

## The More Things Change:

# Foreign Aid Budget Looks Like a Retread from the Cold War

By Jim Lobe | February 19, 2004

If the “war on terror” is beginning to look increasingly like the cold war, then President George W. Bush’s fiscal year (FY) 2005 foreign-aid request will not change that impression.

While Bush is proposing to increase funding for his two key anti-poverty initiatives, the Millennium Challenge Account (MCA) and anti-AIDS money for African and Caribbean countries, he is also cutting funds for other key humanitarian and development accounts. At the same time, the president is asking Congress to increase by more than one billion dollars military and security assistance, particularly to key “front-line” states in the “war on terror”. Those two categories, which include anti-drug aid and proliferation categories, would make up nearly one-third of all U.S. foreign aid under Bush’s request, roughly the same percentage of total foreign aid when the cold war reached its height during the 1980s.

Under Bush’s proposals, credits for foreign militaries to buy U.S. weapons and equipment would increase by some \$700 million to nearly \$five billion, the highest total in well over a decade. Even including the military credits, the total foreign aid proposal, which is included in a record federal budget request of some \$2.4 trillion, amounts to a mere five percent of what Bush is requesting for the Pentagon next year.

Under his plan, military spending—which already constitutes roughly one-half of the world’s total military expenditures—would rise by some seven percent, to \$402 billion in FY 2005, which begins Oct. 1. That figure does not include an anticipated \$50 billion more that the administration is expected to request to fund military and related operations in Iraq and Afghanistan later in the year.

The total budget request now goes to Congress, where even members of Bush’s own Republican Party say he is unlikely to get everything he wants in view of the record budget deficits being forecast well into the future as a result of the president’s tax cuts and military spending hikes.

## Deficits and Spending

The projected deficit for FY 2005 now stands at some \$521 billion, an amount that makes even the free-spending Ronald Reagan look like Charles Dickens’ Ebenezer Scrooge. So great is the deficit—and the accumulating debt—that even the normally deferential International Monetary Fund warned recently the United States is approaching a fiscal crisis that threatens global financial stability.

To accommodate the big increases in defense and homeland security, the overall budget proposes significant cuts to agriculture, transportation and environmental protection, among other non-security-related items.

Bush’s foreign-aid plan actually marks an increase over 2004 levels, although much of the additional money is explained by greater spending on security for U.S. embassies and personnel overseas.

As in previous years, Israel and Egypt are the biggest bilateral recipients under the request, accounting for nearly five billion dollars in aid between them. Of the nearly three billion dollars earmarked for Israel, most is for military credits. But other countries, particularly those—like Turkey, Jordan, Pakistan, Indonesia, and the Philippines—considered critical in the “war on terror,” will also see significant increases in credits and aid, some of it from the Economic Support Fund (ESF)—a category of security assistance used during the cold war to give support to key geo-political allies.

ESF, which fell sharply in the 1990s, will increase by some \$400 million over last year’s level, or more than 20 percent, to more than \$2.5 billion if Bush’s proposal is approved. Pakistan will get nearly \$700 million under the plan, while Jordan will get \$459 million. Aid to Afghanistan, which is scheduled to hold elections for the first time in June despite a year-long resurgence of the former Taliban regime, is slated at \$1.2 billion.



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Non-proliferation and counter-terror assistance is due to rise \$50 million to more than \$400 million in FY 2005, while international narcotics control programs—some of which will no doubt be directed at skyrocketing growth in opium production in Afghanistan—would receive nearly \$360 million, a whopping increase of \$120 million over FY 2004. Andean counter-drug programs will remain constant at about \$731 million, while Colombia, whose counter-insurgency drive has Bush's strong support, is slated for \$459 million.

The budget also provides for a sharp increase for U.N. and other multilateral peacekeeping operations. Similarly, Washington will provide substantially more to the United Nations and its affiliated agencies, consistent with increases in their budgets.

The increases in military and ESF funding will come largely at the expense of humanitarian and development assistance, whose core programs, such as education and child and maternal health, will be reduced by about \$400 million in 2005, according to a budget analysis by InterAction, a coalition of 160 U.S. relief and development groups.

## Increase for Signature Initiatives

Bush is also proposing increases in spending on two of his signature initiatives: the MCA and the global AIDS initiative.

The MCA is supposed to reward countries with per capita incomes of less than \$1,445 that have implemented far-reaching economic reform, shown respect for human

rights, and compiled strong records in fighting corruption. Designed to increase U.S. development aid by as much as five billion dollars a year by 2006, the MCA was formally launched Monday when its initial board of directors—an inter-agency group—met for the first time. It already has one billion dollars at its disposal, and Bush is asking for another \$2.5 billion in FY 2005, \$800 million less than what he called for two years ago. But the agency, which will be administered by a relatively small staff independent of the U.S. Agency for International Development (USAID), has yet to compile a comprehensive list of eligible countries under the prescribed criteria, and how the criteria will be applied precisely remains uncertain.

As for the global AIDS initiative, Bush is asking for \$2.8 billion for FY 2005, \$800 million under the amount authorized by Congress last year, but still \$400 million more than FY 2004. In light of the urgent nature of the threat posed by AIDS—which killed an estimated three million people last year, about 75 percent of them in Africa—AIDS activists have strongly urged the president to provide \$3 billion a year over the life of the five-year program.

The new request also proposes only \$200 million in FY 2005 for the Global Fund to Fight AIDS, Tuberculosis and Malaria, the multilateral facility designed to quickly disburse assistance to deserving projects at the local and national level. Congress last year approved \$550 million to the fund despite the administration's objections.

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*(Jim Lobe <jlobe@starpower.net> is a political analyst with Foreign Policy in Focus (online at [www.fpif.org](http://www.fpif.org)). He also writes regularly for Inter Press Service.)*

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