



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 20, 2000

H.R. 5272 **Peace Through Negotiations Act of 2000**

As passed by the House on September 27, 2000

H.R. 5272 would establish a policy of opposing any unilateral declaration of Palestinian statehood. Should the Palestinians unilaterally declare a state, the act would:

- Downgrade the status of the Palestinian Office in the United States,
- Prohibit U.S. assistance to the government of a unilaterally declared Palestinian state,
- Prohibit U.S. recognition of such a state,
- Prohibit U.S. assistance to the West Bank and Gaza,
- Authorize the President to withhold payment of U.S. contributions to international organizations that recognize a unilaterally declared Palestinian state, and
- Require the Treasury to oppose lending by international financial institutions to such a Palestinian state.

The President could waive the last three measures.

CBO cannot estimate the budgetary effect of this act because we cannot predict whether or not the Palestinians will unilaterally declare a state or how much spending might be prohibited by H.R. 5272. In recent years, the United States has provided between \$75 million and \$85 million per year to the West Bank and Gaza plus an additional \$400 million in emergency funds in 2000. Under the act, should the Palestinians unilaterally declare statehood, some of that spending would be prohibited. In that event, spending in the period immediately after such a declaration would fall as projects and grants are cancelled, but would increase later as funds are recovered and obligated elsewhere. Because the act could affect spending from available balances, pay-as-you-go procedures would apply.

H.R. 5272 would impose a private-sector mandate as defined by the Unfunded Mandates Reform Act (UMRA). The act would prohibit exports of defense-related items under section 38 of the Arms Export Control Act to a unilaterally declared Palestinian state or related entity. According to the State Department, there are currently no licenses granted for exporting such items to the Palestinian Authority. Thus, CBO estimates there would be no direct cost of complying with the mandate. H.R. 5272 contains no intergovernmental

mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact for federal costs is Joseph C. Whitehill. The staff contact for private-sector mandates is Paige Piper/Bach. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.