

CRS Report for Congress

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Foreign Affairs, Defense, and Trade Policy: Key Issues in the 107th Congress

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Summary

Among the 107th Congress' first orders of business will be dealing with the initiatives—both domestic and foreign policy—proposed by President Bush throughout his presidential campaign.

The 2000 congressional campaigns suggested that the agenda of the 107th Congress will be largely domestic: Social Security, health care, education, taxes, and military pay were prominent in campaigns across America and on post-election news programs. Indeed, many issues discussed in this report will be affected by the resolution of a contentious battle for the presidency. In the Congress, the 50-50 split in the Senate and the close party ratio in the House, along with new House committee chairmen, also will affect the agenda. With less time to organize the presidential transition, and with upcoming Senate votes on executive branch nominations, the 107th Congress will have to split its time between administrative actions and policy concerns.

The 107th Congress will help define the U.S. role in the world within the framework of increasing globalization and its effects on U.S. foreign and security policy. A key issue on the congressional agenda will be a debate over how and when to use economic aid and sanctions to achieve U.S. foreign policy goals and objectives. Another focus will continue to be the extent of U.S. involvement in conflicts and crises worldwide, and under what conditions the U.S. is willing to commit military forces and resources to such conflicts. A third category of concerns is the post-Cold War proliferation of weapons of mass destruction, and the related debate over the development, testing, and possible deployment of national and theater missile defense systems.

Numerous other foreign affairs, trade, and defense issues will face the 107th Congress. In addition to those mentioned above, important themes may include the U.S. role in international peacekeeping; emerging economic globalization and its effect on trade and finance issues facing the United States; and a debate over the state of military readiness, proposed force structure increases, how much to spend on defense and how to set priorities among major defense programs, as well as defense spending in general.

The first session of the 107th Congress may act on the FY2002 budget resolution, defense authorization and appropriation bills, and will consider legislation to authorize spending for Department of State and other foreign policy programs and personnel by passing or waiving the biannual foreign relations re-authorization legislation. The 107th Congress will review U.S. foreign aid priorities and participation in international organizations, participate in Quadrennial Defense Review 2001 and the Administration's plans for weapons modernization and achieving efficiencies in defense operations.

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Foreign Affairs, Defense and Trade Policy: Key Issues in the 107th Congress

Overview—Globalization and International Security

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The new President and the 107th Congress are facing early challenges in foreign, defense and trade policy, including unfinished business from the last Congress, a new election in Israel, and ongoing transboundary concerns. Congressional action will be shaped by competing visions of the appropriate U.S. role in the world. The decade since the collapse of the Soviet Union has brought profound changes in the international environment. The United States has been left as the sole superpower in a less predictable world than the one defined for a half century by the U.S.-Soviet balance of power. Years of uninterrupted U.S. economic expansion have strengthened the U.S. position as the dominant world power, with an unprecedented ability to exert its influence. U.S. leadership is sought and welcomed, even as it arouses wariness of U.S. hegemony. At the same time, the world is not static and we are witnessing the rise of new power centers in Asia and Europe. Chinese power is on the rise, even as Russian power seems to be waning, and Europe continues fitfully towards integration.

The emerging global economy, built on a revolution in science, technology, communications, and the unprecedented movement of people, ideas, and goods across national boundaries, has profoundly changed international relations and the ability of governments to control developments even within national borders. International developments have an impact on domestic policy as never before. The benefits of globalization are far reaching, spurring world productivity, economic growth, and access to information. Advances in communications, information technology, science, and medicine are likely to continue and even accelerate in the coming years. Along with the benefits come significant new challenges that may require further legislative action. Globalization brings economic dislocations in some areas and activates political, environmental, and cultural concerns. Transnational threats such as terrorism, cyber-terrorism and warfare, international crime, the spread of weapons of mass destruction, the spread of contagious diseases, environmental problems, and the potential for financial instability are on the rise. Global developments lend themselves less and less to control or influence by individual governments, yet mechanisms to act jointly and across borders are still weak, as countries are reluctant to cede sovereignty to international entities. The 107th Congress will address many issues associated with globalization.

How Congress deals with specific problems of national security, foreign policy management, foreign aid, relations with international organizations, regional hot

spots, trade and economic policy is closely tied to the unresolved debate over the appropriate U.S. role in the world at the beginning of the 21st Century. Profound differences on this question are mirrored in congressional debate. Many believe that strong U.S. leadership within multilateral institutions will be necessary to find cooperative solutions to world problems. Others are suspicious of these organizations and reluctant to compromise U.S. freedom of action. The debate extends to issues such as the role of U.S. alliances and the question of when and where the United States should intervene with military force. Should U.S. forces be used only in defense of vital national interests or as a broader policy instrument? Should they participate in peacemaking, peacekeeping, nation-building, or humanitarian interventions?

There is more consensus than many realize among politicians and analysts about the broad outline of U.S. defense policy in the early 21st Century: continuing and somewhat increasing the small upturn in defense spending which began in FY1999; maintaining nuclear weapons capabilities needed for a decreased, but still required, deterrence regime; containing potential adversaries with forward-deployed forces in Europe, Northeast Asia, and the Persian Gulf; and adapting the theories and concepts of the computer-driven "Revolution in Military Affairs" (RMA) to actual forces and operations, so as to maintain and increase our already formidable military-technological and organizational superiority over our adversaries.

Expressing these principles in specific programs and budgets generates controversy. How, for instance, are even modest increases in defense spending to be carved out of predicted budget surpluses already marked for Social Security protection, tax reduction, debt retirement, and other domestic legislation? Are the forces we have, even if their readiness is improved, sufficient to fight one, let alone two, major theater wars without incurring tremendous casualties, and possibly temporary defeats, in the process? Is, in fact, the requirement that the U.S. forces be sized and structured to fight and win two nearly simultaneous major theater wars a valid one? Many wish to deploy ballistic missile defense (BMD) systems, but reconciling development of a BMD capability with great reluctance to let this particular "genie" out of the arms control "bottle" will be difficult.

Too little spent on new technologies from the RMA, and we risk being saddled with obsolete hardware later in the century. Too much, and for all of the dazzling experimentation and future promise being shown, we might not have enough force structure in the "here and now" to go to war and win. In short, the defense issues facing the 107th Congress will be ones of deciding how to do what the Congress, the new Administration, and the American public want to do. This will become apparent as Congress acts on the FY2002 budget resolution, foreign relations authorization, defense authorization, and appropriation bills for DOD, State Department, and foreign operations throughout 2001.

U.S. Foreign and Security Policy

Economic Sanctions and U.S. Foreign Policy

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The 107th Congress inherits from its predecessors a continuing debate about how and when to use economic sanctions in furtherance of foreign policy or national security goals. The use of economic sanctions – coercive economic measures taken against one or more countries or entities to force a change in policies, or at least to demonstrate a country’s opinion about the other’s policies¹ – has generally been supported by both the Congress and the President as an option to combat proliferation of weapons of mass destruction, terrorism, aggression, drug trafficking, or human rights abuses. In the 105th and 106th Congress, however, legislation was introduced to reform the way economic sanctions are used in foreign policy. Reform proposals, advocated by U.S. business and farm lobbyists, would require or encourage the President or Congress to exhaust other foreign policy tools – diplomatic, political or cultural – first; to make the use of sanctions more transparent, so that the anticipated costs and benefits are understood beforehand; to engage Congress more fully in the decisionmaking process heretofore left primarily to the Executive Branch; to target the sanctions to minimize the impact on people in a targeted country who are not viewed as part of the problem; and to require a regular review of sanctions regimes with an eye toward easing or lifting the restrictions.

The 106th Congress considered more than 150 legislative proposals to impose new sanctions, ease current regimes, or overhaul the entire process that the legislative and executive branches employ when considering the use of sanctions in national security or foreign policy. The 106th Congress enacted legislation to ease sanctions, including (1) authorizing the President to lift or modify sanctions imposed against India and Pakistan in the wake of their nuclear weapons tests, (2) granting normal trade relations status to Albania and Kyrgyzstan, and (3) granting permanent normal trade relations status to China. Most notably, the 106th Congress passed the Trade Sanctions Reform and Export Enhancement Act of 2000 (P.L. 106-387) to limit the President’s authority to impose sanctions that would restrict the export of food, agricultural commodities, medicines, or medical devices to targeted countries.

The 106th Congress also enacted legislation to impose new sanctions or fine-tune existing sanctions regimes, including (1) the Iran Nonproliferation Act; (2) the North Korea Threat Reduction Act, also pertaining to Nonproliferation; (3) the Foreign Narcotics Kingpin Designation Act, to freeze U.S.-based assets; (4) the Trafficking Victims Protection Act, targeting those involved in trafficking of women and children for sex or slavery; and (5) new restrictions on travel to Cuba. (See sections on the Persian Gulf and Cuba, below)

Expectations for sanctions consideration in the 107th Congress derive from a combination of unfinished work and current world events. In each of the following instances, a larger question of engagement vs. isolation as a viable foreign policy

¹As generally defined in Carter, Barry E., *International Economic Sanctions: Improving the Haphazard U.S. Legal Regime*. Cambridge: Cambridge University Press, 1988. p. 4.

strategy likely will affect the debate. Legislation to reform the way sanctions are imposed, implemented, and lifted is expected to be introduced early in the 1st session. Advocates for sanctions reform, in the Congress and in the business community, have stated their continued resolve to enact legislation. Nonproliferation watchdogs promise to be active. Nonproliferation issues are considered unfinished by many vis-a-vis the People's Republic of China, for example, included in the debate in the 106th Congress over that country's permanent normal trade relations status. Recent proliferation-related events in North Korea and Russia also might lend themselves to legislation early in the 107th Congress.

U.S. foreign policy toward Iran and Libya will have renewed attention in 2001, at a minimum when reauthorization of the Iran and Libya Sanctions Act is raised. Some amount of discontent was stirred when, as a compromise to enact the food and medicine exemption from sanctions policy, travel to Cuba was further restricted. (See Cuba, below.) Advocates supporting more normal or open relations with Cuba may introduce legislation to lift the travel ban or, at least, rededicate the new restriction imposed in 2000. Each year for the past several Congresses, legislation has been introduced to normalize all aspects of U.S.-Cuba relations.

In mid-2000, the State Department announced that it would no longer use the term "rogue state" to describe "countries of concern." Some perceive this as a beginning of a process of revamping the U.S. approach to countries judged to be supporters of international terrorism. If such a reorganization is undertaken, Congress could play a significant role in defining what constitutes a "terrorist state." At a minimum, the 107th Congress is likely to take up a reauthorization of the Export Administration Act (EAA), in which basic components of the current policy toward terrorist states are found.

In 2000, the Supreme Court ruled against states and localities making foreign policy by imposing their own sanctions regimes. Late in the 106th Congress, legislation was introduced to reinforce this ruling. The issue of state and local sanctions may continue in the 107th Congress. The 105th Congress enacted the International Religious Freedom Act to incorporate standards of religious freedom and protection of religious minorities in U.S. foreign policy. The Act established, within the State Department, the Office of International Religious Freedom. Some anticipate that the Members of the 107th Congress will give great attention to the Office's annual report, due September 1, and recommendations for imposing sanctions against transgressor states. Finally, events in the Middle East resulted in the 106th Congress, in its waning days, considering legislation to "oppose the unilateral declaration of a Palestinian state, to withhold diplomatic recognition of any Palestinian state that is unilaterally declared, and to encourage other countries and international organizations to withhold diplomatic recognition of any Palestinian state that is unilaterally declared."² The issue may invite legislative action early in the 107th Congress.

²S. 3250, Peace through Negotiations Act of 2000, introduced on October 26, 2000. See also H.R. 5522, introduced on October 19, 2000.

CRS Products

Economic Sanctions to Achieve U.S. Foreign Policy Goals: Discussion and Guide to Current Law, by Dianne E. Rennack and Robert D. Shuey, CRS Report 97-949

Economic Sanctions: Legislation in the 106th Congress, by Dianne E. Rennack, CRS Report RL30384

Nuclear, Biological, Chemical and Missile Proliferation Sanctions: Selected Current Law, by Dianne E. Rennack, CRS Report 98-116

Foreign Assistance Budget and Policy Issues

Larry Q. Nowels, Specialist in Foreign Affairs

U.S. foreign assistance programs support a broad range of American foreign policy interests, including promoting the expansion of democracy and open market economies, combating global health challenges, fighting poverty and other causes of instability in developing nations, countering terrorism, drug trafficking, weapons proliferation, and other transnational threats, supporting peace efforts in the Middle East and elsewhere, contributing to humanitarian needs of victims of natural disasters and conflict, and advancing U.S. economic opportunities in emerging economies. Congress plays an important role in shaping American foreign aid policy and spending priorities through annual enactment of the Foreign Operations Appropriations bill. Moreover, the legislation frequently becomes an important instrument for congressional participation in broad aspects of U.S. foreign policy decision-making on numerous issues.

Over the past decade, American policymakers and Congress have struggled in their attempt to agree on a new core foreign aid rationale to replace the strategically-oriented justification of the Cold War. In the recent past, the President and Congress have shared common priorities for using foreign aid to respond to humanitarian and emergency global requirements, counter global health problems, including HIV/AIDS, and support Middle East peace initiatives. On other issues, however, there is far less agreement. Among the most contentious matters in recent foreign aid debates are international family planning policy and whether abortion restrictions should be incorporated, aid conditions for Russia, Yugoslavia and other recipients, strategies for blocking North Korea's nuclear weapons development, and the organizational structure of the U.S. Agency for International Development (USAID).

Overall foreign assistance funding levels have also been a source of sharp disagreement between the two branches. In FY1996/97, Congress cut foreign aid spending by over 10% to about \$12.3 billion. Resources have increased to nearly \$16.5 billion in FY2000, after President Clinton vetoed the original foreign aid appropriations because of inadequate funding. Much of the higher spending, however, has been concentrated on unforeseen international emergencies or one-time special initiatives, such as Central American hurricane relief, Kosovo humanitarian assistance, Colombia counternarcotics aid, or Middle East peace-related transfers. Except for global health programs and poor country debt relief initiatives, few longer-term, continuing foreign aid objectives have received increased funding in recent

years. House and Senate preliminary approval earlier this year of roughly \$13.3 billion in Foreign Operations bills for FY2001 – 12% less than the President’s \$15.1 billion request – prompted further veto threats. Congress ultimately agreed to \$14.9 billion, including several top Presidential priorities for HIV/AIDS and debt relief.

The 107th Congress will confront a number of foreign aid policy and funding challenges, including the likely continuation of disputes over international family planning and congressional earmarks and aid restrictions that the Executive branch has said undermine the President’s ability to conduct foreign policy. A new Administration is likely to undertake a review of broad U.S. foreign aid policy objectives and may seek congressional authorization for alternative approaches. The organizational structure of agencies managing foreign aid programs, especially the relationship between USAID and the State Department, might also be revisited in the new Congress. How much of the budget to allocate for foreign assistance will come under close scrutiny, and if the experience of the past three years repeats itself, Congress could confront emergency supplemental foreign aid spending requests early in the new session. President Clinton asked the 106th Congress to provide an additional \$750 million in military assistance for Israel, Egypt, and Jordan, but a decision on whether to fund the proposal was pushed into 2001.

CRS Products

Africa: U.S. Foreign Assistance Issues, by Raymond W. Copson, CRS Issue Brief IB95052.

Appropriations for FY2001: Foreign Operations, Export Financing, and Related Programs, by Larry Q. Nowels, CRS Report RL30511.

The Former Soviet Union and U.S. Foreign Assistance, Curt Tarnoff, CRS Issue Brief IB95077.

Multilateral Development Banks: Issues for the 106th Congress, by Jonathan Sanford, CRS Issue Brief IB96008.

Foreign Debt Reduction: the Heavily Indebted Poor Country (HIPC) Initiative

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Mounting debt burdens in poor African, Asian, and Latin American nations have undermined efforts to stimulate economic growth and to finance basic social programs aimed at poverty reduction. Over the past decade, the United States and other creditor governments have engaged in numerous debt rescheduling and cancellation schemes for governments that demonstrate a commitment to sound economic and social policy reforms. The most recent of these debt relief arrangements – the Heavily Indebted Poor Country (HIPC) initiative – was launched in 1996, and included for the first time the participation of the World Bank, the IMF, and other public international financial institutions that hold more than one-third of debt owed by the 41 HIPC-designated nations. Critics, including Jubilee 2000 and other religious and non-governmental organizations, charged, however, that HIPC did not offer sufficient debt

relief, excluded several debt-strapped countries, and required a lengthy qualifying period during which poverty continued to mount.

In 1999, led by the United States and Great Britain, the G-7, and subsequently the World Bank and IMF, agreed to significantly expand HIPC terms to roughly double the costs of the initiative. Under “Enhanced HIPC,” as much as \$90 billion of poor country debt could be cancelled, cutting annual debt service by roughly one-half and re-directing the debt “savings” to investments in education, health, clean water and other priority sectors. About 20 countries are expected to qualify at least at a preliminary stage by the end of 2000, while 32 of the 41 HIPC countries may eventually receive benefits.

The United States pledged \$920 million for the HIPC initiative over four years, including a \$600 million contribution to the HIPC Trust Fund which will facilitate debt write-offs by regional multilateral financial institutions such as the African Development Bank and the Inter-American Development Bank. The \$435 million sought by the Clinton Administration for FY2001 became one of the top foreign assistance funding priorities this year. Congress approved the entire HIPC request, but required qualifying countries to agree not to borrow at non-concessional interest rates for two years and directed the Treasury Secretary to explore options at the World Bank to increase grant assistance to HIPC nations.

During the 107th Congress, lawmakers are expected to consider a \$240 million funding request which would complete the U.S. \$600 million commitment to the HIPC Trust Fund. Congress may also monitor implementation of HIPC agreements with early qualifying countries, focusing especially on whether governments are following economic reform conditions and if debt savings are being invested in poverty reduction programs through a transparent, participatory decision-making process with the full involvement of civil society.

CRS Products

Debt and Developing in Poor Countries: Rethinking Policy Responses, J.F. Hornbeck, CRS Report RL30449

Debt Reduction: Initiatives for the Most Heavily Indebted Poor Countries, by Larry Q. Nowels, CRS Report RL30214

Foreign Policy Management and the Budget

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The first session of the 107th Congress will be required to consider legislation for foreign policy authorization and another for funding the State Department (within the Commerce, Justice and State and Related Agencies bill). Every two years Congress must reauthorize spending for the Department of State, foreign policy programs, and personnel by passing or waiving the biannual foreign relations reauthorization legislation. In addition, each year Congress must appropriate State Department and related agency funding. Typically, these bills become vehicles for a full range of

foreign relations-related provisions. For example, foreign policy agency reorganization was mandated in 1998 by the foreign relations authorization act (P.L. 105-277). The 106th Congress passed its foreign relations authorization legislation (P.L. 106-113) that included authority for the Department of State to spend significantly more on embassy security through FY2004.

Throughout the 1990s, both the Administration and Congress sought to reorganize the U.S. foreign policy agencies with goals of streamlining their work and attaining budgetary savings. A number of proposals to reorganize the Department of State culminated in the Foreign Affairs Reform and Restructuring Act of 1998 (division G, P.L. 105-277). The Act required abolishing the U.S. Information Agency (USIA) and the Arms Control and Disarmament Agency (ACDA), merging their functions into the Department of State, and maintaining a separate international broadcasting entity—the Broadcasting Board of Governors (BBG). The Act did not merge the U.S. Agency for International Development (USAID) into the Department of State, but did require USAID to reorganize and come under the authority of the Secretary of State. The 107th Congress could consider renewed proposals to: 1) merge USAID into State to better coordinate U.S. foreign policy with foreign aid and 2) unify administration of all agencies' Foreign Service operations.

Annual appropriations issues in the 106th Congress focused on embassy security (due to the August 7, 1998 bombing of two U.S. embassies in Africa) and possible budget savings derived from the foreign policy agency reorganization. The FY1999 State Department budget included a budget supplemental of \$1.56 billion for overseas embassy security needs. Since Congress has provided full funding for embassy security over the past two years, no budget savings resulting from reorganization is evident. On the contrary, the State Department's FY2001 appropriation (P.L. 106-553) represents an increase of \$750 million over the FY2000 enacted level and \$97 million more than the President requested for the State Department and related agencies for FY2001.

In response to the 1998 embassy bombing, the State Department established a review panel, the Overseas Presence Advisory Panel (OPAP), which reported its concerns and recommendations on how to increase security at U.S. overseas facilities. The 107th Congress may consider these recommendations, as well as some experts' concerns that, as security at U.S. government targets is tightened, risks for American tourists and businesses may grow. In addition to security issues, the Foreign Service continues to respond to criticisms of inadequate minority hiring and insufficient foreign language and management skills prior to hiring. Some of these issues also are being addressed by the Government Performance and Results Act (GPRA) process.

CRS Products

Embassy Security: Background, Funding, and the FY2001 Budget, by Susan B. Epstein, CRS Report RL30662

State Department and Related Agencies: FY2001 Appropriations, by Susan B. Epstein, CRS Report RL30591

International Family Planning: Abortion Policy and Funding Issues

Larry Q. Nowels, Specialist in Foreign Affairs

Since 1965, U.S. policy has supported international population planning based on principles of voluntarism and informed choice that gives participants access to information on all methods of birth control. This policy, however, has generated contentious debate for nearly three decades, resulting in frequent clarification and modification of U.S. international family planning programs. In the early 1970s, Congress added a provision to the Foreign Assistance Act of 1961 prohibiting the use of *U.S. appropriated funds* for abortion-related activities and coercive family planning programs. During the mid-1980s, in what has become known as the “Mexico City” policy (because it was first announced at the 1984 Mexico City Population Conference), the Reagan, and later the Bush, Administrations restricted U.S. funds for foreign non-governmental organizations (NGOs) that were involved in performing or promoting abortions in countries where they worked, even if such activities were undertaken with *non-U.S. funds*. Several groups, including International Planned Parenthood Federation-London (IPPF-London), became ineligible for U.S. financial support. In some years, Congress narrowly approved measures to overturn this prohibition, but White House vetoes kept the policy in place. President Clinton in 1993 reversed the position of his two predecessors, allowing the United States to resume funding for all family planning organizations so long as no *U.S. money* was used by those involved in abortion-related work.

Since 1995, international family planning policy and the abortion question has been the most contentious issue in annual congressional foreign aid debates. The House has routinely voted to reinstate the Mexico City policy while the Senate has favored a position leaving the decision in the hands of the Administration. Moreover, President Clinton has threatened to veto any bill that includes the House-passed Mexico City restrictions. Unable to reach an agreement satisfactory to both sides, Congress adopted a series of interim arrangements for FY1996-1999 that did not resolve the broad international family planning controversy, but permitted the stalled Foreign Operations appropriations measure to move forward. The annual “compromise” removed House-added Mexico City restrictions, but reduced population assistance to \$385 million, and in several years, “metered” the availability of the funds at a rate of one-twelfth of the \$385 million per month.

The FY2000 debate, however, reached a different conclusion on the international family planning question. Congressional leaders insisted that if the President wanted Congress to approve legislation authorizing the payment of nearly \$1 billion of U.S. arrears owed to the United Nations, the White House must also accept revised Mexico City language adding abortion restrictions to U.S. population assistance policy. In order to remove the obstacles to U.N. arrears payments, President Clinton reluctantly agreed to the abortion restrictions, marking the first time that Mexico City conditions had been included in enacted legislation.

For FY2001, President Clinton sought a substantial increase in population assistance – \$541 million – and vowed to veto any legislation that continued Mexico City abortion restrictions. Unable to resolve opposing House and Senate positions

on the family planning issue, Congress agreed to leave the decision up to the new President. Under the terms of P.L. 106-429 (Foreign Operations Appropriations, 2001), none of the \$425 million for population assistance may be obligated until February 15, 2001.

As many expected, on January 22, 2001, President George W. Bush issued a Memorandum to the USAID Administrator rescinding the 1993 memorandum from President Clinton and directing the Administrator to “reinstate in full all of the requirements of the Mexico City Policy in effect on January 19, 1993.” President Bush further said that it was his “conviction that taxpayer funds should not be used to pay for abortions or advocate or actively promote abortion, either here or abroad.” A separate statement from the President’s press secretary stated that President Bush was “committed to maintaining the \$425 million funding level” for population assistance “because he knows that one of the best ways to prevent abortion is by providing quality voluntary family planning services.” The press secretary further emphasized that it was the intent that any restrictions “do not limit organizations from treating injuries or illnesses caused by legal or illegal abortions, for example, post abortion care.”

During the next few weeks, USAID, State Department, and Justice Department officials will draft specific policy language and contract clauses to implement the President’s directive. The starting point, according USAID, will be regulations in place on January 19, 1993. Some changes, however, may occur if more recent legal decisions or statutes require modification. Because some overseas programs are reported to need immediate financial transfers, officials have expressed hope that the new policy language can be put into effect by February 15 when funds become available. Congress will have an opportunity to debate the President’s new policy, most likely when the Foreign Operations Appropriations bill for FY2002 comes up for consideration.

CRS Products

International Family Planning: The Mexico City Policy, by Larry Nowels, CRS Report RL30830

U.S. International Population Assistance: Issues for Congress, by Larry Q. Nowels, CRS Issue Brief IB96026

International Financial Institutions

Jonathan E. Sanford, Specialist in International Relations

The International Financial Institutions (IFIs) include the World Bank and the four regional development banks and the International Monetary Fund (IMF). In the 106th Congress, action on the IFIs occurred on two fronts. The first comprised funding for the IFIs and for the program aimed at forgiving debt owed by Heavily Indebted Poor Countries (HIPC). (See section on debt reduction, above) The second involved proposals for changing the policies and structures of the IFIs. (See IMF Reform, below.) In both 1999 and 2000, Congress cut U.S. funding for the World

Bank and other multilateral development bank (MDB) programs substantially from the President's request. In 1999, the President vetoed the appropriations legislation on grounds that he believed the cuts for MDB programs had been too great. In 1999 and 2000, most of the cuts were restored in the final legislation that the President signed into law.

The Administration also sought authority for a U.S. contribution to the HIPC trust fund and language which would enable the IMF to use certain blocked funds—profits from an earlier gold sale— for the HIPC program. Congress withheld this permission in 1999 but included it in the final 2000 appropriations legislation as part of a broad agreement on IFI policy issues. Leading Members of the majority had sought to effect major changes that would make their loans more costly to borrowers and access to IFI credit more conditioned on countries implementing major market-oriented economic reforms. Agreement to adopt these changes would have to be approved before the HIPC contribution and gold sale funds would be approved. In the end, Congress approved the latter two measures without specific conditions. However, the Secretary of the Treasury was required to report periodically on the progress being made towards the implementation of certain reforms or policy goals.

Initiatives may come forward in the 107th Congress that aim to seek major changes in the IFIs along the lines discussed above. Alternatively, proposals may be made to include standards associated with environment and labor issues as necessary factors in the IFI loan process. Strong U.S. initiatives of either type may result in conflict with other major IFI member countries who have quite different views about IFI priorities.

CRS Products

International Monetary Fund (IMF), Debt Relief, and Gold: Check List of CRS Products, by Sherry B. Shapiro, CRS Check List CL40033

IMF Reform and the International Financial Institutions Advisory Commission, by J. F. Hornbeck, CRS Report RL30636

Multilateral Development Banks: Issues for the 106th Congress, by Jonathan E. Sanford, CRS Issue Brief IB96008

Peacekeeping

Nina Maria Serafino, Specialist in International Security

For nearly a decade, Congress has been sharply divided over a broad range of issues related to U.S. worldwide peacekeeping and related security commitments, several of which will most likely be a focus of the 107th Congress' debate on international security. The crux of the recent controversy in Congress is the desirability of U.S. military forces' participation in such operations, particularly the 9,800 troops serving in two NATO Balkan operations in Bosnia and Kosovo, relative to the costs and strains of such participation. The issue of positioning U.S. troops under the operational control of U.N. commanders seems less pressing now, when

some 35 U.S. troops serve in U.N. operations, than during the 1990s, when, at peak, over 3,000 U.S. did so. (The Bosnia and Kosovo operations are under NATO and not U.N. control.) However, questions are still raised about the utility of several ongoing U.N. peacekeeping operations (which total 15 operations, involving nearly 38,000 troops from 88 other countries, to which the U.S. contributed almost \$500 million in FY2000), particularly those in Kosovo, East Timor, Sierra Leone, and the Democratic Republic of the Congo.

Debate in the 106th Congress over U.S. peacekeeping deployments centered on the 4,200 U.S. troops serving in Kosovo under NATO, at an estimated FY2000 cost of \$1.7 billion. Arguing that European nations were not carrying their fair share of the burden, many Members of Congress made several attempts to limit the length of and spending on the U.S. deployment there, but these efforts did not prevail. Other Members countered that European nations were providing over 80% of the assistance to Kosovo, and worried that attempts to withdraw U.S. forces would undermine NATO and U.S. leadership. In providing \$2.0 billion in supplemental funding for FY2000 Kosovo costs in the FY2001 military construction appropriations bill (P.L. 106-246), Congress removed House provisions that would have allowed a cutoff in funding for U.S. deployments in Kosovo after July 1, 2001. However, Congress subsequently limited FY2001 spending in Kosovo to \$1.65 billion, with a waiver allowed under certain conditions, and required a series of reports on European assistance and on efforts to resolve the Balkan situations. For a discussion of congressional actions regarding U.N. Peacekeeping Operations, see the section of this report on United Nations reform.

Debate over the appropriate U.S. role and amount of U.S. assistance in peacekeeping efforts in general, and in the Balkans in particular, is expected to continue, especially given President George W. Bush's stated reservations regarding open-ended "nation-building" missions involving U.S. ground forces. The high costs of international peacekeeping and related U.S. security commitments, which totaled over \$4 billion in FY2000, and their effects on the readiness of U.S. forces will be other sources of concern. The initiation of a new Quadrennial Defense Review (QDR) process in early 2001 may provoke an extensive debate on force size and structure related to peacekeeping activities, also encompassing whether, where, and under what circumstances U.S. troops should be deployed on such missions. Continuing congressional scrutiny of issues regarding U.N. operations can be expected, as discussed below.

CRS Products

Peacekeeping: Issues of U.S. Military Involvement, by Nina M. Serafino, CRS Issue Brief IB94040

United Nations Peacekeeping: Issues for Congress, by Marjorie Ann Browne, CRS Issue Brief IB90103

U.S. Forces and Multinational Commands: PDD-25 and Precedents, by Edward F. Bruner, CRS Report 94-887

Security Threats: Nuclear, Biological, and Chemical Weapons

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Steven R. Bowman, Specialist in National Defense

Congress, the Administration, and our allies are debating the best combination of policies to counter threats posed by nuclear, biological, and chemical (NBC) weapons. Those policies include maintaining strong and credible deterrence, employing active and passive defenses, maintaining alliances and multilateral regimes, preventing foreign acquisition of dangerous materials and technology, engaging with potential adversaries, negotiating reductions and control of weapons, neutralizing terrorist groups, imposing sanctions and providing incentives, and promoting regional peace. Since the Cold War a number of developments have challenged past policies: the demise of the Soviet Union as the primary threat; the acquisition of NBC weapons by more countries; the information technology revolution; the increased availability of weapons material, technology, and engineers; globalization of business and finance; and an evolution of missile defense technology. Confronting the 106th Congress were the 1998 nuclear tests by India and Pakistan, missile tests by North Korea, Iran, and Pakistan, and continuing transfers of nuclear and missile technology by Russia, China, and North Korea. Congress acted on a number of issues related to NBC weapons, as summarized immediately below. Missile defense also was emphasized by the 106th Congress, as discussed below under Defense Policy.

Russian nuclear and missile technology exports to Iran led Congress to pass the Iran Nonproliferation Act (P.L. 106-178) authorizing the President to impose aid and trade sanctions against proliferating companies or organizations. Congress also supported DOD's Cooperative Threat Reduction and associated programs to help secure NBC weapons, material, and technology in states of the former Soviet Union. One exception to this support, however, has been Congress's restriction of funds for a CW destruction facility in Russia, citing a lack of confidence in Russia's ability to fund the facility once constructed.

The People's Republic of China has acquired technology from the United States that harms U.S. national security, according to the congressional Cox Committee which released its declassified report in May 1999. The DOD authorization for FY2000 (P.L. 106-65) included several provisions on export controls that had been recommended by the report. In 2000, Congress also passed a trade bill to authorize nondiscriminatory treatment (Permanent Normal Trade Relations) to China and to establish a framework for trade relations between the U.S. and China (P.L. 106-286). Although other proposals to restrict trade to China were introduced, none passed.

On North Korea, the Speaker's Advisory Group issued a detailed report in November 1999 describing the threat posed by North Korea to U.S. national security. The North Korean Threat Reduction Act of 1999 (in P.L. 106-113) prohibits a nuclear cooperation agreement between North Korea and the United States unless the President determines North Korea is in compliance with certain commitments and does not have a nuclear weapons program.

Congress also authorized the President to waive economic sanctions on India and Pakistan for detonating nuclear explosive devices or for other activities related

to nuclear weapons (P.L. 106-79). Though Congress could not agree on a thorough revision of the Export Administration Act (EAA) of 1979 (S. 1712), it approved a bill (H.R. 5239) that extends the EAA until August 2001. In October 1999, the Senate voted against advice and consent to the ratification of the Comprehensive Test Ban Treaty. The FY2001 defense authorization bill requires the administration to conduct a comprehensive nuclear posture review and report the results to Congress in December 2001. It also calls for a plan for the long term sustainment and modernization of U.S. nuclear forces with a report to Congress by April 15, 2001, and a report by July 1, 2001 on the requirement and capabilities to defeat hardened targets and stockpiles of NBC weapons.

It appears likely that in 2001 Congress will review the development, testing, and perhaps deployment of national and theater missile defense systems. It will probably again consider ways to prevent countries such as Iran, Iraq, and North Korea from developing NBC weapons and delivery systems, and ways to prevent entities in countries such as China, Russia, and North Korea from transferring NBC weapon and missile technology to other countries. Revisions of the Export Administration Act and possibly new sanctions and incentives to prevent further proliferation of NBC weapons and missiles will likely be discussed. Special attention may be focused on U.S. exports of satellites, high-performance computers, encryption systems, and conventional weapons. Congress may respond to positive or negative NBC weapons and missile developments in North Korea, Iran, Iraq, Pakistan, India, or elsewhere.

Programs to counter the threat of NBC weapons in the hands of international terrorists are likely to be considered (see the Terrorism section, below), as are the status and credibility of U.S. deterrence against hostile states and terrorist groups. The States which are parties to the Biological Weapons Convention will meet in 2001, and are expected to adopt a new protocol intended to enhance convention compliance and non-proliferation efforts. The protocol has been under negotiation for five years and is expected to spark significant debate over the issues of international inspections, export controls, and protection of proprietary commercial information. If the protocol is adopted, the President will decide when it will be submitted to the Senate for its advice and consent.

Because recent political, economic, and technological developments have generated support for significantly different policy approaches for countering the NBC weapon threat, Congress or the Administration may initiate a broad review of options, priorities, and their application to geographic regions.

CRS Products

Weapons of Mass Destruction, Nonproliferation, and Arms Control: A Checklist of CRS Products, by Sherry B. Shapiro, CRS Checklist 40035.

United Nations Reform

Marjorie Ann Browne, Specialist in International Relations

United Nations reform, as variously defined, has drawn the attention of many in Congress and the executive branch as well as in other U.N. member governments. Congressional views and expectations on the need for United Nations reform have (1) resulted in significant arrearage in U.S. contributions, especially to U.N. peacekeeping accounts, and (2) led to Congress' specifying conditions to be met before the release of U.S. funds appropriated to reduce most of these arrearages. Two areas of desired change are: (1) a reduction of U.S. assessment levels for contributions to the U.N. regular budget and U.N. peacekeeping accounts, and (2) the continuation of zerobased budgeting both by the United Nations and by certain U.N. specialized agencies.

On November 29, 1999, Congress passed, and the President signed, legislation setting forth the conditions for U.S. payment of its arrears, or outstanding contributions, to the United Nations for regular budget and peacekeeping accounts (the oft-called Helms-Biden package). The amount appropriated and subject to these conditions was \$926 million, including \$819 million in cash payments and \$107 million in credits from the United Nations. As of the start of 2001, the United States had paid the first increment of \$100 million, after certifying that the relevant conditions had been met.

Congressional funding in 2000 of the President's full request (FY2000 supplemental request of \$107 million and FY2001 request of \$738.6 million) for the Contributions to International Peacekeeping Activities (CIPA) account had been problematic. Congressional committees had expressed concern over increasing costs and expanding activities of U.N.-conducted peacekeeping operations and had disagreed over the use of U.N. peacekeeping operations in internal conflicts in Africa, including those with cross border impacts. In late October 2000, Congress appropriated \$846 million for CIPA, the amount the President had requested.

On December 23, 2000, U.N. members, during the 55th session of the U.N. General Assembly reduced the U.N. assessment level for the United States from 25% to 22% for the U.N. regular budget. It was expected that the assessment level for U.N. peacekeeping accounts would go down to 28.14% for the January-June 2001 period and further reduce to 25% by 2004. Since the 2001 level was higher than the 25% in the Helms-Biden conditions, Senator Helms introduced legislation, S. 248, to amend these conditions, increasing the peacekeeping assessment level to 28.15%. The Senate passed S. 248, by a vote of 99-0, on February 7, 2001. Passage by the House would clear the way for the release of "tranche 2 funding" of \$475 million for U.S. arrears.

Areas for possible attention in 2001 include continuing congressional review of the implementation of the reform conditions set forth in the 1999-enacted legislation; continuing review of the executive branch process for support of new or expanded U.N. peacekeeping operations, now being conducted by the General Accounting Office in its report on how Presidential Decision Directive 25 has been applied; and review of U.N. peacekeeping reform proposals presented in the Report of the Panel

on United Nations Peace Operations (the Brahimi report) and the U.N. Secretary-General's plan to implement its recommendations.

CRS Products

United Nations Peacekeeping: Issues for Congress, by Marjorie Ann Browne, CRS Issue Brief IB90103

U.N. System Funding: Congressional Issues, by Vita Bite, CRS Issue Brief IB86116

Global Issues

Global Climate Change

Susan Fletcher, Senior Analyst in International Environmental Policy

Concerns that the increase in “greenhouse gases” in the atmosphere has caused warming of the Earth’s climate have led to a number of international responses, as well as issues of interest to the U.S. Congress. The 1992 United Nations Framework Convention on Climate Change (UNFCCC), which the United States has ratified, contained voluntary commitments by all parties to that treaty to take steps to reduce their emissions of greenhouse gases, primarily carbon dioxide produced by burning of fossil fuels and wood (as well as five other gases from other sources). Congress has been primarily concerned with the issues connected with the 1997 Kyoto Protocol to the UNFCCC, which contains legally binding emission reductions for 38 industrialized nations, including the United States. The Senate passed S.Res.98 before the Kyoto Protocol was completed, warning that the United States should not sign a treaty that would harm the U.S. economy or did not include commitments for developing countries. Congress has held oversight hearings on many aspects of the economic impacts and scientific findings related to climate change generally and the Kyoto Protocol specifically. Legislation was introduced in previous congresses related to needed scientific research, policies on domestic credit for activities to reduce carbon emissions or increase carbon sinks (discussed below), and to limit the activities of the government that could be regarded as implementing the Kyoto Protocol before it has been approved.

The United States signed the Kyoto Protocol in 1998, but it was not submitted to the Senate for its advice and consent by the Clinton Administration in recognition of S.Res. 98. The United States was seeking to obtain “meaningful participation” of developing countries, and it had been participating in the continuing negotiations to agree on rules governing various aspects of how the Protocol would operate. These rules have key relevance to economic impacts of U.S. commitments, in particular, how much the United States could rely on “flexibility” mechanisms that would reduce domestic measures needed to meet its commitments, through trading emission “credits” with other countries and relying on its extensive forest and agricultural lands to absorb carbon, acting as “sinks.” In November 2000, negotiations held in The Hague, Netherlands, were expected to resolve a number of political and operational issues on how the Kyoto Protocol would work. However, these negotiations collapsed when some of the key issues regarding flexibility mechanisms and use of

carbon sinks eluded political agreement among ministers from developed countries. A large congressional delegation attended these negotiations, and it appears likely that Congress will continue to conduct oversight hearings and consider legislation related to the issues of climate change generally, and the Kyoto Protocol negotiations specifically.

CRS Products

Global Climate Change, CRS Electronic Briefing Book; on the CRS Web site at [<http://www.congress.gov/brbk/html/ebgcc1.html>]

International Disease Response

Lois B. McHugh, Analyst in Foreign Affairs

The 106th Congress and the Clinton Administration focused on the growing threat of infectious disease, especially HIV/AIDS, primarily in Africa. (See Africa, below.) The United States responds to the health needs of developing countries primarily through the foreign aid program. But because diseases cross national borders, other agencies, such as the Center for Disease Control and Prevention (CDC) and the Department of Defense are also involved in medical programs as part of their missions.

Health expenditures are made through various foreign aid accounts, with the bulk of aid provided as part of the Child Survival and Disease account. USAID estimates that health spending provided in all accounts of the foreign aid legislation (not including population programs) will total \$836.9 million in FY2000 and \$795.3 million in 2001. This includes \$260.2 million for HIV/AIDS, \$63 million for infectious disease, and \$110 million for UNICEF.

Congress has been very supportive of international health assistance, appropriating at the request level or higher with wide bipartisan support. Several bills adopted in the 106th Congress address international health. P.L. 106-429, the Foreign Operations Appropriation, enacts by reference legislation providing \$860 million for international health programs. This includes \$300 million for HIV/AIDS, and \$125 million for infectious disease. In addition, PL 106-259, the Department of Defense Appropriations Act includes \$10 million to be used for HIV prevention education activities in Africa.

International health issues will continue to be of interest to the 107th Congress as the world becomes increasingly interconnected. Infectious disease, particularly HIV/AIDS, has been incorporated into international discussions and activities of many international agencies and will continue as a major issue worldwide for the foreseeable future.

Another health issue likely to arise is the proposed Framework Convention on Tobacco Control. Negotiations on the new treaty began in the fall of 1999. It is expected to be opened for signature by 2003, but will be debated in the World Health Organization throughout the next two years.

International Narcotics Control

Raphael F. Perl, Specialist in International Relations

International political and economic instability, especially political turmoil and ethnic strife in third world and former communist states where police capabilities have been drastically reduced, provide fertile ground for expansion of a wide range of criminal activities. One such criminal activity, illicit production and smuggling of narcotics, remains an important area of concern for Congress.

Increasingly, drug trafficking organizations, terrorist organizations, and other international criminal groups cooperate with each other to facilitate illicit cross-border and transnational activities. Intergovernmental cooperative efforts to combat such criminal enterprises are often slow and cumbersome.

Generic issues likely to be the focus of attention in the upcoming Congress include (1) the President's March 1 certifications for major drug producing or transiting countries (an annual certification as to a country's cooperation in international drug control efforts is required of the President under the Foreign Assistance Act of 1961; a negative certification may result in loss or reduction of foreign assistance); (2) the effectiveness of current drug interdiction policies; (3) the rising importance of drug cartels in Mexico and their potential destabilizing effect on that country; (4) the growing relationships between drug traffickers, terrorists, and other organized criminal groups; and (5) North Korean drug production and trafficking activity. Moreover, U.S. relations with Burma, the world's largest source of illicit opium and heroin, are strained over lack of narcotics control cooperation and human rights violations. Prospects for immediate improvement in relations with Burma do not appear promising.

An issue of growing importance in the 107th Congress is expected to be the effectiveness of implementation of Plan Colombia, the congressionally funded (fiscal year 2000-2001) \$1.3 billion counter-narcotics effort for Colombia and neighboring states (P.L. 106-246). The massive aid package reflects U.S. concern that an increasing supply of heroin and cocaine is undermining demand-reduction efforts in the United States. Curbing the inflow of these drugs is therefore a key priority for both domestic and foreign policy. As the largest supplier of cocaine and a major supplier of heroin, Colombia is central to these efforts. (See Latin America, below)

The U.S. initiative will present major challenges and opportunities to policy officials in both the United States and the northern Andean countries. U.S. counter-narcotics policy is unlikely to be completely successful (a victory in the war against drugs seems unlikely) until the seemingly insatiable demand for drugs in the U.S. market is curbed. However, if the Colombian initiative is seen as failing completely, it could undermine U.S. prestige and influence in the western hemisphere. Moreover, perceived failure might weaken the U.S. public's willingness to support future foreign policy and aid initiatives linked to counter-drug objectives.

Assuming that the drug interdiction efforts have at least a modest effect in reducing the level of coca cultivation and production, the key challenge for policymakers will be how to adapt to the social and economic consequences of success. A major challenge is how to ensure that the coca cultivation, trafficking

activities, and insurgent operations from Colombia are not simply displaced into neighboring states.

CRS Products

Colombia: U.S. Assistance and Current Legislation, by Nina Serafino, CRS Report RL30541

Drug Control: International Policy and Options, by Raphael F. Perl, CRS Issue Brief IB88093

Ecuador: International Narcotics Control Issues, by Raphael Perl, CRS Report RS20494

Narcotics Certification of Drug Producing and Trafficking Nations, by Raphael F. Perl, CRS Report 98-159

North Korean Drug Trafficking: Allegations and Issues for Congress, by Raphael F. Perl, CRS Report RS20051

International Organized Crime

Francis T. Miko, Specialist in International Relations

In recent years, Congress has demonstrated its concern over international organized crime through legislative and oversight activities. The 106th Congress passed significant legislation targeting the three most lucrative activities of international organized crime groups: drug trafficking, money laundering, and international trafficking in humans (especially for the sex trade). P.L. 106-246, the Columbia Aid Package, was signed into law on July 12, 2000 and provided \$1.289 billion in emergency supplemental appropriations for narcotics control. The Victims of Trafficking and Violence Protection Act of 2000 (P.L. 106-383), a comprehensive bill related to trafficking in humans, was signed by the President on October 28, 2000. Neither the 105th nor the 106th Congress enacted a comprehensive package of legislation proposed by the Clinton Administration in 1998 as part of its announced “International Crime Control Strategy.”

Whether or not a comprehensive international crime fighting package is taken up again in the 107th Congress, transnational crime is likely to be on its agenda, given the scope of the problem. A growing share of organized crime in the United States has foreign connections. International criminal organizations are forming opportunistic links across borders, including drug cartels (discussed below) and even terrorist groups (discussed below). As a result, international organized crime is viewed increasingly as a national security threat in addition to a law enforcement challenge.

The State Department has the lead U.S. role in dealing with international crime abroad. However the FBI, traditionally a domestic crime fighting agency, is establishing an increasingly active presence internationally. The FBI now has offices in many countries and has established an FBI academy in Budapest, Hungary, to train

foreign law enforcement officials. Congress must deal with annual funding and oversight of these rapidly growing activities.

CRS Products

Trafficking in Women and Children: The U.S. and International Response, by Francis T. Miko and Grace (Jea-Hyun) Park, CRS Report RL30545

International Terrorism

Raphael F. Perl, Specialist in International Relations

Steven R. Bowman, Specialist in National Defense

The October 12, 2000 terrorist attack on the U.S. Navy destroyer Cole in Aden, Yemen, has given renewed focus to Administration and congressional concern about the threat of international terrorism. In the aftermath of the Cole bombing, the Defense Department and the Navy initiated a number of inquiries. The House and Senate Armed Services Committee held initial hearings on the incident in late October. The attack raises potential issues for the 107th Congress concerning (1) procedures used by the Cole and other U.S. forces overseas to protect against terrorist attacks; (2) intelligence collection, analysis, and dissemination as it relates to potential terrorist attacks; and (3) U.S. anti-terrorism policy and options for U.S. response if and when perpetrators are discovered.

The issue of possible terrorist use of nuclear, chemical, or biological weapons in the United States has attracted great attention in Congress, the Executive Branch, and among the general public. In FY2000, Congress appropriated \$1.45 billion for defense against weapons of mass destruction, and the FY2001 budget request totaled \$1.55 billion, spread among fourteen federal agencies. The primary focus has been on assisting state and local emergency response personnel, improving civilian medical surveillance and treatment capabilities, and intensifying pharmaceutical research, to counter the effects of these agents. Given the rapid increase in funding and the unusual range of local, state, and federal agencies involved, the issue of effective interagency coordination remains a significant legislative concern. There is also a growing number of critics who maintain that the likelihood of such a terrorist attack is low, and that over-reaction to this threat has led to excessive and indiscriminate funding. Low-probability threat estimates notwithstanding, the potentially severe consequences of a nuclear, chemical, or biological attack make it unlikely that legislative attention will diminish.

On June 5, 2000, the National Commission on Terrorism (N.C.), a congressionally mandated bipartisan body, issued a report providing a blueprint for U.S. counter-terrorism policy with both policy and legislative recommendations. It generally argues for a more aggressive U.S. strategy in combating terrorism. Critics, however, argue that N.C. conclusions and recommendations ignore competing U.S. goals and interests; i.e., that a more "aggressive" strategy might lead to the curbing of individual rights and liberties, damage important commercial interests, and widen disagreements between the U.S. and its allies over using the "stick" as opposed to the

“carrot” approach in dealing with states that actively support or countenance terrorism.

The report’s recommendations were the subject of extensive hearings in the 106th Congress and could stimulate strong congressional interest in counter terrorism policy in the first session of the 107th Congress. Likely areas of focus include (1) the pros and cons of a more proactive counter terrorism policy; (2) possible enhancement of state sanctions policy; and, (3) the coordination of U.S. federal counter terrorism response. The Administration and Congress are likely to take up further measures to deter and punish terrorist acts and to reduce U.S. vulnerabilities, particularly to potential attacks with chemical, biological, or nuclear weapons, that could cause mass casualties. A review of U.S. policy, organizational mechanisms, and the adequacy of consultation with Congress is also possible.

CRS Products

National Commission on Terrorism Report: Background and Issues for Congress, by Raphael Perl, CRS Report RS20598

North Korea: Terrorism List Removal?, by Larry Nicksch and Raphael Perl, CRS Report RL30613

Terrorism: CRS Electronic Briefing Book; available on the CRS Web site at [<http://www.congress.gov/brbk/html/ebter1.html>]

Terrorism, the Future, and U.S. Policy, by Raphael F. Perl, CRS Issue Brief IB95112

Terrorism: Near Eastern Groups and State Sponsors, by Kenneth B. Katzman, CRS Report RL30643

Terrorism: U.S. Response to Bombings in Kenya and Tanzania-A New Policy?, by Raphael F. Perl, CRS Report 98-733

Terrorist Attack on the USS Cole: Issues for Congress, by Raphael Perl and Ronald O’Rourke, CRS Report RS20721

Regional Issues

Africa

Raymond W. Copson, Specialist in International Relations

HIV/AIDS. The HIV/AIDS epidemic in sub-Saharan Africa, which has already killed nearly 16 million people, will likely be an important concern in the 107th Congress, as it was in the 106th. Many involved in the struggle against the epidemic are advocating a “scaling up” of the international response to HIV/AIDS so that HIV infection rates can be broadly reduced in Africa through prevention programs, as has already been achieved in Uganda. Many are urging increased support for preventing mother to child transmission of the disease and for providing care, including care for orphans. There is also some backing for expanded HIV/AIDS treatment programs,

particularly programs that prolong lives by treating opportunistic infections with inexpensive medications. It seems probable that some Members of Congress will advocate measures to assure that the United States is a leader in “scaling up,” although others may be skeptical of the chances of success against the disease or may urge that other donors should share more of the burden. In August 2000, the 106th Congress enacted the Global AIDS and Tuberculosis Relief Act of 2000 (P.L. 106-264), which authorized increased development assistance spending for HIV/AIDS programs worldwide. Contributions were also authorized to the International AIDS Vaccine Initiative (IAVI) and to a proposed AIDS trust fund administered by the World Bank. Appropriators provided funding for these initiatives, which some Members and committees will likely monitor in the 107th Congress.

Trade and Development. The 106th Congress enacted the African Growth and Opportunity Act as part of the Trade and Opportunity Act of 2000 (P.L. 106-200), in order to promote African economic development through increased trade. Members who supported this legislation will likely monitor its implementation in order to assure that Africa benefits from its provisions; and some may advocate expanding trade benefits for Africa through new legislation. Others will be concerned with ensuring that new or existing legislation does not harm U.S. business or workers. As in past Congresses, some may advocate increases in development assistance and other aid programs for Africa, in view of the region’s serious problems in health, employment, education, and other sectors. Others will argue that competing budgetary priorities must constrain aid to Africa and other regions.

Other Issues. Other African topics that might be subjects of hearings and legislation include the human rights situation in Sudan; peacekeeping and conflict in several countries, such as Sierra Leone and the Democratic Republic of the Congo (DRC); and ways to strengthen democratic forces in Nigeria, Zimbabwe, Côte d’Ivoire, and elsewhere. Allegations that President Charles Taylor of Liberia has become a source of instability in the West African region could be a source of concern. As in the 106th Congress, some may support efforts to strengthen control of the illicit diamond trade, which seems to play a key role in fueling conflicts in West Africa, the DRC, and Angola.

CRS Products

Africa: U.S. Foreign Assistance Issues, by Raymond W. Copson, CRS Issue Brief IB95052

AIDS in Africa, by Raymond W. Copson, CRS Issue Brief IB10050

Congo (formerly Zaire), by Raymond W. Copson, CRS Issue Brief IB96037

Sudan: Humanitarian Crisis, Peace Talks, Terrorism, and U.S. Policy, by Theodros S. Dagne, CRS Issue Brief IB98043

U.S.-Sub-Saharan Africa Trade and Investment: Programs and Policy Direction, by Lenore Sek, CRS Report RS20063

Zimbabwe: Current Issues, by Raymond W. Copson, CRS Issue Brief IB10059

Asia

Issues concerning U.S.-China relations dominated the Asian policy agenda of the 106th Congress and are likely to do so in the 107th Congress, as well. Underlying this and other issues related to Asia were a number of ideological and party differences plus policy struggles with the Administration – many of which are likely to carry over into the 107th Congress. Broadly speaking, these differences emanate from four major developments: (1) the ongoing realignment of security relationships and economic ties following the end of the Cold War, including the rise of China as an important regional and economic power that is more open to international trade; (2) the residual effects of the 1997-1999 Asian financial crisis, as well as Japan's ongoing economic and political weaknesses, (3) the unexpectedly rapid pace of change in the Korean peninsula, which has generated congressional concern and also raised anxiety in the Northeast Asian region about the future U.S. military role in South Korea and Japan, as well as broader regional power relationships, and (4) a nuclear arms race between India and Pakistan.

China. (Shirley A. Kan, Specialist in National Security Policy; Kerry B. Dumbaugh, Specialist in Asian Affairs; Wayne Morrison, Specialist in International Trade and Finance; Thomas Lum, Analyst in Asian Affairs) Long-standing U.S. policy to engage the People's Republic of China (PRC) politically and economically may continue to be controversial in Congress. The 106th Congress enacted legislation in 2000 granting the PRC permanent normal trade relations (PNTR.), thus providing an end to the rancorous annual debate over China's trade status that had continued since 1990. However, the bill also established a new commission to report annually on the PRC's human rights record, as well as other measures designed to improve congressional oversight on U.S. policy toward the PRC. The 106th Congress also grew increasingly leery of PRC intentions toward Taiwan. In part, this was due to the island's watershed presidential election in March 2000, which brought to power Chen Shui-bian, leader of the Democratic Progressive Party, a party that advocates Taiwan's independence from China. In February 2000, PRC leaders issued a new policy statement on Taiwan which some saw as demonstrating a greater willingness to use force to reunify Taiwan with China. Some in the 106th Congress came to favor formal efforts to strengthen U.S.-Taiwan relations in ways sure to antagonize the PRC further, complicating U.S. relations with both Beijing and Taipei.

The possible accessions of the PRC and Taiwan to the World Trade Organization (WTO) in 2001 are expected to be of major interest to the 107th Congress. P.L. 106-286 grants PNTR status to China once it joins the WTO, as long as the President certifies in a report to Congress that the terms of PRC's accession are at least as favorable as the November 1999 U.S.-China trade agreement. It also ensures that WTO trade agreements would apply to trade between the United States and the PRC. Many Members have expressed support for the PRC's WTO membership – but under terms that would require it to significantly liberalize its trade and investment regimes. Additionally, many Members have expressed support for Taiwan's WTO membership and have concerns that Beijing might try to block Taipei's accession. P.L. 106-286 calls on U.S. trade negotiators to push for a motion in the WTO General Council to make Taiwan's WTO entry application the next order

of business following the consideration of the PRC's application, and to strongly oppose attempts by any WTO members to block Taiwan's accession.

Congress may continue to monitor protests in the PRC by Falun Gong practitioners and demonstrations by laid-off workers that are continuing in 2001. Rising Internet usage has facilitated communication and information access for a growing number of PRC citizens. None of these trends, however, is likely to produce fundamental changes in the political system in the short run. The PNTR bill enacted in 2000 contains provisions that criticize the PRC government for oppressing Falun Gong adherents and for denying workers and others basic human rights; it also authorizes funding to expand Radio Free Asia's Internet operations.

Finally, the 107th Congress likely will continue to oversee policies to address the PRC's challenges to U.S. security interests. Congressional oversight and investigations, including that by the "Cox Committee," have covered alleged transfers of missile technology by U.S. firms in connection with satellite exports and whether the Justice Department should take further action regarding investigations that began in 1997. Also, Congress has watched for progress in the counter-espionage probes into suspected PRC acquisitions of U.S. nuclear weapons and missile secrets. Congress has increasingly asserted its role in providing for Taiwan's defense under the Taiwan Relations Act, including calling for consultations on arms sales and a look at operational planning, and considering the "Taiwan Security Enhancement Act." Congress is expected to continue assessing the PRC's military strategy and capabilities, especially the missile buildup. Other issues likely to be considered include the establishment of the Center for the Study of Chinese Military Affairs (and the report on its operation due in February 2001); military exchanges subject to restrictions in the FY2000 National Defense Authorization Act (and the report on such exchanges); and PRC weapons proliferation (possibly with reconsideration of legislation like S. 2645, introduced by Senator Thompson in 2000).

CRS Products

China and Falun Gong: Implications and Options for U.S. Policy, by Thomas Lum, CRS Report RS20333

China - U.S. Relations, by Kerry Dumbaugh, CRS Issue Brief IB98018

China - U.S. Trade Issues, by Wayne Morrison, CRS Issue Brief IB91121

India and Pakistan. (Barbara LePoer, Analyst in Asian Affairs) A major South Asia issue for the 107th Congress will be reassessment of sanctions imposed on India and Pakistan following their May 1998 nuclear tests, notably whether the sanctions should be maintained, eased, or broadened. Despite carrot-and-stick efforts by Congress and the Administration in 1998 and 1999 – which eased some economic sanctions on the two countries – U.S. nonproliferation efforts in South Asia appear to be at an impasse. Although both India and Pakistan are under self-imposed nuclear testing moratoriums, neither has signed the Comprehensive Test Ban Treaty (rejected by the U.S. Senate in 1999), and both countries are continuing production of fissile material as well as actively expanding their ballistic missile capability.

Moreover, India-Pakistan relations have continued to deteriorate since the 1998 nuclear tests. In mid-1999, the two countries teetered on the brink of a fourth war. A military coup in Pakistan in late 1999 appears to have further soured relations. Clinton Administration policy has centered on thawing the vestiges of Cold War relations with India, while remaining engaged with former Cold War partner Pakistan. U.S. relations with Pakistan appear increasingly fragile as a result of political instability, economic deterioration, and Islamic radical pressure emanating from neighboring Afghanistan. The 106th Congress has been generally supportive of Administration initiatives to improve U.S.-India cooperation. President Clinton visited New Delhi in March 2000, and in September 2000, Prime Minister Atal Bihari Vajpayee paid a reciprocal state visit to Washington. Administration officials and congressional leaders continue to press India and Pakistan to return to the negotiating table and halt their nuclear arms race.

CRS Products

India-Pakistan: Arms Race in South Asia, CRS InfoPack IP5251

India-US Relations, by Barbara Leitch LePoer, CRS Issue Brief IB93097

Indian-Pakistan Nuclear Tests and U.S. Response, Coordinated by Barbara Leitch LePoer, CRS Report 98-570

Pakistan-US Relations, by Barbara Leitch LePoer, CRS Issue Brief IB94041

Indonesia. (Larry A. Nicksch, Specialist in Asian Affairs) Indonesia underwent some political changes during the 106th Congress. It lost East Timor when East Timorese voted for independence in a referendum vote of August 31, 1999, and United Nations-approved international peacekeepers entered East Timor in October 1999 in response to post-referendum atrocities committed by pro-Indonesia East Timorese militia. Democratic elections in 1999 appeared to produce a civilian Indonesian government after more than three decades of authoritarian, military-backed rule. The new government seemed incapable of containing the escalation of violence and disorders throughout the country in 2000. The 106th Congress appeared to indicate support for self-determination for East Timor. H.Res. 292, passed on September 28, 1999, supported the results of the East Timorese referendum, called on the Indonesian government to act against the violence of the East Timorese militia, and supported the international peacekeeping force. Foreign operations appropriations legislation for fiscal years 2000 (P.L. 106-113) and 2001 (P.L. 106-429) prohibited Indonesian participation in the U.S. International Military Education and Training (IMET) program and U.S. Foreign Military Financing of U.S. arms sales to Indonesia. The law provides for resumption of these activities when the President certifies that the Indonesian government and military have taken judicial action against East Timorese militia members and Indonesian military personnel responsible for the post-referendum atrocities and allowed displaced East Timorese in Indonesian West Timor (over 100,000) to return home. At the end of the 106th Congress, the Indonesian government and military seemingly had done little to satisfy these conditions, meaning that the issue possibly could continue into the 107th Congress.

CRS Products

East Timor Crisis: U.S. Policy and Options, by Larry Nicksch, CRS Report RS20332

East Timor's Coming Decision on Autonomy or Independence, by Larry Nicksch, CRS Report RS20256

Indonesian Separatist Movement in Aceh, by Larry Nicksch, CRS Report RS20572

Japan. (Richard P. Cronin, Specialist in Asian Affairs) Recent congressional concerns regarding Japan have centered on allegations of the dumping of Japanese steel in U.S. markets, the slow progress of deregulation in Japan, and Tokyo's inability to revitalize its moribund economy. Other issues of concern to Congress include court suits by former American civilian prisoners of war seeking compensation for abuses in Japanese prison camps and forced labor for Japanese companies, Japan's decision to expand its whaling activities, and issues in security cooperation, including the future of U.S. bases in Japan and Japanese participation in the U.S. Theater Missile Defense (TMD) development program. Partly in response to a surge in Japanese steel imports, the 106th Congress enacted a provision to the agriculture appropriations act for FY2001 that requires that antidumping and countervailing tariff duties be distributed to the affected industries. Given the apparent slowing of U.S. economic growth in recent months, the 107th Congress can be expected to give renewed attention to the record U.S.-Japan trade deficit. Although U.S.-Japan relations remain close, especially at the working level, ties have been troubled by the inability of a series of unstable coalition governments to reform the Japanese economy to meet the challenges of economic globalization or to adjust foreign and defense policy to the realities of a rising China and a possible eventual reunification of the Korean Peninsula. Japan remains strongly attached to the U.S.-Japan alliance, but it is also uneasily aware that American perceptions of Japan are in flux. Meanwhile, younger Japanese leaders from various parties are calling for a more independent foreign and defense policy within the framework of the alliance. Opposition is rising in Japan to the cost and inconvenience of hosting U.S. military bases, and to what the Japanese view as American efforts to dictate the global trade agenda.

CRS Products

Japan-U.S. Relations: Issues for Congress, by Richard P. Cronin, CRS Issue Brief IB97004

U.S.-Japan Economic Ties: Status and Outlook, by William H. Cooper, CRS Issue Brief IB97015

U.S. Prisoners of War and Civilian American Citizens Captured and Interned by Japan in World War II: the Issue of Compensation by Japan, by Gary K. Reynolds, CRS Report RL30606

Korean Peninsula. (Mark Manyin, Analyst in Asian Affairs) When dealing with U.S. policy toward the Korean peninsula, the 107th Congress will primarily be concerned with overseeing U.S.-North Korean relations, which improved markedly in 2000. Following the dramatic inter-Korean summit meeting in June 2000, the U.S. lifted its trade embargo on North Korea and Secretary of State Madeleine Albright traveled to Pyongyang. In ongoing bilateral talks, North Korea is seeking removal from the U.S. list of state sponsors of terrorism, which prevents U.S. backing of Pyongyang's membership in international aid organizations. Under the provisions of the Export Administration Act, Congress could block a Presidential decision to remove North Korea from the terrorism list. For its part, the United States is pressing Pyongyang to make permanent its temporary moratorium on missile programs, to demonstrate a commitment to non-proliferation, and to provide evidence that it is no longer supporting terrorist groups. If North Korea-U.S. and inter-Korean relations continue to improve, the 107th Congress is also likely to deal with questions regarding the size and function of the 37,000 U.S. troops stationed in South Korea.

The 107th Congress also will oversee financial assistance programs to North Korea, which is the largest recipient of U.S. aid in East Asia. Previous Congresses tied North Korea-related appropriations to requirements that the President certify progress in negotiations with Pyongyang. Much of the aid has gone toward the Korean Peninsula Development Organization (KEDO), the multinational organization created to implement the obligations assumed by the United States under the October 1994 U.S.-North Korea Agreed Framework. Under the Agreed Framework, the United States is coordinating the provision to North Korea of two light water nuclear reactors and 500,000 tons of heavy oil annually, the oil shipments to cease when the reactors are constructed. In return, North Korea is obligated to suspend the operations of its nuclear facilities, which the United States believed were for production of nuclear weapons. Presumably, the next U.S. administration will request additional aid, if it decides to help South Korea develop North Korea's economic infrastructure, and/or to help finance satellite launches (in a third country) for Pyongyang in return for a North Korean pledge to halt its missile program.

CRS Products

North Korea's Nuclear Weapons Program, by Larry Niksch, CRS Issue Brief IB91141

North Korea: Terrorism List Removal, by Larry Niksch and Raphael Perl, CRS Report RL30613

U.S.-South Korean Relations, by Larry Niksch, CRS Issue Brief IB98045

Vietnam. (See Vietnam Trade Agreement, below)

The Balkans

Steven Woehrel, Specialist in European Affairs

The 106th Congress was faced with dramatic developments in the Balkans. In 1999, NATO conducted a major air campaign against Serbia in response to Serbian atrocities in Kosovo. After 78 days of bombing, Federal Republic of Yugoslavia

(FRY) leader Slobodan Milosevic pulled his forces out of Kosovo and a NATO-led peacekeeping force was deployed there. Almost all ethnic Albanians returned to their homes, but most ethnic Serbs left Kosovo, and the province's long-term status remains in doubt. In 2000, elections in Croatia in January-February, the FRY in September, and Kosovo in October led to the victory of moderates who want close ties with the West. In Bosnia, where a NATO-led peacekeeping force has been deployed since 1996, modest progress was made, but a self-sustaining peace is a distant prospect.

In 1999, the 106th Congress debated whether U.S. and NATO air strikes in Kosovo were in the U.S. national interest, and whether the President could undertake them without congressional approval. In the end, Congress neither explicitly approved nor blocked the air strikes, but after the fact, appropriated funds for the air campaign and the U.S. peacekeeping deployment in Kosovo. In 2000, Members unsuccessfully attempted to condition the U.S. military deployment in Kosovo on congressional approval and on the implementation of aid pledges made by European countries.

The 106th Congress provided funding for reconstruction in Bosnia and Kosovo (limiting aid to Kosovo to 15% of the total amount pledged by all countries), aid for the pro-Western governments in Croatia and Montenegro. (Montenegro is part of the FRY with Serbia, but its leadership was in opposition to Milosevic.) The 106th Congress prohibited aid to Serbia while Milosevic was in power, with the exception of humanitarian and democratization aid. However, after Milosevic's fall in October 2000, the conference committee on the FY2001 foreign operations appropriation bill (H.R. 4811), inserted language allowing up to \$100 million in aid for Serbia. The bill adds the condition that no funds can be spent after March 31, 2001 unless the President certifies that the new government in Serbia cooperates with the war crimes tribunal, implements its obligations under the Bosnia peace accord, and respects minority rights and the rule of law.

In its first session, the 107th Congress will consider how much aid to provide for the reconstruction of Serbia, Kosovo and other countries in the region, and how the burden should be shared with European countries. It will also establish the conditions under which that aid should be given, including how strongly to condition aid to Serbia on cooperation with the war crimes tribunal. Another important issue will be continuing U.S. troop deployments in the Balkans. Members skeptical of what they view as an open-ended U.S. military deployment to the Balkans may attempt to set conditions, deadlines or other restrictions on them. Bush Administration officials have said that they are reviewing U.S. military commitments worldwide, including in the Balkans, to see whether reductions can be made. They have stressed that they will not act precipitately and will consult with U.S. allies in Europe during the review.

CRS Products

Kosovo and U.S. Policy, by Steven Woehrel and Julie Kim, CRS Issue Brief IB98041

Kosovo: Reconstruction and Development Assistance, by Curt Tarnoff, CRS Report RL30452

Kosovo: U.S. and Allied Military Operations, by Steven R. Bowman, CRS Issue Brief IB10027

Serbia and Montenegro: Current Situation and U.S. Policy, by Steven Woehrel, CRS Report RL30453

Latin America**Maureen Taft-Morales, Analyst in Latin American Affairs**

The 107th Congress is likely to be concerned about three principal areas regarding Latin America: the stability of the fragile democracies in the region, cooperation on counter-narcotics efforts, and trade issues. Latin America has made enormous strides in recent years in democratization, with all but Cuba led by elected heads of state. Recently, however, tensions in various countries have pointed out how fragile many of these democracies are. Their weak government institutions are ill-equipped to deal with challenges to their further development, such as strong, often autocratic presidents; violent guerrilla conflicts; militaries still uncomfortable with civilian rule; illegal narcotics trafficking and its corrupting influence; and difficulty in promoting economic development in the face of widespread poverty and highly skewed income distributions.

With regard to democracy, Mexico is one country that made great strides in terms of democratic elections. The party that has ruled Mexico for 71 years lost the presidential elections in July 2000. The head of the Alliance for Change, Vicente Fox, took office as President on December 1, 2000. In addition to continued encouragement of Mexico's efforts to expand political and human rights, Congress will monitor trade relations between the two countries under the North American Free Trade Agreement (NAFTA), and continue to push for greater cooperation on counter narcotics efforts.

The 107th Congress will continue to conduct oversight on assistance to the region, and on the implementation of existing restrictions. The new Congress may debate new conditions or prohibitions on aid to countries such as Peru and Haiti, where elections have been found to be unfair, and new presidents are assuming office. For example, former President Jean-Bertrand Aristide was elected again in November 2000 and inaugurated February 7, 2001 in Haiti; and new presidential elections are scheduled for April 2001 in Peru following the sudden resignation of President Alberto Fujimori.

Cooperation in counter narcotics efforts is a major issue for Congress in relations with many Latin American nations, especially Colombia. Having passed the Colombia Plan, a \$1.3 billion counter narcotics package in 2000, Congress will monitor its

implementation and continue to debate whether and how to support Colombia's government in its struggle against increasingly powerful guerrilla movements. Although its assistance to the Colombian military was highly controversial, the plan as passed by Congress (as part of an emergency supplemental appropriations bill, P.L. 106-246) more than tripled the amount requested for a broad range of human rights programs, and increased funding for judicial reform and other programs intended to support the peace process and to strengthen democratic governance in Colombia, with conferees "...recognizing that protecting human rights and rule of law are central to the overall goals of Plan Colombia." Reflecting a concern for regional stability and a regional approach to counter narcotics efforts, Congress more than doubled the requested assistance to other countries in the region for counter narcotics activities.

In the area of trade, several issues are likely to be of concern to the new Congress. The Andean Trade Preference Act is due to expire December 4, 2001. The 107th Congress will consider the Andean countries' request to extend the program, which grants them preferential tariff benefits, and to add Venezuela as a beneficiary country. A form of NAFTA parity for the Caribbean Basin Initiative beneficiaries finally passed in the 106th Congress; it will be up to the new Congress to monitor implementation of the U.S.-Caribbean Basin Trade Partnership Act (P.L. 106-200). The 107th Congress may also monitor ongoing efforts to negotiate a free trade agreement with Chile, and consider whether to grant the new Administration fast-track negotiating authority to create a Free Trade Area of the Americas. (See Trade and Finance, see below)

The 106th Congress passed legislation allowing the sale of agricultural and medical products to Cuba as part of the FY2001 Agriculture appropriations bill (P.L. 106-387). The bill also placed severe constraints on such sales, however, permanently prohibiting private financing of agricultural exports to Cuba by U.S. banks or by state and local governments. Therefore, licensed sales may only occur if Cuba pays in advance, or if financed by a third country bank. The bill also codified existing embargo regulations by prohibiting the import of merchandise from Cuba, and travel for tourism to Cuba. The highly contentious debate over how best to pressure Cuba to enact democratic and economic reforms is likely to continue in the 107th Congress. (See Sanctions, above and Cuba, below.)

CRS Products

Colombia: U.S. Assistance and Current Legislation, by Nina Maria Serafino, CRS Report RL30541

Cuba: Issues for Congress, by Mark P. Sullivan and Maureen Taft-Morales, CRS Report RL30628

Cuba Sanctions, CRS Electronic Briefing Book on Trade, available on the CRS Web site at [<http://www.congress.gov/brbk/html/ebtra108.html>]

Haiti: Issues for Congress, by Maureen E. Taft-Morales, CRS Issue Brief IB96019

Mexico-U.S. Relations: Issues for Congress, by K. Larry Storrs, CRS Issue Brief IB10047

Peruvian Elections in 2000: Congressional Concerns and Policy Approaches, by Maureen Taft-Morales, CRS Report RS20536

Trade and the Americas, by Raymond J. Ahearn, CRS Issue Brief IB95017

The Middle East

Peace Process. (Alfred B. Prados, Specialist in Middle East Affairs) The Clinton Administration failed in its efforts to resolve the long-standing Arab-Israeli conflict. Agreements brokered by President Clinton at Wye River, Maryland in October 1998 and Sharm al-Shaykh, Egypt in September 1999 resulted in further Israeli-Palestinian agreements on security measures and phased Israeli withdrawals from portions of the occupied West Bank. At another conference hosted by President Clinton at Camp David in July 2000, however, the two sides were unable to resolve permanent status issues dealing with Palestinian statehood, Israeli-Palestinian borders, disposition of Palestinian refugees, Jewish settlements in the West Bank and Gaza, water resources, and Jerusalem. A series of Palestinian-Israeli clashes that began in late September have further jeopardized the peace talks and fueled anti-Israeli and anti-U.S. sentiment in the Arab world. Meanwhile, Syrian-Israeli talks, briefly resumed in December 1999, quickly broke down over questions of Israeli withdrawal from the occupied Golan Heights. In a nearby area, Israel withdrew unilaterally from southern Lebanon in May 2000, but some unrest continues on the Israeli-Lebanese border. All sides await the policies of a new Israeli government under Ariel Sharon, elected on February 6, 2001.

Congress has continued to appropriate annual foreign aid for Israel, Egypt, Jordan, and other Middle East entities, while attaching conditions regarding Palestinian compliance with Israeli-Palestinian agreements. In addition, in February 1999, the President requested \$1.2 billion for Israel, \$400 million for the West Bank/Gaza, and \$300 million for Jordan to help implement terms of the Wye River agreement. Of this amount, Congress appropriated \$100 million for Jordan under FY1999 supplemental legislation (P.L. 106-31) and the remaining amounts under H.R. 3422, the Foreign Operations Appropriations Act for FY2000, which was

passed by reference in P.L. 106-113. Congress also added \$25 million for Egypt to the Wye River funding contained in H.R. 3422 (P.L. 106-113). Congress did not act on a November 14, 2000 Clinton request for \$1.25 billion for Israel, Egypt, Jordan, and the Palestinians for FY2001 and FY2002.

Should Arab-Israeli negotiations resume, the new Administration might request additional funding from Congress to help negotiating parties deal with issues of security and economic stability. For example, Israeli officials have said they might need multibillion dollar aid grants in the event of a withdrawal from occupied territories, to cover enhanced security measures and relocation of Jewish settlers in the West Bank region and Gaza. On the other hand, if the stalemate continues and tensions increase, unilateral Palestinian steps such as a declaration of statehood would be likely to prompt initiatives in Congress to ban or restrict aid to Palestinians. In a related area, Congress is likely to reconsider the U.S.-Jordan Free Trade Agreement, signed on October 24, 2000 (discussed below).

CRS Products

Israel: U.S. Foreign Assistance, by Clyde R. Mark, CRS Issue Brief IB85066

The Middle East Peace Talks, by Carol Migdalovitz, CRS Issue Brief IB91137

Palestinians and Middle East Peace: Issues for the United States, by Clyde R. Mark, CRS Issue Brief IB92052

Syria: U.S. Relations and Bilateral Issues, by Alfred B. Prados, CRS Issue Brief IB92075

U.S.- Jordan Free Trade Agreement, by Joshua Ruebner, CRS Report RL30652

Persian Gulf Issues. (Alfred B. Prados, Specialist in Middle East Affairs)

From early indications, it appears the Bush Administration will continue efforts to enforce economic sanctions against Iraq, contain potential threats from Iran, and shore up the defensive capabilities of friendly Gulf states. Approximately 25,000 U.S. military personnel are stationed in the Gulf region to enforce no-fly zones over Iraq, conduct maritime interception of banned goods to or from Iraq, engage in combined training activities with Gulf states, supervise prepositioned U.S. military equipment, and deter threatening moves by Iraq or Iran. Support for sanctions against Iraq has begun to erode among Arab and some European countries, and the bombing on October 12, 2000 of a U.S. Navy ship while refueling at the port of Aden in Yemen underscores the threat posed by terrorist groups to U.S. military personnel and facilities in the region. Iran, despite a more moderate administration and parliament, continues to oppose the Arab-Israeli peace process, support terrorist groups, and develop missile capabilities that could threaten U.S. allies and interests.

In April 1999, the Administration agreed to license sales of food and medical items on a case by case basis to Iran and other countries affected by a unilateral U.S. trade ban. Congress included a provision in the conference report on H.R. 4461 (P.L. 106-387, the Agriculture Appropriations Act for FY2001), to authorize credit for such sales, although Members generally oppose unilateral relaxation of sanctions until

Iran alters its behavior. Regarding Iraq, Congress has included approximately \$1.1 billion in FY2001 defense appropriations (P.L. 106-259) to contain Iraq and carry out related missions. The Foreign Operations Appropriations for FY2001, P.L. 106-429, contains \$25 million to support activities by the Iraqi National Congress, an umbrella organization of groups opposed to the Iraqi regime, including the distribution of humanitarian aid inside Iraq. Of these funds, \$2 million is to be devoted to support indictment of Iraqi President Saddam Hussein as a war criminal.

Congress, which has already held hearings on the explosion involving the U.S.S. Cole, may further scrutinize issues relating to the deployment of U.S. forces in the Persian Gulf and the nature of bilateral security arrangements with countries in the region. Depending on the future direction of Iranian regional policies, steps by a future administration to loosen trade restrictions against Iran or remove it from the terrorism list would prompt congressional scrutiny and possible legislation to reverse such action. With the continued erosion of international support for sanctions against Iraq, possible moves in the U.N. Security Council to alter these sanctions could lead to congressional debate and, possibly, to legislation calling on the Administration to oppose such initiatives.

CRS Products

Iran: Current Developments and U.S. Policy, by Kenneth B. Katzman, CRS Issue Brief IB93033

Iraqi Compliance with Cease-Fire Agreements, by Kenneth B. Katzman, CRS Issue Brief IB92117

The Persian Gulf: Issues for U.S. Policy, 2000, by Kenneth B. Katzman, CRS Report RL30728

Russia

Stuart D. Goldman, Specialist in Russian Affairs; Jim Nichol, Analyst in Foreign Affairs; Curt Tarnoff, Specialist in Foreign Affairs

There were a number of developments in Russia and issues in U.S.-Russian relations that engaged the 106th Congress and are likely to be considered by the 107th. Vladimir Putin, who was catapulted into the Kremlin following Boris Yeltsin's resignation, was elected President in March 2000 by a solid majority that embraced his military campaign in Chechnya. The economic upturn that began in late 1999 is continuing: the GDP and domestic investment are growing after a decade-long decline, inflation is contained, the budget is balanced, and the ruble is stable. Major problems remain: 40% of the population lives below the official poverty line, foreign investment is very low, crime, corruption, capital flight, and unemployment remain high. Russian foreign policy has become more assertive and anti-American, fueled in part by frustration over the gap between Russia's self-image as a world power and its greatly diminished capabilities and by clashes with Washington over Kosovo, Iraq, NATO enlargement, and Russian missile technology and nuclear reactor transfers to Iran, among other issues. The military is in turmoil after years of severe force reductions and budget cuts. Weapons procurement, readiness, training, morale, and

discipline are down sharply. Putin's government increased defense spending substantially in 2000. The Putin regime appears to be trying simultaneously to assert more authoritarian political control, introduce some economic reforms, get generous debt forgiveness, and strengthen the military – a problematic mix.

The Russian parliament approved the ratification of the START II Treaty in April 2000. Russia will not, however, allow START II to enter into force until the United States approves agreements signed in 1997 that would extend the elimination period in START II and clarify the 1972 ABM Treaty. Moscow also says it may withdraw from the START II Treaty if the United States withdraws from the ABM Treaty. This responds to U.S. interest in modifying the ABM Treaty to deploy a limited National Missile Defense (NMD) system. The Clinton Administration has not submitted the 1997 agreements to the Senate for its advice and consent to ratification, in part out of concern that the Senate could reject them because many Members strongly oppose the ABM Treaty. In the future, the United States and Russia could continue to negotiate arms control treaties, reduce their forces through informal agreements, or forgo coordinated arms control and size their forces according to their own economic and security interests. If the United States continues to pursue a limited NMD, Russia, too, may pursue alternatives to the formal arms control process as well as countermeasures to NMD. Action on these issues is likely to await the next Administration and Congress.

In September 1999, Russia invaded its breakaway republic of Chechnya to halt what it claimed was widening brigandage and terrorism. Russia's offensive has been characterized by many human rights abuses, including indiscriminate bombing that has led to thousands of civilian casualties and over 200,000 displaced persons. The 106th Congress publicized and condemned these abuses and urged the Administration to strongly press diplomatic and other efforts to convince Russia to open peace talks and to investigate alleged atrocities committed by its troops (H.Con.Res. 206; S.Res. 223; S.Res. 262; S.Amdt. 3280 to H.R. 4576). Although Russia declared by mid-2000 that it had re-occupied Chechnya and suppressed organized military resistance, human rights abuses by Russian forces and attacks by Chechen guerrillas against them have continued.

The on-going conflict and devastation of the region make most displaced persons reluctant to return, threatening them with added suffering this winter. Foreign Operations Appropriations for FY2001 (P.L. 106-429) withholds 60% of planned funding for Russia until the President determines and certifies in writing that Russia is cooperating with international efforts to investigate alleged war crimes in Chechnya, is providing full access to Chechnya for humanitarian aid, and is pulling its weaponry out of Chechnya in accordance with limits set by the Conventional Armed Forces in Europe Treaty. It also calls for the obligation of not less than \$10 million for humanitarian aid to displaced Chechens.

During the past decade, the United States has allocated almost \$3 billion in economic assistance to facilitate the transition of Russia to a democratic system and free market economy. Although most of the aid in recent years has been directed at developing private sector business and the growth of civil society, the 106th Congress sought to influence Russia's actions and make its own policy views known to the Administration by conditioning aid targeted to the government of Russia. The sale

of nuclear reactor technology to Iran and possible discrimination against religious minorities were just two of the concerns on which Congress conditioned aid to Russia during the 106th Congress. During the election campaign, Republican congressional criticism of the Administration's implementation of the aid program grew. The 107th Congress is likely to conduct extensive oversight and review of the Russia aid program and continue to use aid to influence Russian behavior.

CRS Products

Arms Control after START II: Next Steps on the U.S.-Russian Agenda, by Amy F. Woolf and Stuart D. Goldman, CRS Report RL30660

The Former Soviet Union and U.S. Foreign Assistance, by Curt Tarnoff, CRS Issue Brief IB95077

Russia, by Stuart D. Goldman, CRS Issue Brief IB92089

U.S.-Russia Moscow Summit, June 3-5, 2000: outcome and implications, by James P. Nichol, CRS Report RS20604

Trade and Finance

Patricia A. Wertman, Specialist in International Trade and Finance

Globalization, as defined by the growing integration of the world economy, has been accelerating and deepening ever since a more open global trading and financial system was established following World War II. This postwar system helped raise economic growth and incomes worldwide. However, changes in the level and composition of trade and investment flows also create winners and losers as technologies, industries, and employment opportunities rise and fall in their wake. With the U.S. trade deficit at an unprecedented level, the United States is now more open and, thus, more sensitive to shifts in the world economy. In this context, the 107th Congress faces a variety of trade issues – multilateral and bilateral – that are complex and, often, politically sensitive. In addition, the financial crises of the 1990s demonstrated that the United States is not immune to the effects of abrupt shifts in international financial flows. Reform of the International Monetary Fund (IMF) and of the architecture of the international financial system are, therefore, also important issues.

Export-related Issues

Export Administration Act Renewal. (Ian F. Fergusson, Analyst in International Trade and Finance) In the 107th Congress, there will be continued efforts to rewrite The Export Administration Act of 1979 (EAA79). Efforts to reauthorize the Act, which regulates the export of dual-use goods and technologies, have been affected by the continuing tension between national security and commercial concerns. Since the last expiration of EAA79 in 1994, dual-use export controls on sensitive goods and technology have been continued and modified by the

President, acting under the authority of the International Emergency Economic Powers Act. During the 106th Congress, legislation was crafted by the Senate Banking Committee to rewrite and update EAA79. The Committee held hearings on S.1712, the Export Administration Act of 1999; it was reported out unanimously in September 1999, but holds were placed on the measure by Senators concerned with national security aspects of the legislation. Late in the 106th Congress, the Export Administration Modification and Clarification Act (P.L. 106-508), a measure to reauthorize and extend EAA79 for one year, was signed into law on November 13, 2000. In the 107th Congress, the Export Administration Act of 2001 (S. 149) was introduced on January 23, 2001 to rewrite and modernize EAA79. Key issues in the debate will be the impact of export controls on national security, non-proliferation, foreign policy objectives and industrial competitiveness; the controllability of technology; the prospects of multilateral cooperation from our allies; and the most efficient administrative mechanism to reconcile these different interests.

CRS Products

Encryption Export Controls, by Jeanne Grimmett, CRS Report RL30273

The Export Administration Act: Prospects and Controversy, by Ian F. Fergusson, CRS Report RL30689

Export Administration Act of 1979 Reauthorization, by Craig Elwell, Jeanne Grimmett, and Robert Shuey, CRS Report RL30169

Export Controls: An Analysis of Economic Costs, by Craig Elwell, CRS Report RL30430

Export-Import Bank Reauthorization. (James K. Jackson, Specialist in International Trade and Finance) The Export-Import Bank is the chief U.S. government agency that helps finance American exports. With a budget of nearly \$1 billion, the Bank finances around 5% of U.S. exports a year. Eximbank's main activity is to provide guarantees and insurance to commercial banks to make trade credits available to U.S. exporters. Such government-sponsored trade financing, however, has long been controversial. Eximbank supporters maintain that the Bank's programs are necessary for U.S. exporters to compete with foreign subsidized export financing and also to pressure foreign governments to eliminate concessionary financing. Eximbank opponents, however, argue that the Bank's programs serve only to aid rich multinational firms and that its activities draw from financial resources within the economy that would be available for other uses. Congress will be faced with reauthorizing the Bank's programs before September 30, 2001, which could spark debate over not only the Bank's programs, but broader U.S. trade issues as well, such as the U.S. trade deficit, export promotion, and "corporate welfare."

CRS Products

Export-Import Bank: Background and Legislative Issues, by James K. Jackson, CRS Report 98-568

Foreign Sales Corporation. (David L. Brumbaugh, Specialist in Public Finance) The Foreign Sales Corporation (FSC) provisions of the U.S. tax code permit U.S. firms to exempt between 15% and 30% of export income from taxation. In 1998, however, the European Union (EU) complained to the World Trade Organization (WTO) that FSC is an export subsidy and so violates the agreements on which the WTO is based. A WTO panel subsequently supported the EU. Under WTO procedures, the FSC provisions were required to comply with the WTO agreements by November 1, 2000, or the United States might face compensatory damages or retaliatory measures. In November, Congress approved H.R. 4986, which replaces the FSC provision with an export tax benefit intended to achieve WTO compliance. However, the EU has stated that it does not believe the new provisions to be WTO-compatible. It has asked the WTO to rule on the matter and to authorize retaliatory tariffs if the replacement is not WTO-compatible.

CRS Products

The Export Tax Benefits and the WTO: Foreign Sales Corporations (FSCS) and the Extraterritorial (ET) Replacement Provisions, by David L. Brumbaugh, CRS Report RS20746.

The Foreign Sales Corporation (FSC) Tax Benefit for Exporting: WTO Issues and an Economic Analysis, by David L. Brumbaugh, CRS Report RL30684

Import-related Issues

Andean Trade Preference Act (ATPA). (J.F. Hornbeck, Specialist in International Trade and Finance) The Andean Trade Preference Act (ATPA) was signed into law in December 1991, allowing tariff reductions on selected products from four Andean nations: Bolivia, Colombia, Ecuador, and Peru. The purpose of the Act is to improve access of these countries' exports to U.S. markets, thereby encouraging Andean workers to redirect their economic efforts away from illicit coca cultivation and cocaine production toward legal products such as cut flowers, fish, metals and related goods. The ATPA will expire in December 2001 and the congressional debate over whether to extend ATPA trade preferences will likely focus on two overriding issues: 1) its effects on the U.S. economy; and 2) the extent to which the act's provisions can be linked to decreased drug related economic activity and economic diversification and growth in the Andean countries. (See Latin America, above)

Cuba. (Ian F. Fergusson, Analyst in International Trade and Finance) U.S. policy toward Cuba during the 107th Congress is likely again to focus on the process of economic and political reform. Advocates of the continuation of the economic embargo and political isolation of the regime maintain that constant pressure on the Cuban government is necessary to achieve reforms. Others argue that the embargo has failed, and that the economic sanctions have hurt the Cuban people and diplomatically isolated the United States without affecting the government. The 106th Congress lifted license requirements for food and medicine to Cuba and other nations on the list of terrorist entities in the FY2001 Agriculture Appropriation (P.L.

106-387). Purchases of U.S. food and medicine cannot be financed by U.S. banking institutions under the bill, but third country financing of these purchases are permitted. Also in the agriculture bill, new restrictions were placed on travel to Cuba. Legislation likely to be introduced in the 107th Congress may continue to reflect interest in the economic embargo, including such issues as domestic financing for food and medicine purchases and travel policies. Other legislation may be proposed to tighten provisions of the embargo or to lift the embargo entirely. (See sections on Sanctions, above)

CRS Products

Cuba: Issues for Congress, by Mark P. Sullivan and Maureen Taft-Morales, CRS Report RL30628

Cuba: An Economic Primer, by Ian Fergusson, CRS Report RL30837

Cuba Sanctions, CRS Electronic Briefing Book on Trade, available on the CRS Web site at [<http://www.congress.gov/brbk/html/ebtra108.html>]

Cuba: U.S. Restrictions on Travel and Legislative Initiatives in the 106th Congress, by Mark P. Sullivan, CRS Report RS20409

International Monetary Fund Reform. (J.F. Hornbeck, Specialist in International Trade and Finance) In the fall of 1998, the 105th Congress passed the Omnibus Consolidated and Emergency Supplemental Appropriations Act for FY1999 (H.R. 4328, P.L. 105-277) in which it increased the U.S. quota of the International Monetary Fund (IMF) and made a commitment to the New Arrangements to Borrow (NAB). Given the financial crises in Asia, Russia, and Brazil, increasing the IMF's resources was a controversial issue. Many observers questioned its ability to support international financial stability and doubted the wisdom of traditional IMF responses to financial crises, particularly IMF conditionality, or the economic policies it requires of borrowing countries. Congress created the International Financial Institutions Advisory Commission (the Meltzer Commission) to evaluate and recommend future U.S. policy toward the global financial institutions, particularly the IMF. (See International Financial Institutions, above) The Commission released its final report on March 8, 2000, calling for clarification of IMF's mission and operations, enhanced transparency, greater private sector participation in crisis resolution, deep structural reform of developing country financial systems, and in particular, restricting lending to very short-term liquidity needs. How the IMF proceeds to reform internal policies and lending practices likely will be monitored closely by the 107th Congress.

CRS Products

IMF and World Bank Activities in Russia and Asia: Some Conflicting Perspectives, coordinated by Jonathan E. Sanford, CRS Report RL30467

IMF Reform and the International Financial Institutions Advisory Commission, by J. F. Hornbeck, CRS Report RL30635

The International Monetary Fund: An Overview of Its Mission and Operations, by J. F. Hornbeck, CRS Report RL30575

Renewing the Generalized System of Preferences. (Vladimir N. Pregelj, Specialist in International Trade and Finance) The generalized system of preferences (GSP), authorizing duty-free importation of most products from less developed countries (LDCs), with enhanced preferences for least-developed developing countries (LDDCs), is slated to expire on October 1, 2001, and will require legislative extension and, if deemed appropriate, some modifications. The GSP covers 146 LDCs, 39 of them LDDCs, and resulted in 1999 in duty-free imports amounting to \$13,681.0 million, accounting for 10.3% of total imports from the countries involved and 1.3% of all U.S. imports.

The 107th Congress may also wish to deal with legislation, introduced but not considered in the 106th Congress, designating Northern Ireland and northern border counties of the Irish Republic as beneficiary countries of the GSP, and with a measure providing preferential treatment to countries of Southeast Europe, under a program closely patterned after the Andean preference.

CRS Products

Generalized System of Preferences, by William H. Cooper, CRS Report 97-389

Generalized System of Preferences, CRS Electronic Trade Briefing Book, available on the CRS Web site [<http://www.congress.gov/brbk/html/ebtra29.html>]

Trade Adjustment Assistance (TAA) Renewal. (Mary Jane Bolle, Specialist in International Trade) Three “Trade Adjustment Assistance” programs offer either extended unemployment compensation and training benefits to workers, or technical assistance to firms adversely affected by trade. All three programs were reauthorized through FY2001 by the Consolidated Appropriations Act, P.L. 106-113, and will need to be reauthorized by September 30, 2001. The 107th Congress may consider whether to combine two programs and extend eligibility, so that workers are eligible for assistance after they lose their jobs because their plant relocates to any country. Currently only the NAFTA Transitional Adjustment Assistance Program, (NAFTA-TAAP) offers benefits to workers whose plants relocate – but only if the plants relocate to Mexico or Canada. Under both NAFTA-TAAP and the original Trade Adjustment Assistance (TAA) program, workers are eligible for benefits if imports “contribute importantly” to their job loss. The Administration estimates that

combining the two programs and extending eligibility (plus increasing the spending cap for training) would add \$39 million, or an extra 9% to the projected \$415 million funding for the two programs for FY2001. In 1999, TAA and NAFTA-TAA together paid unemployment compensation benefits averaging \$6632 to 38,000 recipients, and training benefits averaging \$3,133 to 30,000 recipients. The Trade Adjustment Assistance Program for Firms assisted about 118 businesses in developing and implementing “recovery strategies” at an average cost of \$61,000 per firm.

CRS Products

Trade Adjustment Assistance for Firms, by J.F. Hornbeck, CRS Report RS20210

Trade Remedy Reform. (William H. Cooper, Specialist in International Trade and Finance) The 106th Congress considered a number of bills that would have amended U.S. trade remedy programs for U.S. industries injured or threatened by injury from unfairly or fairly traded imports. The programs authorize remedies in the form of temporary high tariffs or other measures. A number of bills were responses to the U.S. steel industry’s concerns about surges in steel imports in 1998 and 1999 and what industry representatives considered to be the failure of U.S. trade remedy programs to respond adequately to injurious import surges. The 106th Congress did pass legislation (P.L. 106-387, the Agriculture Appropriations Bill) to require countervailing and antidumping duties to be distributed to firms injured by these trade practices. However, the steel industry has indicated that trade remedy reform needs to go further, and it will probably continue to press Congress for additional reforms of U.S. trade remedy statutes during the 107th Congress.

CRS Products

Trade Remedy Law Reform in the 106th Congress, by William H. Cooper, CRS Report RL30461

Negotiations and Agreements

Bilateral and Regional Free Trade Agreements. (William H. Cooper, Specialist in International Trade and Finance) Free trade agreements (FTAs) are arrangements between or among countries that eliminate tariffs and other barriers to mutual trade. They require congressional approval before going into effect. The United States has forged several bilateral and regional FTAs, the largest being the North American Free Trade Agreement (NAFTA) with Canada and Mexico. The United States also has an agreement with Israel that includes trade with the West Bank and Gaza. In June 2000, the United States and Jordan began negotiations to form an FTA, a proposed arrangement that seems to have attracted broad support in the Congress. The agreement was completed and signed by President Clinton and King Abdullah on October 24, 2000. But legislation enacting the agreement must await the next Congress and is expected to be introduced early in the 107th Congress. On November 16, President Clinton and Singapore Prime Minister Goh Chok Tong announced that the United States and Singapore would begin negotiations to establish

a FTA. Discussions, but not formal negotiations, have taken place between U.S. and Chilean officials over establishing an FTA, and some members of Congress have suggested that the United States should negotiate FTAs with other countries, including Australia, and New Zealand, and other countries of the Pacific region.

CRS Products

U.S.- Jordan Free Trade Agreement, by Joshua Ruebner, CRS Report RL30652

Fast-Track Negotiating Authority. (Lenore Sek, Specialist in International Trade and Finance) Fast-track negotiating authority provides that, if the President consults with Congress during negotiation of trade agreements and notifies Congress before entering into agreements, Congress will consider and vote on legislation needed to implement the agreements expeditiously, with limited debate, and no amendment. This authority was granted several times in the past for major trade negotiations, but it has expired. No major action to renew the authority was taken during the 106th Congress, but congressional leaders have said that fast-track renewal will be one of the leading trade issues in the 107th Congress. The debate over renewal is expected to include discussion of the role of Congress in trade policy and whether or not to include labor and environment standards as objectives in trade negotiations.

CRS Products

Fast Track Negotiating Authority, CRS Electronic Trade Briefing Book, available on the CRS Web site at [<http://www.congress.gov/brbk/html/ebtra9.html>].

A Free Trade Area of the Americas (FTAA). (J.F. Hornbeck, Specialist in International Trade and Finance) At the second Summit of the Americas, which took place April 18-19, 1998, in Santiago, Chile, 34 Western Hemisphere nations formally initiated negotiations to create a Free Trade Area of the Americas (FTAA) by the year 2005. The goal is to establish an agreement that would reduce barriers to trade region wide, allowing all countries to trade and invest with each other under the same rules. Nine FTAA working groups are in the process of drafting the text. A key U.S. challenge involves crafting an agreement that will promote stability and development in Latin America and also respond to the diverse political and economic interests of the United States. The FTAA will be a central focus of debate on hemispheric integration at the upcoming Summit of the Americas scheduled for April 20-22, 2001 in Quebec City, Canada. Because it is a multilateral agreement and therefore inherently more complicated to negotiate than bilateral agreements, it may also be closely tied to any future congressional debate over the need for fast-track trade negotiation legislation.

CRS Products

A Free Trade Area of the Americas: Toward Integrating Regional Trade Policies, by J.F. Hornbeck, CRS Report 97-762

Trade and the Americas, by Raymond J. Ahearn, CRS Issue Brief IB95017

U.S.-Latin American Trade: Recent Trends, by J. F. Hornbeck, CRS Report 98-840

Vietnam Trade Agreement. (Vladimir N. Pregelj, Specialist in International Trade and Finance; Mark Manyin, Analyst in Asian Affairs) In U.S.-Vietnam relations, the primary concern of the 107th Congress will likely be the U.S.-Vietnam bilateral trade agreement (BTA) which was signed on July 13, 2000. The agreement provides for the restoration of reciprocal “normal trade relations,” other bilateral trade-regulating measures as required by law, and comprehensive additional commitments by Vietnam in the areas of market access, intellectual property rights, trade in services, and investment. The agreement can enter into force only if - upon being submitted by the President - it is approved by a joint resolution of Congress. The language of the resolution is prescribed by law and is to be enacted by a specific fast-track procedure, applicable to the approval of trade agreements reinstating NTR on a conditional basis to non-market economy countries. The procedures involve prescribed, nonamendable operative language, with deadlines for each legislative stage. After legislative approval (and approval by Vietnam’s National Assembly), the agreement enters into force by Presidential proclamation and exchange of notes of acceptance by the parties. Arguments in the congressional debate over the BTA are likely to focus on Vietnam’s economic and political democratization, human rights situation, and cooperation in resolving the POW/MIA problem.

CRS Products

Most-Favored-Nation (Normal-Trade-Relations) Policy of the United States, by Vladimir N. Pregelj, CRS Issue Brief IB93107

Vietnam Trade Agreement: Approval and Implementing Procedure, by Vladimir N. Pregelj, CRS Report RS20717

The Vietnam-U.S. Bilateral Trade Agreement, by Mark Manyin, CRS Report RL30416

The Vietnam-U.S. Normalization Process, by Mark Manyin, CRS Issue Brief IB98033

Defense Policy

Stephen Daggett, Specialist in National Defense

Congress debates defense policy every year initially in action on defense spending in the annual congressional budget resolution and, later, when it considers defense authorization and appropriations bills. Because military readiness was a major issue in the presidential election campaign, the debate over defense spending may be particularly significant early in the 107th Congress. Although the military service chiefs have called for substantial increases in defense spending over the next few years, congressional action on the defense budget will inevitably be shaped by competing demands, including tax cuts, Medicare drug benefits, education, and other priorities. Missile defense may also be on the agenda very early in the 107th Congress because President Clinton deferred a formal decision on initial deployment of a nationwide defense in Alaska. The U.S. role in peacekeeping operations in the Balkans was also a campaign issue, and it raises a number of broader questions, including relations with allies, and under what circumstances the United States should be willing to commit its military forces to action in the future. A key defense policy issue is how to balance funding for short-term readiness, weapons modernization, and long-term transformation of military forces to cope with future challenges. This issue may be at the center of a congressionally mandated Pentagon reassessment of defense policy, called the Quadrennial Defense Review (QDR), that is scheduled to be completed by September 2001.

The Defense Budget

Stephen Daggett, Specialist in National Defense

In FY1999, funding for national defense increased at a rate greater than inflation for the first time since FY1985, and spending has continued to climb modestly in FY2000 and FY2001. The decline in defense spending that began after FY1985, and that continued for the next thirteen years, was driven initially by pressures to reduce Federal budget deficits. After the Cold War ended, the Bush Administration proposed cutting the size of the force from 2.2 million active duty troops to 1.6 million, and, in a 1990 budget agreement, the Administration and Congress agreed on a cut of about 25% in military spending through FY1995.

The Clinton Administration proposed further cuts in the size of the force, bringing active duty troop levels to about 1.4 million, and it initially proposed additional budget cuts totaling about \$120 billion over the five years from FY1994-1999. Subsequently, the Administration periodically added money back to the defense budget in response to perceived shortfalls, and it allowed the Defense Department to keep most of the money saved from lower-than-expected inflation. In addition, after 1995, Congress regularly added money to defense budget requests. As a result, after adjusting for inflation, actual defense spending between FY1994 and FY1999 ended up being very little different from what the outgoing Bush Administration had projected over the same period. Much more money, however, went for operation and maintenance accounts most directly related to short-term readiness, and much less for weapons acquisition.

Even though funding for readiness-related accounts has continued to climb, concerns about military readiness have multiplied in recent years. Over the past couple of years, moreover, Congress has approved substantial pay raises and expanded personnel benefits in an effort to shore up military recruitment and retention. The cost of these measures will grow over time. Meanwhile, after several years of very limited funding for new weapons, senior defense officials, military service chiefs, and a number of outside analysts argue that money for weapons procurement, in particular, will have to turn up substantially over the next few years if the services are to replace rapidly aging weapons as they reach the end of their planned service lives.

Taken together, all of these factors are creating pressure to increase military spending substantially. Opinions diverge dramatically, however, on how much more it is reasonable to invest. For their part, in recent years the military services have given Congress lists of unfunded priorities, the latest totaling more than \$80 billion over the five years from FY2001-2005. These amounts do not include some very expensive initiatives, however, including Army proposals to increase the number of active duty personnel, Navy proposals to add more submarines and surface vessels, and the full costs of a national missile defense. In view of perceived shortfalls, some military service chiefs have argued that defense spending should climb from about 3% of GDP today to 4% or more, an increase of at least \$100 billion a year.

Neither the Bush nor the Gore campaigns, however, called for defense increases of anything approaching that magnitude. Although projected future Federal budget surpluses appear quite large, competing demands for tax cuts, Medicare prescription drug coverage, increased education spending, and other priorities also appear substantial. The need to make choices among proposed force structure increases and major weapons programs, therefore, may well persist. For Congress, the issue is both how much to spend on defense and how to set priorities among major defense programs.

CRS Products

Appropriations for FY2001: Defense, by Stephen Daggett, CRS Report RL30505

Efficiencies in Defense Operations

The Changing U.S. Defense Industrial Base. (Daniel H. Else, Analyst in National Defense; Gary Pagliano, Specialist in National Defense) The end of the Cold War precipitated one of the greatest reductions in U.S. defense spending since the final months of World War II. DOD and the U.S. defense industry have struggled, coping with smaller defense budgets and changing threats to U.S. national security. The Cold War's end also transformed the defense business environment, marking the rapid worldwide globalization of economics and trade and changes in DOD policy toward the industry itself. Technological change, especially visible in the information processing and telecommunications industries, has forced convergence between civilian and military research and applications. Shrinking defense budgets

worldwide have forced manufacturers of defense products into heightened competition.

These factors compelled DOD to reassess its half-century relationship with the U.S. defense industrial base. As a result, DOD policy is changing in two major ways. First, because the lead in some state-of-the-art product lines had passed from defense to the commercial sector of the U.S. economy, DOD is reforming the way it buys equipment. And second, DOD has sought to reform structural aspects of the defense industrial base itself. Instead of continuing to support excess production capacity across the board, DOD has focused on preserving defense-unique manufacturing capabilities, allowing other U.S. defense firms to respond more freely to conventional market forces.

Congress has traditionally protected economically vulnerable parts of the defense industry that are critical to U.S. national security, but global changes in the economic and defense environments are posing new issues for the 107th Congress. First, continued mergers and acquisitions in the U.S. defense industry raise questions about maintaining competition. Some maintain that surviving firms have emerged healthier and more competitive, but others worry about the potential loss of technological innovation and price competition from fewer companies. Second, defense acquisition reform has encouraged military use of commercial products in military systems. Proponents of this approach cite the advantages of rapid access to new technologies for DOD and the adoption of efficient business practices. Others question the appropriateness of some products for military applications, and the ability of DOD to cope with the speed of obsolescence for commercial products. Third, globalization has increased cross-border flows of information and the availability of technology that could be used for military purposes.

The result has been pressure for the United States to ease defense-related technology transfer restrictions that could increase exports of U.S. systems, and help the U.S. defense supplier base. Critics of this logic, however, worry about the extra vigilance needed to prevent the unauthorized transfer of U.S. defense technology, potentially increasing U.S. vulnerabilities. This concern was shown when the Security Assistance Act of 2000 (P.L. 106-280) was passed requiring that countries desiring relief from some export licensing requirements must first create a domestic export control scheme conforming to the U.S. model (including the enactment of relevant local laws, regulations, and policies) and must execute a bilateral agreement with the United States, enforceable under international law, to compel adherence to its provisions.

CRS Products

The U.S. Defense Industrial Base: Trends and Current Issues, by Daniel Else, CRS
Report RL30720

Military Base Closures. (David E. Lockwood, Specialist in U.S. Foreign Policy and National Defense) A key issue for Members early in the 107th Congress will be whether or not to authorize new rounds of military base closures. The last

round, initiated in 1995, will be completed by the end of FY2001. For the past four years, DOD has pleaded for one or two more rounds, but to no avail. The Pentagon insists that new rounds are necessary in order to bring its base structure reduction (21%) into equilibrium with its force structure reduction (36%). It argues that maintaining an excessively large base structure costs money that is desperately needed to improve military readiness and develop new weapons programs.

Most Members acknowledge the need for additional rounds, but have been unwilling to authorize establishment of a new base closure commission until completion of the current congressional term. Two factors have contributed to the four-year moratorium: (1) continued resentment over President Bill Clinton's 1995 intervention that prevented the closing of McClellan and Kelly Air Force Bases, and (2) reluctance to impose hardship on communities that might be targeted for closure by a new commission. The change in Administrations, however, may provide an opportunity for Congress to address the issue in a less politically contentious context, and thereby open the door to one or two new rounds.

CRS Products

Military Base Closures: Time for Another Round?, by David E. Lockwood, CRS Report RL30051

Military Base Closures: Where Do We Stand?, by David E. Lockwood, CRS Report RL30440

Outsourcing, Privatization, and Infrastructure Initiatives. (Valerie Bailey Grasso, Analyst in National Defense) The Department of Defense (DOD) is trying to reduce its infrastructure costs to achieve savings that could help finance future weapons and military equipment modernization. DOD has identified competitive sourcing competitions between public and private sectors as a key tool to help reduce costs. Outsourcing and privatization initiatives through the OMB Circular A-76, and a closely-related initiative, the Federal Activities Inventory Reform Act (FAIR), have been viewed as one vehicle to improve the efficiency of DOD business practices, while streamlining their operational capabilities to produce budgetary savings to fund critical needs in readiness and modernization. Other innovative strategies, like strategic sourcing, have been pursued in an effort to generate savings not achieved through the OMB Circular A-76 alone.

Both the 105th and 106th Congresses passed a number of defense reform provisions that both supported and sought to qualify DOD's outsourcing and privatization initiatives. The 105th Congress passed the FAIR Act (P.L. 105-270), which requires that by June 30th of each year, federal agencies must submit annual lists of jobs that are potential candidates for outsourcing. Jobs must be classified as either (1) inherently governmental, (2) commercial, or (3) commercial-exempt. OMB released the first round of job lists on October 1, 2000. They showed 258,000 employees at 26 agencies, including DOD, qualifying for consideration. According to OMB, approximately 75% of those jobs could be outsourced. In February 2001, DOD released its final 2000 inventory of federal jobs that could be performed by private sector companies. Reportedly, out of some 452,807 civilian jobs that could

be performed in the private sector, approximately 39% of those jobs are likely candidates for outsourcing.³

The 106th Congress enacted the FY2001 Defense Appropriations Bill (P.L. 106-259) which prohibits the conversion of DOD functions from government to contractor performance unless a “Most Efficient Organization” analysis is completed and certified to House and Senate Defense Appropriations Subcommittees. The bill authorizes public-private competitions for depot maintenance and repair work, under certain conditions. The FY2001 Defense Authorization Bill (P.L. 106-398) mandates that the Comptroller General conduct two studies on (1) the use of “contract bundling” in military construction contracts (report due February 1, 2001), and (2) the policies and procedures governing the transfer of federal commercial activities from the public sector to the private sector (report due May 1, 2002); additionally, the Secretary of Defense is required to conduct a study on the impact of purchasing military parts, components and materials from foreign sources (due one year from bill enactment.)

The 107th Congress will likely face increased calls for a reshaping of the civilian defense acquisition workforce due to estimates that some 50% of workers will be retirement eligible in 2005, and may renew legislative efforts begun in the 106th Congress to analyze whether public-private defense competitions produce real, long-term savings.

CRS Products

Defense Acquisition Reform: Status and Current Issues, by Valerie Bailey Grasso, CRS Issue Brief IB96022

Defense Acquisition Workforce: Issues for Congress, by Valerie Bailey Grasso, CRS Report 98-938

Defense Outsourcing and the OMB Circular A-76 Policy, by Valerie Bailey Grasso, CRS Report RL30392

Defense Outsourcing and the OMB Circular A-76 Policy and Options for Congress - Proceedings from a CRS Seminar, by Valerie Bailey Grasso, CRS Report RL30574

Military Readiness

Edward F. Bruner, Specialist in National Defense

Readiness was a significant military issue addressed by the 106th Congress, and may well be a key issue for the 107th Congress. During the 2000 presidential and congressional campaigns, Democratic candidates argued that the Clinton Administration had made readiness a priority and that U.S. armed forces were

³ Saldarini, Katy. Final Round of Outsourcing Lists Released. *Government Executive*. February 12, 2001.

demonstrably the most powerful in the world. Republican candidates argued that the Administration was wearing out the forces through over use and had allowed many pockets of unreadiness to develop. The issue is complicated by the need for policy-makers to define the “ready for what” questions and military leaders to create accurate and useful measurements of the situation in the field, where material, quantifiable factors interact with human, subjective factors. In the last few years, Congress has legislated that DOD provide monthly readiness reports and the Pentagon has developed more sophisticated ways to apply unit status reports to assessments of overall joint force readiness to meet various contingencies. In recent testimony before Congress, the Joint Chiefs of Staff judged that the force was ready to execute the national military strategy by winning a first Major Regional Contingency (MRC), but that the added required ability to win a second MRC would involve higher risk. Service Chiefs then explained why “first to fight” units were ready, but that the rest of the force had serious readiness concerns.

The roots of readiness concerns today stem from various defense planning decisions taken since the end of the Cold War. Notably, the force structure (but not the infrastructure) was rapidly downsized by more than 30%; the defense budget was steadily decreased in real terms until FY1999; and military procurement and recapitalization were significantly reduced in favor of paying for current readiness and unbudgeted operations in such places as the Persian Gulf, Africa, Haiti, and the Balkans. A smaller force and greater commitments led to increased operations tempo for many units and their personnel and equipment.

Even greater stress was felt in high demand, low density specialized units such as electronic combat aircraft and light infantry. Weapons and vehicles age, require ever more maintenance, and consume funds that then become unavailable to purchase new weapons and vehicles – a condition labeled by some as a “death spiral.” Many training and support facilities have backlogs of deferred maintenance and some inventories are low; e.g., some fighter pilots are denied realistic training because equipment such as LANTIRN night navigation pods and selected munitions are not available at all training ranges. These conditions cumulatively have resulted in pockets of reduced readiness throughout all Services.

The 107th Congress may consider whether additional measures to improve readiness are needed and in what priorities. Options include reduction of operational requirements; increases or decreases in force structure; short term versus long term readiness; increased funding – for operation and maintenance, procurement, other procurement, or munitions; or more base closures. All of the material readiness problems noted above also affect human factors, such as proficiency and morale. For that reason, the 107th Congress may review or extend actions of the 106th in regards to personnel recruitment and retention, discussed below.

CRS Products

Appropriations for FY2001: Defense, by Steven Daggett, CRS Report RL30505

Electronic Warfare: EA-6B Aircraft Modernization and Related Issues for Congress, by Christopher Bolkcom, CRS Report RL30639

Personnel-related Concerns in Recruitment and Retention. (Robert L. Goldich, Specialist in National Defense) The military services have had considerable problems since the late 1990s in recruiting and retaining sufficient numbers of qualified military personnel. Although much less severe than the last episode of such problems in the late 1970s, these problems have required a great deal of high-level attention and increased resources before beginning to turn around, at least in the short run, in late 1999 and 2000. The broad reasons for difficulties in both attracting new recruits and retaining capable career personnel are similar; in addition, what a young person hears, accurately or not, about the benefits available to older career members with families can have an indirect effect on the enlistment decisions of young, prospective recruits as well. Despite recruiting statistics in 2000 which are much more encouraging than those of 1999, all of these recruitment and retention issues will continue to be of great concern to the Congress in 2001, being translated into legislation in the FY2002 defense authorization and appropriation bills.

Perhaps the single most important immediate factor is the need for the services to compete with actual and perceived career opportunities in a civilian economy currently in the midst of an expansion of unprecedented depth and length. To deal with this problem the Congress increased across-the-board pay levels and a variety of special pays in bouses—often at a faster pace and with greater concern than that stated by DOD (P.L. 106-65, FY2000 National Defense Authorization Act). In 1999, over DOD objections, Congress also repealed legislation first enacted in 1986 that would have considerably reduced the retired pay of those career members who would have begun to retire in 2006, but who were starting to make decisions to stay in or get out of the service in the late 1990s. In addition to cash compensation, recruiting and retention are also affected by the extent to which military personnel think they can afford modern housing of size and sophistication comparable to that in which their civilian counterparts live; health care for self and family that meets the same criteria; schools and educational benefits; and a sense of community that, often, civilian neighborhoods may not provide.

Another major reason for difficulty in recruiting and retention is armed forces that are too small to provide sufficient units, personnel, and equipment to meet requirements for both overseas deployments (long-term and unexpected contingencies) and maintenance of an adequately trained and equipped strategic reserve in the United States. This has led to overwork, insufficient time for units to train, and longer periods of family separation, all detrimental to career retention—and first enlistments, if prospective military recruits get a negative picture from older family members and friends. Some also suggest that, although it is difficult to measure, career retention may be affected by concern over “military social issues” such as DOD policy on homosexual conduct by military personnel and the roles of women in the military; military deployments for peacekeeping and/or humanitarian relief purposes; and actions which supposedly make military training insufficiently rigorous.

CRS Products

Military Health Care: The Issue of “Promised” Benefits, by David F. Burrelli, CRS Report 98-1006

Military Medical Care Services: Questions and Answers, by Richard A. Best, CRS Issue Brief IB93103

Military Retirement: Major Legislative Issues, by Robert L. Goldich, CRS Issue Brief IB85159

Missile Defense

NMD and the ABM Treaty. (Steven A. Hildreth, Specialist in National Defense; Amy L. Woolf, Specialist in National Defense) For several years, the Clinton Administration considered a plan to begin deploying a National Missile Defense (NMD) system of up to 100 ground-based interceptors, probably in Alaska, by 2005. In addition to the interceptors, a number of other radars would have to have been upgraded and a new missile defense radar constructed as part of the overall system. The official cost estimate for this system was about \$36 billion.

The proposed system was controversial. Some critics charged that the system was not necessary and too expensive, given the low likelihood of ballistic missile threats to the United States. On the other hand, some believed the system could not be deployed fast enough to counter imminent ballistic missile threats. Hence, many argued that other systems, such as a naval NMD could be deployed more easily, more quickly, and at less cost. Finally, other technical critics (both supporters and opponents of NMD) charged that the NMD technology envisioned in the plan was simply not ready for a deployment decision.

On September 1, 2000, President Clinton announced that he had decided **not** to authorize deployment of a National Missile Defense (NMD) system. He stated that he could not conclude “that we have enough confidence in the technology, and the operational effectiveness of the entire NMD system, to move forward to deployment.” Consequently, the planned deployment date of 2005 will slip, but research and development will continue and the United States will continue to discuss this system and possible changes to the ABM Treaty, with Russia. The President further stated that the final decision on deployment would be left to the next Administration. Officials in the Bush Administration have stated that they will support the deployment of NMD, and will likely develop a more robust architecture that includes land, sea, and space-based components.

The Clinton Administration’s planned architecture for NMD was inconsistent with the limits in the 1972 Anti-Ballistic Missile (ABM) Treaty. According to that Treaty, the United States can deploy a single ABM site, with up to 100 interceptors, around ICBM silo launchers or its national capital, neither of which are in Alaska. As a result, the Administration held discussions with Russia in an effort to modify the Treaty so that the United States could deploy a limited NMD in Alaska. Russia has refused to accept any modifications or amendments to the Treaty, arguing that any

changes would upset strategic stability and insisting that the U.S. deployment of an NMD in Alaska would eventually undermine Russia's nuclear deterrent. The Clinton Administration indicated that it might consider withdrawing from the Treaty, if Russia continued to refuse to modify it. That prospect angered many U.S. allies, including many in NATO, because they fear it could lead to an arms race that could eventually undermine stability and international nuclear non-proliferation objectives. Some Members of Congress have expressed similar concerns about the possible demise of the ABM Treaty. Other Members, however, believe that the ABM Treaty ceased to exist after the Soviet Union ceased to exist. And others argue that, even if the Treaty remains legally in force, the United States should withdraw from it so that it can deploy whatever defenses it needs to protect itself from emerging ballistic missile threats. Secretary of Defense Donald Rumsfeld has stated that he believes the treaty is antiquated and out of step with today's security environment.

The new Congress will face questions as to how best to proceed with NMD, largely through its oversight function and annual consideration of defense authorization and appropriations bills. Should NMD be focused on research and development or deployment? Should the system be ground-based or sea-based? Which technology path is best and sustainable from a budget perspective? How does the United States balance perceived threats and technological availability? How does the United States balance NMD and other foreign and defense policy priorities such as relations with key allies, adversaries, and competitors?

CRS Products

National Missile Defense and Early Warning Radars: Background and Issues, by Larry Chasteen, CRS Report RL30654

National Missile Defense: Issues for Congress, by Steven A. Hildreth and Amy F. Woolf, CRS Issue Brief IB10034

Modernization Issues⁴

Steven Daggett, Specialist in National Defense

Between FY1985, the peak of the defense buildup of the 1980s, and FY1998, after which spending began to turn up modestly, overall funding for national defense declined, after adjusting for inflation, by about 35%. Over the same period, funding for weapons procurement fell much more precipitously, dropping from \$138 billion (in FY2001 prices) to \$47 billion, a decline of almost two-thirds. In effect, defense policymakers decided to protect funding for short-term readiness at the expense of weapons acquisition.

In 1995, then-Secretary of Defense William Perry described recent defense budgets as a "procurement holiday." To a degree, he argued, the holiday was warranted, first, because the military services purchased large numbers of new

⁴For further reading, see Congressional Budget Office, *Budgeting for Defense: Maintaining Today's Forces*, by Lane Pierrot, September 2000.

weapons in the 1980s that were just entering the force; second, because older weapons were retired first as the size of the force declined, so the average age of equipment was falling even without new purchases; and, third, because threats to U.S. technological superiority eased dramatically with the end of the Cold War. The procurement holiday would have to end soon, Perry warned, because aging equipment in each of the services needed to be replaced and investments were needed to exploit rapidly advancing technology.

By the end of 1995, the Joint Chiefs of Staff made a strong pitch for greater procurement funding, urging an increase to \$60 billion a year beginning in FY1998. The Clinton Administration's FY2001 budget request included \$60.3 billion for procurement, finally reaching the Joint Chiefs' target; Congress approved \$62.8 billion for procurement in the FY2001 Defense Appropriations Bill (P.L. 106-259). As it has turned out, many defense proponents now see the \$60 billion procurement level as inadequate. Early in 2000, a study by the Center for Strategic and International Studies (CSIS), calculated that procurement budgets would have to average \$164 billion per year (in FY2000 prices) over the next decade to replace the weapons in the current inventory with more advanced versions. The assumptions underlying the study were widely questioned, but several less extreme estimates still show a shortfall of some magnitude. Most recently, the Congressional Budget Office estimated that it would cost about \$90 billion a year to sustain a "steady state" procurement rate – i.e., a rate at which enough major weapons would be bought every year to maintain roughly the current number of weapons in the stock, on the assumption that parts of the force will be allowed to grow older than has historically been the goal.

For its part, the Defense Department has acknowledged that procurement budgets may have to grow further in the future, even as senior officials have disputed projections by outside analysts. In congressional testimony in February 2000, Secretary of Defense Cohen stipulated that procurement budgets will have to grow substantially beyond \$70 billion a year in the period after FY2008, when several planned weapons programs are scheduled to begin production.

Along with the debate over the amount of money for needed procurement, there has been a vigorous debate about what kinds of weapons to buy in both the executive and legislative branches. Some advocates of defense "transformation" argue that many currently planned systems are inappropriate for the post-Cold War environment. Heavy armored weapons, like the Army's Crusader self-propelled artillery system, they say, are too bulky to transport rapidly enough to future conflicts. Similarly, some argue that short-range tactical aircraft, like the multi-service Joint Strike Fighter, which might have been useful for conflicts in Europe or the Persian Gulf, are ill-suited to possible future conflicts in the broader reaches of the Pacific. In view of budget constraints and requests for increased troop levels from some of the services, debates over major weapons programs may intensify in Congress in coming months.

CRS Products

Tactical Aircraft Modernization: Issues for Congress, by Christopher Bolkcom. CRS Issue Brief IB92115

Navy Zumwalt (Dd-21) Class Destroyer Program: Background and Issues for Congress, by Ronald O'Rourke, CRS Report RS20698

Personnel, Pay, Benefits, Quality of Life

Abortion. (David F. Burrelli, Specialist in National Defense) Since the late-1980s, the Administration and Congress have sparred over modifying the provisions and/or laws pertaining to the availability of abortion services via the Department of Defense. Under current law, funds available to DOD may not be used to perform abortions except where the life of the mother would be threatened if the fetus were carried to term. Further, DOD facilities may not be used to provide abortions except for the same "life of the mother clause" or in cases of rape or incest. Legislative attempts to modify, strike, or strengthen this language have become a routine part of the process of considering the National Defense Authorization Act.

Health Care. (David F. Burrelli, Specialist in National Defense) As a result of legislative initiatives in the FY2001 National Defense Authorization Act, military beneficiaries (especially retirees) will have greater access to health care benefits provided by the Department of Defense. These initiatives include "TRICARE for life" (access to health care after age 65 at a level exceeding most civilian programs), expanded pharmacy benefits, as well as the implementation of a funding mechanism known as accrual accounting. As a large and growing constituency, it is expected that military retirees will continue to seek greater benefits. Such benefits include but are not limited to long-term care.

Homosexuals in the Military. (David F. Burrelli, Specialist in National Defense) As implemented, following the enactment of the law barring open homosexuality in the military, the policy of "Don't Ask, Don't Tell" has remained contentious. Homosexual rights advocates claim that the policy is little more than a restatement of its predecessor in which homosexuals continue to be discharged for revealing their sexuality. Other critics contend that the policy is not consistent with the spirit of the enacted law and seeks to undermine the military's efforts to maintain good order and discipline. Furthermore, local schools and college campuses have threatened to deny or limit military recruiters' access as a result of this policy. Finally, a number of lawsuits exist challenging the policy. Efforts to change either the policy or the law should be anticipated in the 107th Congress.

Military Family Housing. (Mary Theresa Tyszkiewicz, Analyst in National Defense) DOD and the Congress have considered military family housing a key issue in their ongoing efforts to improve the service members' quality of life. The problem is that approximately two-thirds of DOD's nearly 300,000 family housing units need extensive renovation or replacement. The DOD has estimated that

fixing this problem using only traditional military construction methods would take 30 years and cost as much as \$16 billion.

DOD has embarked on a three-part program to fix the DOD family housing problem by 2010. Important authorities for the program were approved by Congress in the Military Housing Privatization Initiative (MHPI), in the FY1996 Defense Authorization Act (P.L. 104-106) and extended to December 2004 by the FY2001 Defense Authorization Act (P.L. 106-398). MHPI gave the Pentagon authority to obtain private sector financing by using such business tools as loan and rental guarantees; conveyance or leasing of existing property and facilities; differential lease payments; limited partnerships and stock/bond ownership; and direct loans. The two other important components of the program are to increase housing allowances to reduce demand for on-base housing and to enhance the traditional government-funded military construction program that will continue to fix on-base housing.

Progress of the MHPI has been slow and the 106th Congress was disappointed with the pace of privatization implementation. In evaluations of the MHPI in 1998 and 2000, the General Accounting Office (GAO) highlighted some concerns with the privatization initiative. The GAO recommended that the DOD create a privatization evaluation plan to be used consistently by all the Services. This plan should include performance measures, such as evaluation of each authority, comparison of actual to estimated costs of projects, assessment of developer performance, and collection of data on the use of and satisfaction with housing by service members. DOD agreed with GAO's recommendations and has begun to create an evaluation plan for FY2001.

The 107th Congress will likely continue to monitor the progress of the MHPI, the effect of increasing housing allowances on the demand for on-base housing and the improvement of the traditional military construction program for family housing.

Quality of Life Issues. (David F. Burrelli, Specialist in National Defense)

It is expected that legislative initiatives will be offered to increase benefits provided to surviving dependents under the Survivor Benefit Plan, increase basic pay to close the so-called "pay gap" between military personnel and civilians, and to reduce or eliminate the reduction of military retired pay when a retiree accepts disability benefits from the Department of Veterans' Affairs. Continued support for renovating and building new, privatized military housing can also be expected.

Women in the Military. (David F. Burrelli, Specialist in National Defense)

Efforts to expand the role of women in the military continued under the Clinton Administration. Efforts to reinstitute and expand the training of men and women in basic training continued as well, except in the Marine Corps. Attempts to open certain military occupations and environments to women have not always been successful. For example, the FY2001 Defense Authorization Act (P.L. 106-398) requires Congress to be notified before any changes are made concerning the assignment of women to submarines. Proponents view these as equal rights issues. Conversely, critics note the numerous cases of disruptive behavior brought about by co-mingling the sexes and the changes in training standards. These arguments support limiting the roles of women and/or returning to training standards in force before the reinstitution of "gender-integrated" training.

CRS Products

Abortion Services and Military Medical Facilities, by David F. Burrelli, CRS Report 95-387

Appropriations for FY2001: Military Construction, Mary T. Tyszkiewicz, CRS Report RL30510

Homosexuals and U.S. Military Policy: Current Issues, David F. Burrelli and Charles Dale, CRS Report RL30113

Military Health Care: The Issue of “Promised” Benefits, by David F Burrelli, CRS Report 98-1006

Military Medical Care Services: Questions and Answers, by Richard Best, CRS Issue Brief IB93103

Military Personnel and Food Stamps, by David F. Burrelli and Adrej Divis, CRS Report RL30529

Quadrennial Defense Review⁵**Stephen Daggett, Specialist in National Defense**

Since the end of the Cold War, the Defense Department has undertaken three major reassessments of defense policy – the Bush Administration’s “Base Force” analysis of 1990-1991; the Clinton Administration’s “Bottom-Up Review” of 1993; and the most recent Quadrennial Defense Review (QDR) of 1997. Now a fourth review – the second Quadrennial Defense Review – has been mandated by Congress and is due to be completed in September 2001. Like the 1997 QDR, QDR 2001 is likely to be partly a reaction to criticisms of earlier statements of strategy and partly an effort to reshape long-term defense plans in view of changing perceptions of international security challenges. The 1997 QDR put much greater emphasis than the Bottom-Up Review on assessing the impact of smaller scale contingency operations on the force. The new QDR may focus more on the prospects for a significant “transformation” of U.S. military forces. One key issue may be how to cope with a widely perceived mismatch between strategy and resources – many critics of the Bottom-Up Review and of the 1997 QDR have complained that both were “budget-driven” rather than “strategy-driven.” Another key issue may be whether the very inclusive, consensus-oriented process of the first QDR, which is being repeated in the new one, can lead to sufficiently far-reaching changes in defense policy. Although congressional reaction to previous defense policy reviews was mixed, Congress mandated the 2001 QDR in the FY2000 defense authorization bill, and many

⁵For further reading, see *Report of the National Defense University Quadrennial Defense Review 2001 Working Group*, by Michele Flournoy, November 2000, and General Accounting Office, *Quadrennial Defense Review: Opportunities to Improve the Next Review*, Report Number NSIAD-98-155, June 25, 1998.

Members of Congress will be following the results closely. The outcome of the QDR is likely to shape upcoming debate about defense policy in Congress and elsewhere.

Transformation

Army Transformation. (Edward F. Bruner, Specialist in National Defense) Army transformation as a congressional issue first appeared in the second session of the 106th Congress and will likely also engage the 107th. As background, U.S. Army heavy armored forces were victorious in the Persian Gulf War of 1991 and impressive in almost all facets – one exception being the length of time it took to deploy the force. During 1999, heavy force elements were deployed to Albania for possible combat alongside NATO in Serbia. Again, critics complained that the deployment took too long. Assessing this criticism and the most likely types of operations facing the Army in the post Cold War environment, the Army Chief of Staff initiated a program of transformation to provide the Army a new capability; namely, formations as deployable as light forces and as lethal and tactically mobile as heavy forces. Recognizing that fielding new technologies would take ten or more years, General Eric Shinseki, Army Chief of Staff, ordered the Army immediately to begin forming Interim Brigade Combat Teams based on existing equipment. By November 2000, contracts were ready to begin purchasing enough 20-ton Interim Armored Vehicles (IAV – deployable in C-130 aircraft) to outfit six to eight of the new brigades, at an estimated cost that could exceed \$7 billion.

The 106th Congress endorsed Army Transformation plans by appropriating some \$1.6 billion in FY2000 emergency supplemental funding, roughly twice the Administration's request. Congress did, however, caution against too much speed, by mandating a study that would consider using vehicles already in the inventory for the IAV requirement. The 107th Congress will likely review this fast moving program, not only on the IAV selection issue, but also as Army Transformation projects compete for funds with other Army programs. Army Transformation may also compete indirectly with programs in other Services or become embroiled in larger issues emerging from the Quadrennial Defense Review (discussed above).

CRS Products

Army Aviation: The RAH-66 Comanche Helicopter Issue, by Christopher Bolkom, CRS Report RS20522

Army Transformation and Modernization: Overview and Issues for Congress, by Edward F. Bruner, CRS Report RS20787

Information Warfare (IW).⁶ (Steven A. Hildreth, Specialist in National Defense) In light of modern reliance on information and computer networks, IW raises issues of growing national importance. Some argue information warfare

⁶Information warfare can be used to describe the various aspects of defending and attacking information and computer networks, as well as denying an adversary's ability to do the same.

promises to bring about a revolution in the way war is fought in the 21st century; others believe it will play an important, but less decisive role in future conflicts. Some analysts estimate that more than 20 countries have directed various kinds of information operations against the United States, prompting some to argue we are essentially at “war” in cyberspace.⁷ In addition, a number of observers raise concerns over the potential for cyberterrorism.

Although the United States has sought to consolidate responsibility for information warfare, it is not clear how successful this effort will be. Congress may choose to examine critically the policies, organization, and legal framework that guides executive branch decisionmaking on IW issues. Additionally, two bills affecting cyberterrorism were introduced in the 106th Congress: H.Con.Res. 282, a bill that would have designated cyberterrorism as an emerging national threat, and S. 2448, the “Internet Integrity and Critical Infrastructure Protection Act of 2000.” Although neither bill was enacted into law, similar legislation is likely to be considered in the 107th Congress.

CRS Products

Critical Infrastructures: Background and Early Implementation of PDD-63, by Jack Moteff, CRS Report RL30153

Cyberwarfare, by Steven A. Hildreth, CRS Report RL30735

Tactical Aviation. (Christopher Bolkcom, Analyst in National Defense)

The 107th Congress is likely to face a broad range of military aviation issues as part of its role in the defense budget process. Procurement of new aircraft, the modernization and maintenance of current capabilities, and spending on science and technology will be issues. However, the larger issue likely to face Congress is the friction caused by making tradeoffs between these areas as it determines the investment priorities for military aviation in a fiscally constrained environment.

A noteworthy characteristic of current air power investment priorities is that DOD is spending a relatively large portion of its budget to procure just a few new types of fighter aircraft – the F-22 Raptor, F/A-18E/F Super Hornet, and Joint Strike Fighter. Many analysts assert that while DOD focuses on these procurement programs, much of the air component is aging and wearing out quickly due to low numbers and high operational tempo: examples include the EA-6B electronic warfare aircraft, the U-2 surveillance aircraft, the EP-3E electronic intelligence aircraft, and the E-3 AWACS.

In addition to questions about the need to replenish these overworked aircraft, there has been discussion about aircraft readiness and reliability. Chief of Staff of the Air Force, General Michael Ryan testified that, despite spending an additional \$2.5

⁷Cyberspace is the total interconnectedness of human beings through computers and telecommunication without regard to physical geography. The term is often used as a metaphor for describing the non-physical terrain created by computers systems and networks.

billion per year since 1998 to reverse near term readiness declines, Air Force near-term readiness has not turned around.⁸ Decreases in readiness are caused by past under funding of spares, high operations tempo, loss of experienced airmen, and an aging aircraft fleet. Readiness concerns are not confined to the Air Force. Army officials have also expressed concern about lack of funds to keep the helicopter fleet reliable. Furthermore, a recently completed study found that the Air Force's strategic airlift fleet is roughly 10 million ton miles per day short of the current requirement. This shortfall may most heavily affect the Army.

There were expressions of concern in the 106th Congress over Air Force science and technology funding. A bill (H.R. 5490) was introduced late in the legislative calendar to address this perceived shortfall. Again, the Air Force's emphasis on near term procurement at the expense of science and technology was at the root of the concern. However, those in favor of spending on new fighter aircraft procurement argue that unless the United States is able to achieve and maintain air superiority, it will not be able to conduct any of the other air operations described above. They contend that because the current fighter aircraft fleet is aging and will increasingly be unable to guarantee air superiority, relatively high levels of fighter aircraft procurement are critical to overall warfighting capabilities.

CRS Products

Electronic Warfare: EA-6B Aircraft Modernization and Related Issues for Congress,
by Christopher Bolkcom, CRS Report RL30639

Joint Strike Fighter Aircraft Program, by Christopher Bolkcom, CRS Report RL30563

Tactical Aircraft Modernization Issues, by Christopher Bolkcom, CRS Issue Brief
IB92115

Use of Force and Contingency Operations

Steven R. Bowman, Specialist in National Defense

Richard F. Grimmett, Specialist in National Defense

The use of U.S. military forces abroad in the post-Cold War era has become a topic of notable controversy in recent years. Congress has debated the purpose, scope, funding, and duration of foreign military operations, from Somalia to Haiti to the former Yugoslavia. The President's decisions to introduce U.S. armed forces into various operations abroad have been challenged, especially when it might lead to their involvement in hostilities. Congressional debates have been especially intense over use of American military forces in peacekeeping operations such as those in the former Yugoslavia in support of NATO and UN operations. In the 106th Congress some House Members brought suit in federal court seeking a judgement that the President had acted unconstitutionally in using military forces against Serbia, in violation of the War Powers Resolution. The courts dismissed the suit on grounds of standing. There have been serious disagreements between the President and the Congress over what

⁸Testimony before the Senate Armed Services Committee, September 27, 2000.

constitutes a proper use of American military force abroad in the service of U.S. foreign policy goals. Equally significant has been the lack of consensus on what constitutes a vital U.S. national security interest abroad. Until a broader degree of agreement on the appropriate use of U.S. military force abroad is achieved, there are likely to be periodic clashes between the President and Congress over the wisdom of given foreign military operations and the funding necessary to carry them out.

Aside from the constitutional issues, Congress has raised a number of other concerns arising from the dramatically increased number and duration of contingency operations in the last decade. Perhaps paramount has been the concern over the impact on unit readiness for engagement in a larger conflict. Peace-keeping assignments entail special training, then deployment, followed by retraining for combat missions upon return – often a 15-month cycle during which the unit is not available or “ready” for combat operations. Repeated and/or lengthy overseas deployments are believed to be contributing to personnel retention problems, particularly among Air Force pilots. Increased operational tempo has raised equipment maintenance costs and shortened equipment life-spans, thereby increasing the need for recapitalization of procurement programs. Peacekeeping operations in hostile areas (e.g., the Persian Gulf) have increased the exposure of U.S. personnel to terrorist acts (e.g., the Khobar Towers and U.S.S. Cole bombings), and necessitated greatly increased force protection efforts. All of these concerns have raised congressional interest in ways to encourage U.S. allies to assume greater responsibilities in contingency operations, particularly those of long duration that present little likelihood of major combat.

The version of the FY2001 DOD Authorization Act (H.R. 4205) passed by the House included a provision that could have required the withdrawal of U.S. troops from the Balkans. This provision was removed in the House-Senate conference. However, extensive reporting requirements on allied burden-sharing in the Balkans were established in the final act signed by the President (P.L. 106-398). In consideration of the FY2002 DOD budget request, it is likely the 107th Congress will continue to scrutinize contingency operations and their impact on U.S. armed forces.

CRS Products

Bosnia: U.S. Military Operations, by Steven R. Bowman, CRS Issue Brief IB93056

Iraq - U.S. Confrontation, by Alfred B. Prados and Kenneth B. Katzman, CRS Issue Brief IB94049

Kosovo: U.S. and Allied Military Operations, by Steven R. Bowman, CRS Issue Brief IB10027

Peacekeeping: Issues of U.S. Military Involvement, by Nina Maria Serafino, CRS Issue Brief IB94040

The War Powers Resolution After Twenty-five Years, by Richard F. Grimmett, CRS Report RL30308

War Powers Resolution: Presidential Compliance, by Richard F. Grimmett, CRS Issue Brief IB81050