

SPENDING CATEGORY:

Discretionary

RELATED CBO PUBLICATIONS:

The Role of Foreign Aid in Development (Study), May 1997.

Enhancing U.S. Security Through Foreign Aid (Study), April 1994.

Limiting Conventional Arms Exports to the Middle East (Study), September 1992.

As part of the 1979 Camp David peace accords, the United States agreed to provide substantial amounts of aid to Israel and Egypt to promote economic, political, and military security. That aid, which for years totaled $5.1 billion for the two countries, is paid through the Economic Support Fund (ESF) and the Foreign Military Financing (FMF) program. Of that total, Israel received $3 billion ($1.2 billion in ESF payments and $1.8 billion from the FMF program), and Egypt received $2.1 billion ($815 million from the ESF and $1.3 billion from the FMF program).

In January 1998, Israel proposed phasing out its $1.2 billion a year in ESF payments while increasing its FMF assistance by $600 million a year. The conference report for the 1999 Foreign Operations Appropriations Act endorsed that proposal with a 10-year phase-in. As a result, it cut ESF aid to Israel by $120 million and increased FMF aid by $60 million. The conference report also reduced economic assistance to Egypt from $815 million in 1998 to $775 million in 1999—and proposed cutting it to $415 million by 2008—while keeping military aid constant.

This year, U.S. aid to the two nations will total $6.1 billion (including $1.2 billion in FMF aid to Israel promised for implementing the Wye peace accords). That amount represents more than three-fourths of discretionary spending for U.S. security assistance and more than 40 percent of the foreign operations budget for 2000.

This option would drop the one-time funding for implementing the Wye peace accords and forgo the proposed increase in military funding for Israel (maintaining that aid at its 1998 level). The option would also continue to cut economic assistance to both Israel and Egypt each year through 2008. The reductions in Israeli aid would save $481 million in 2001, compared with this year's funding level, and a total of $6.7 billion over five years and almost $17.8 billion over 10 years. Adding in the cuts to Egyptian aid would bring total savings in outlays to $483 million in 2001, $7.0 billion over five years, and $19.3 billion over 10 years.

The conference report asserted that increased military assistance to Israel was necessary because "the [country's] security situation, particularly with respect to weapons of mass destruction, has worsened." But despite reports of weapons technology being transferred to Iran, critics could argue that Israel's security situation has improved. Iraq's arsenal of weapons of mass destruction has been reduced, though not eliminated, by U.N. inspections; Israel has concluded a peace treaty with Jordan; and peace talks with the Palestinians and Syrians are continuing. In addition to those developments, Israel's per capita income (in excess of $18,000) approaches that of the United States' European allies, who have long been prodded by the Congress to assume greater responsibility for their own defense.

As for Egypt, some analysts say U.S. assistance to that country is not being spent wisely or efficiently. Critics note that high levels of appropriations have exceeded Egypt's ability to spend the funds, leading to the accumulation of large undisbursed balances, inefficient use of assistance, and delays in making the reforms needed to foster self-sustaining growth. Furthermore, many other countries and organizations contribute substantial amounts of money to Egypt, which could make reducing U.S. assistance more feasible.

150-03 Eliminate the Export-Import Bank, Overseas Private Investment Corporation, and Trade and Development Agency

	Savings (Millions of dollars) Budget Authority	Outlays
Relative to WODI		
2001	814	155
2002	817	457
2003	809	577
2004	808	659
2005	808	696
2001-2005	4,056	2,544
2001-2010	8,096	6,158
Relative to WIDI		
2001	829	158
2002	847	470
2003	855	601
2004	872	698
2005	888	749
2001-2005	4,290	2,676
2001-2010	8,995	6,788

SPENDING CATEGORY:

Discretionary

RELATED OPTIONS:

350-02, 350-08, and 350-09

RELATED CBO PUBLICATIONS:

The Domestic Costs of Sanctions on Foreign Commerce (Study), March 1999.

The Role of Foreign Aid in Development (Study), May 1997.

The Export-Import Bank (Eximbank), the Overseas Private Investment Corporation (OPIC), and the Trade and Development Agency (TDA) promote U.S. exports and overseas investment by providing a range of services to U.S. companies wishing to do business abroad. Eximbank offers subsidized direct loans, guarantees of private lending, and export credit insurance; OPIC provides investment financing and insurance against political risks; and TDA funds feasibility studies, orientation visits, training grants, and other forms of technical assistance. Appropriations in 2000 for Eximbank, OPIC, and TDA are $814 million, $59 million, and $44 million, respectively.

Those organizations are only three of the various U.S. government agencies (some of which are part of the Department of Agriculture) that promote trade and exports. Moreover, their impact on exports may be limited. According to the annual reports of OPIC, Eximbank, and TDA, those three agencies supported about 2 percent of total U.S. exports in 1995.

This option would eliminate TDA and the subsidy appropriations for Eximbank and OPIC. The latter two agencies could not make any new finance or insurance commitments but would continue to service their existing portfolios. Those changes would save $155 million in outlays in 2001, $2.5 billion through 2005, and almost $6.2 billion over 10 years compared with the funding level for 2000.

Supporters of promoting exports argue that those agencies play an important role in helping U.S. businesses, especially small businesses, understand and penetrate overseas markets. They level the playing field for U.S. exporters by offsetting the subsidies that foreign governments provide to their exporters, thereby creating jobs and promoting sales of U.S. goods. By encouraging U.S. investment in areas such as Russia and the states of the former Soviet Union, those agencies may also serve a foreign policy objective.

Critics dispute the claim that promoting exports creates U.S. jobs. They assert that by subsidizing exports, the government distorts business decisions that are best left to free markets. OPIC and Eximbank finance programs that have trouble raising funds on their own merit. Similarly, those agencies' insurance programs may encourage moral hazard—the practice of companies investing in riskier projects than they would if more of their own funds were at stake. Finally, critics argue, those agencies encourage highly risky projects in vulnerable areas. Although emerging economies like Russia and Indonesia may be important markets for U.S. exports, they can also be dangerous: firms operating there may face considerable political, currency, and business risks.