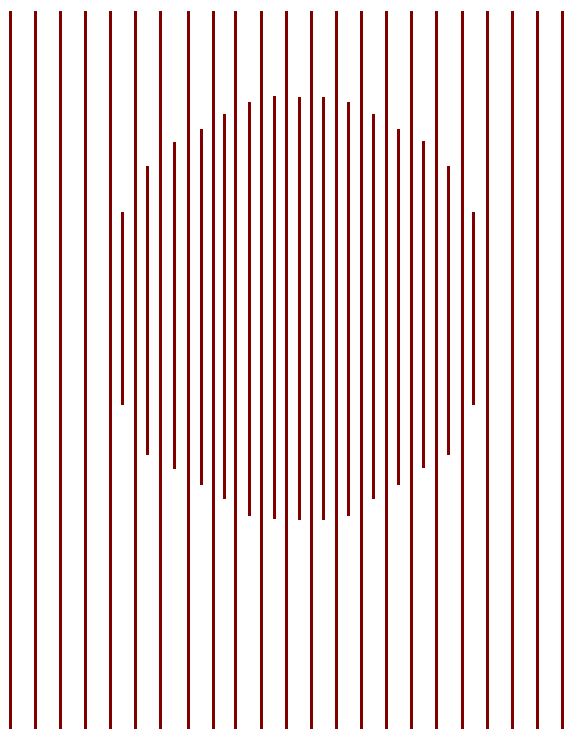


CBO PAPERS

THE ANDEAN INITIATIVE: OBJECTIVES AND SUPPORT

March 1994



CONGRESSIONAL BUDGET OFFICE

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**CONGRESSIONAL BUDGET OFFICE
SECOND AND D STREETS, S.W.
WASHINGTON, D.C. 20515**

NOTES

Numbers in the text and tables of this paper may not add to totals because of rounding.

All years are fiscal years unless otherwise noted.

All figures are in nominal terms unless otherwise noted.

PREFACE

In September 1989, the Bush Administration inaugurated a broad-based counternarcotics strategy. One component of that strategy, the so-called Andean Initiative, was intended to stem the flow of cocaine into the United States by reducing production and trafficking in Colombia, Peru, and Bolivia. As submitted in 1989 and revised in later years, the initiative called for substantial increases in narcotics-related funding for the three countries.

The Clinton Administration is reviewing the size and effectiveness of the U.S. counternarcotics strategy, including funding for programs to combat illegal drugs in Colombia, Peru, and Bolivia. (President Clinton submitted the 1994 publication of the *National Drug Control Strategy* to the Congress in February 1994. Although this report contains references to that strategy, including an appendix with budget information, the Congressional Budget Office (CBO) has not fully analyzed or applied its contents to the text of this report.) Moreover, the Congress has expressed concerns about the efficacy and future of the Andean Initiative and has placed a moratorium on certain types of economic and military assistance appropriated for the initiative under the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1994. As this report is being printed, the Administration and the Congress are working to alleviate those concerns and end the moratorium.

This paper was requested by the House Committee on Foreign Affairs to provide a clear and consistent measure of past funding on which to base future policy decisions. Using data provided by key executive branch departments and agencies, this report documents the funding and other resources used to support the Andean Initiative over the 1990-1992 period, along with estimates of support for 1993 and 1994. In so doing, CBO finds a significant gap between the funding suggested by the Bush Administration and the funding and other resources obligated during the 1990-1994 period.

Victoria A. Greenfield of CBO's Natural Resources and Commerce Division wrote the report under the supervision of Jan Paul Acton and Elliot Schwartz. Melissa L. Sampson of CBO's Tax Analysis Division provided budget estimates for the Andean Trade Preference Act. Stephen M. Celio, Kent R. Christensen, Michael O'Hanlon, and Joseph C. Whitehill, also of CBO, offered useful comments and suggestions. The author wishes to thank Raphael F. Perl of the Congressional Research Service for his helpful insights. A draft of this paper was circulated for comment and verification to each of the departments and agencies that provided data.

Sherwood Kohn edited the manuscript, and Christian Spoor provided editorial assistance. Aaron Zeisler produced the figures. Donna Wood produced the tables, and she and Angela Z. McCollough prepared the paper for publication.

Robert D. Reischauer
Director

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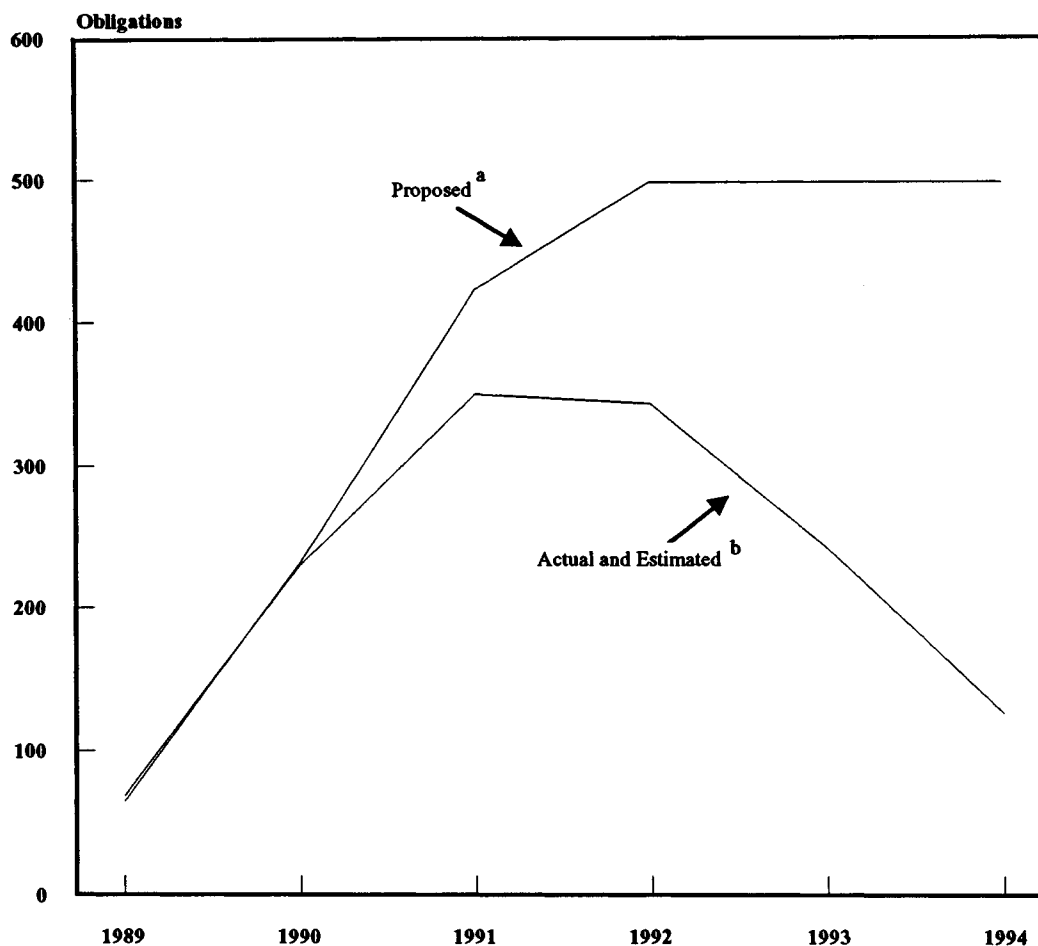
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SUMMARY

The Andean Initiative--the Andean component of the U.S. counternarcotics strategy--was introduced by the Bush Administration in 1989 and revised in later years. It was intended to stem the flow of cocaine into the United States by reducing drug production and trafficking in Colombia, Peru, and Bolivia. In recent years, the initiative has claimed a small and declining fraction of the overall budget for the war on drugs, but the level of funding is still significant. Now, at a time when the resources of the Treasury are stretched especially thin, funding for the initiative is under review.

In 1990, the Bush Administration issued a proposal for a five-year program of "Andean Strategy Narcotics-Related Funding" to support the initiative. The proposal, which called for about \$2.1 billion during the 1990-1994 period, included funding for economic and military assistance, law enforcement, and support from the U.S. Drug Enforcement Administration in Colombia, Peru, and Bolivia. Although year-to-year comparisons of funding are difficult, it is clear that the Bush Administration intended significant increases in counternarcotics funding for the three countries (see Figure S-1). Moreover, based on assessments of actual and estimated obligations for the 1990-1994 period, it is also clear that the intended increases have not and will not be met. Among the many factors contributing to the estimated shortfall are cutbacks in funding for Peru (following President Fujimori's decision to suspend the Peruvian constitution in 1992), overall cutbacks in funding for military assistance, emerging needs for economic assistance in other regions, and tightening budgetary constraints.

FIGURE S-1. SUPPORT FOR THE ANDEAN INITIATIVE: THE BUSH ADMINISTRATION'S PROPOSAL FOR FUNDING COMPARED WITH ACTUAL AND ESTIMATED LEVELS OF FUNDING
(By fiscal year, in millions of dollars)



SOURCES: Congressional Budget Office based on data from the following agencies and departments of the U.S. government: the Agency for International Development, Office of Planning and Budget, Finance and Administration; Agency for International Development, "Congressional Presentation" (fiscal years 1991-1994); Defense Security Assistance Agency, Legislative and Planning Division; Defense Security Assistance Agency, FMS Control and Reports Division, "Foreign Military Sales, Foreign Military Construction Sales and Military Assistance Facts, as of September 1992;" Department of Justice, Drug Enforcement Administration; Department of State, Bureau of International Narcotics Matters; Department of State, Office of Legislative Affairs; Department of State and Defense Security Assistance Agency, "Congressional Presentation for Security Assistance Programs" (fiscal years 1991-1994); and Office of National Drug Control Policy.

NOTE: This figure includes funding for military and economic assistance, law enforcement, and support from the U.S. Drug Enforcement Administration in Colombia, Peru, and Bolivia. For additional information, see Box 2 and Tables 1-4.

a. The Bush Administration issued a proposal for funding for the 1990-1994 period with a comparative assessment of funding for 1989 (dated June 20, 1990).

b. "Actual funding" refers to the 1989-1992 period and "estimated funding" refers to the 1993-1994 period.

INTRODUCTION

The Andean Initiative, broadly defined, is the Andean component of the U.S. counternarcotics strategy. Introduced by the Bush Administration in 1989 and revised in later years, it was intended to stem the flow of cocaine into the United States by reducing drug production and trafficking in Colombia, Peru, and Bolivia. (Taken together, these three "source countries" account for the majority of all cocaine production.) In recent years, the Andean Initiative has claimed a small and declining fraction of the budget for the war on drugs, but the level of funding remains significant. Based on current estimates for 1994, funding for the initiative will claim about 1 percent of a budget of approximately \$12 billion, down from about 2 percent in 1993.

Now, at a time when the resources of the Treasury are stretched especially thin and the counternarcotics policies of the Clinton Administration are under review, the Congress is questioning the value of the initiative and the merits of additional funding for the Andean region. In particular, the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1994 specified that certain forms of economic and military assistance appropriated by the act may not be made available for the Andean Initiative until the Secretary of State consults with and provides a new Andean counternarcotics strategy (with budget estimates) to the Appropriations Committees.¹

The process of review raises a number of important questions regarding the nature, implementation, and achievements of the Andean Initiative:

- o What were the objectives of the initiative and to what extent did the Bush Administration call for additional narcotics-related funding for Colombia, Peru, and Bolivia?
- o How was the initiative carried out in terms of funding and other resources under the Bush Administration, and how has it been carried out, thus far, under the Clinton Administration?
- o What has the initiative achieved?

1. See section 561 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1994 (P.L. 103-87). The 1994 publication of the *National Drug Control Strategy* indicates a renewed interest in source-country programs. It contains a budget summary and funding request for 1995, but the moratorium is still in effect. (See Appendix A for a summary of the Andean component of the strategy and the President's request for funding.)

This paper focuses on the first and second questions, examining the objectives of the initiative, the programs used to support it, and the funding and other resources committed to those programs. The Congressional Budget Office (CBO) does not attempt to evaluate the merit or achievements of the initiative. The General Accounting Office, the Congressional Research Service, and others have approached this and related issues in separate reports.² Regardless of whether the initiative was "optimal," it provides a yardstick for assessing the intentions of the Bush Administration and for measuring actual and estimated levels of funding over the 1990-1994 period.

In June 1990, the Bush Administration proposed funding for the Andean Initiative of about \$2.1 billion during the 1990-1994 period, to be channeled through economic and military assistance, law enforcement programs, and support from the Drug Enforcement Administration (DEA). Although year-to-year comparisons of funding are difficult, it is clear that the Bush Administration intended significant increases: roughly speaking, the level of funding in 1994 would have been more than seven times higher than that in 1989. But it is also clear, based on assessments of actual and estimated obligations for the 1990-1994 period, that the intended increases have not and will not be met. Among the many factors contributing to the estimated shortfall are cutbacks in funding for Peru (following President Fujimori's decision to suspend the Peruvian constitution in April 1992), overall cutbacks in funding for military assistance, emerging needs for economic assistance in other regions, and tightening budgetary constraints. (For a survey of budget terms used in this report, see Box 1.)

THE OBJECTIVES OF THE ANDEAN INITIATIVE AND PROPOSED LEVELS OF FUNDING

Broadly defined, the Andean Initiative is the Andean component of the U.S. counternarcotics strategy. The Bush Administration introduced the initiative in 1989 and revised it in later years to strengthen support for counternarcotics programs in Colombia, Peru, and Bolivia.³ Narrowly defined, it is section 2

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2. For an overview of preliminary findings, see Raphael F. Perl, *The Andean Drug Initiative: Background and Issues for Congress*, 92-172F (Congressional Research Service, February 13, 1992). For an updated assessment of the war on drugs in Colombia, see General Accounting Office, *The Drug War: Colombia Is Undertaking Antidrug Programs, but Impact Is Uncertain*, GAO/NSIAD-93-158 (August 1993). In addition, see James Brooke, "U.S. Aid Hasn't Stopped Drug Flow From South America, Experts Say," *The New York Times*, November 21, 1993, p. 10.
 3. Under the Clinton Administration, Chapter 5 of the 1994 publication of the *National Drug Control Strategy*, entitled "Focusing on Source Countries," describes "Drug-Specific Approaches" and a "Cocaine Strategy" for the Andean region (see Appendix A).

of the International Narcotics Control Act of 1989, entitled the "Andean Drug Initiative." (Unless otherwise noted, this paper uses the broad definition.)

In September 1989, the Bush Administration submitted a national drug control strategy to the Congress. The strategy included a chapter entitled "International Initiatives" that outlined a set of objectives for the Andean region. Shortly thereafter, the Congress adopted the International Narcotics Control Act of 1989 with its "Andean Drug Initiative," which established a foundation for future legislation. In 1990, the Bush Administration revised its initial objectives and in 1991 added a new objective, namely, to promote legitimate income-earning activities in the Andean countries to offset the economic effects of the intended reductions in cocaine production and trafficking. In December 1991, in a move largely related to the fourth and final objective, President Bush signed the Andean Trade Preference Act.

The Bush Administration's Drug Control Strategy and Subsequent Legislation

On September 5, 1989, President Bush unveiled a broad-based counter-narcotics strategy in the 1989 publication of the *National Drug Control Strategy*, a 154-page report covering international and domestic issues.⁴ The report asserted the importance of economic and political considerations in the Andean region and concluded that the "challenge is to motivate the governments of cocaine producer countries to cooperate with us in significantly damaging the cocaine industry, while proceeding with anti-drug programs of their own."⁵ It advocated a "comprehensive and sustained multi-year effort, involving economic, military, and law enforcement support," calling for cooperation from the governments of cocaine-producing countries to meet the challenge.⁶ Moreover, the report called for an Andean drug summit and a number of other foreign policy initiatives to support the effort.

For the Andean region, the report cited five specific objectives, namely:

- o ". . . isolation of major coca-growing areas in Peru and Bolivia;
- o ". . . interdiction in these countries of the delivery of essential [precursor] chemicals used for cocaine processing;

4. The President submitted the report to the Congress in accordance with the requirements of section 1005 of the Anti-Drug Abuse Act of 1988 (P.L. 100-690).

5. See Office of National Drug Control Policy, *National Drug Control Strategy* (September 1989), p. 63.

6. *Ibid.*, p. 63.

BOX 1.
GLOSSARY OF BUDGET TERMS

The descriptions in this glossary are based on *A Glossary of Terms Used in the Federal Budget Process, Exposure Draft*, published by the General Accounting Office in January 1993. In some cases, they have been abbreviated to be consistent with the specific content or use of this report. For that reason, the descriptions may not apply in other contexts.

Appropriation act: A statute, under the jurisdiction of the House and Senate Committees on Appropriations, that generally authorizes federal agencies to incur obligations and make payments out of the Treasury for specified purposes.

Authorizing legislation: Substantive legislation that establishes or continues the operation of a federal program or agency either indefinitely or for a specific period of time or that sanctions a particular type of obligation or expenditure within a program. Authorizing legislation is normally a prerequisite for appropriations. It may place a limit on the amount of budget authority to be included in appropriation acts or it may authorize the appropriation of "such sums as may be necessary."

Budget authority: Authority provided by law to enter into financial obligations that will result in immediate or future outlays of federal funds. It may be classified by its duration (one-year, multiple-year, or no-year), the timing of the legislation providing the authority (current or permanent), the manner of determining the amount available (definite or indefinite), or its availability for new obligations. The basic forms of budget authority are:

- o *Appropriations:* Authority given to federal agencies to incur obligations and to make payments from the Treasury for specified purposes. An appropriation act, the most common means of providing budget authority, usually follows the enactment of authorizing legislation, but in some cases the authorizing legislation itself provides the budget authority.
- o *Borrowing authority:* Authority that permits agencies to incur obligations and make payments to liquidate obligations out of borrowed moneys.
- o *Contract authority:* Authority that permits obligations to be incurred in advance of appropriations or receipts.

BOX 1.
CONTINUED

- o *Offsetting receipts and collections:* Authority to obligate and expend the proceeds of offsetting receipts and collections.

Deobligations: An agency's cancellation or downward adjustment of previously recorded obligations.

Earmarking: Either of the following:

- o Dedicating collections by law for a specific purpose or program.
- o Dedicating appropriations for a particular purpose. Legislative language may designate any portion of a lump-sum amount for particular purposes.

Obligations incurred: Amounts of orders placed, contracts awarded, services received, and similar transactions during a given period that will require payments during the same or a future period. Such amounts will include outlays for which obligations have not been previously recorded and will reflect adjustments for differences between obligations previously recorded and actual outlays to liquidate those obligations.

Outlay: The issuance of checks, disbursements of cash, or electronic transfer of funds made to liquidate a federal obligation. Outlays during a fiscal year may be for payment of obligations incurred in previous years or in the same year. Outlays, therefore, flow in part from unexpended balances of budgetary resources from previous years and in part from budgetary resources previously provided for the year in which the money is spent.

Reobligation: Obligation of deobligated funds for another purpose.

Rescission: Legislation enacted by the Congress that cancels the availability of budgetary resources previously provided by the law before the authority lapses.

SOURCE: General Accounting Office, *A Glossary of Terms Used in the Federal Budget Process, Exposure Draft*, GAO/AFMD-2.1.1 (revised January 1993).

- o ". . . destruction of cocaine hydrochloride processing facilities;
- o ". . . dismantling of drug trafficking organizations; and
- o ". . . eradication of the coca crop when it can be made an effective strategy."⁷

In accordance with section 1005 of the Anti-Drug Abuse Act of 1988 (P.L. 100-690), the report also contained measurable objectives. For example, it specified a 10 percent reduction in the estimated amounts of cocaine, marijuana, heroin, and other dangerous drugs entering the United States in two years.⁸ (The report also specified a 50 percent reduction in 10 years.) The report did not contain a specific recommendation for additional funding for the war against illegal narcotics in the Andean region, but its emphasis on cocaine production, distribution, and consumption suggests that a significant portion of the proposed increase in international funding--an increase of about \$199 million compared with the enacted budget for 1989--was intended for counternarcotics activities in Colombia, Peru, and Bolivia.⁹ Final estimates of budget authority for the international component of the antidrug effort suggest that the actual increase was \$196 million; from \$304 million in 1989 to about \$500 million in 1990 (including authority to draw down defense articles and services, and military education and training valued at \$65 million in 1989 and \$53.3 million in 1990).¹⁰

Two months later, on December 13, President Bush signed the International Narcotics Control Act of 1989. The new legislation expanded the scope of the Bush Administration's initial strategy by addressing a number of related issues. Section 2 of the act specifically described an "Andean Drug Initiative."¹¹ Subsection (a) of the initiative, "Findings Relating to Economic Assistance Needs," placed the Andean region at the forefront of the international offensive and set the tone for future legislation. According to subsection (a):

7. *Ibid.*, p. 63.

8. Section 1005 defined a two-year period beginning on the date of submission of the strategy.

9. See Office of National Drug Control Policy, *National Drug Control Strategy* (September 1989), p. 113.

10. See Office of Management and Budget, *Federal Drug Control Programs, Budget Summary* (April 8, 1993; revised April 23, 1993), Historical Summaries.

11. See section 2 of the International Narcotics Control Act of 1989 (P.L. 101-231).

- o ". . . it is crucial to the international antidrug effort that funds be made available for crop substitution programs and alternative employment opportunities to provide alternative sources of income for those individuals in major coca producing countries who are dependent on illicit drug production activities, as well as for eradication, enforcement, rehabilitation and treatment, and education programs in those countries; and
- o ". . . the United States and other major donor countries (including European countries and Japan) should provide increased economic assistance, on an urgent basis, to those major coca producing countries which have taken concrete steps to attack illicit coca production, processing, and trafficking, by eradication, interdiction, or other methods which significantly reduce the flow of cocaine to the world market."

Subsection (b) urged the Director of National Drug Control Policy to submit a plan to the Congress in February 1990--as part of the annual *National Drug Control Strategy*--addressing the needs outlined in subsection (a). Subsection (c) urged the President "in the strongest possible terms" to include a number of issues in the formal agenda of the Andean Summit. As suggested in September 1989, a meeting between the heads of government of the United States, Colombia, Peru, and Bolivia had been scheduled for February 1990.¹² The Congress identified five issues (or perceived needs) for the summit agenda, namely:

- o Bilateral and multilateral antidrug efforts that make funds available for crop-substitution programs and alternative employment opportunities in major coca-producing countries, as well as for eradication, enforcement, rehabilitation and treatment, and education programs in those countries;
- o Initiatives to improve and expand antidrug efforts in the Andean region, including the use of United States international economic, commercial, and other policies;
- o Previous bilateral discussions aimed at increasing multilateral economic development assistance from Japan, Canada, and Western European countries for antidrug efforts in the Andean region;

12. The Andean Summit convened in Cartagena, Colombia, on February 15, 1990.

- o Debt-for-drug exchanges that forgive Andean bilateral debt held by the United States and other creditor countries in return for commitments by Andean governments to use the savings in debt service for antidrug programs; and
- o Bilateral and multilateral efforts to halt the transfer of arms, precursor chemicals, and sophisticated communications equipment and technology from legitimate sources to drug trafficking organizations.

Subsection (d) required a timely report from the President on the outcome of the Andean Summit, and subsection (e) addressed supplemental budget requests, specifying that "at the same time as he submits the report required by subsection (d), the President shall submit to Congress such supplemental budget requests for 1990 and 1991 as may be necessary to cover the United States share of the cost of additional economic assistance to implement an Andean antidrug strategy, including the commitments made at the Andean summit meeting. . . ."

Section 2 of the International Narcotics Control Act of 1989 did not authorize appropriations for the initiative, but other sections of the act addressed specific financial considerations; some by authorizing appropriations for military, law enforcement, and international narcotics control assistance, and others by authorizing or suggesting additional means of assistance, such as trade benefits, debt-for-drug exchanges, and transfers of materiel no longer needed by the U.S. armed forces--referred to as excess defense articles.¹³

The Objectives of the Andean Initiative

Focusing on cooperation and assistance in the Andean region, U.S. policymakers sought to stem the flow of cocaine into the United States by reducing production and trafficking in Colombia, Peru, and Bolivia. In the 1990 publication of the *National Drug Control Strategy*, the Bush Administration modified the objectives set out in the first publication and announced a broader set of short-term goals.¹⁴ In general, the second set of goals encompassed the initial objectives but placed even greater emphasis on economic and political conditions. The revised Andean strategy sought to attain three short-term goals, as follows:

13. Debt-for-drug exchanges were authorized by the Congress, but have not been carried out. In recent years, however, Colombia and Bolivia have benefited from other forms of debt forgiveness.

14. See Office of National Drug Control Policy, *National Drug Control Strategy* (January 1990), pp. 49-62.

- o "... to strengthen the political will and institutional capability of Colombia, Peru, and Bolivia, to enable them to take the needed steps to disrupt the activities of, and ultimately dismantle, the cocaine trafficking organizations. . .";
- o "... to increase the effectiveness of law enforcement and military activities of the three countries against the cocaine trade. . ."; and
- o "... to inflict significant damage to the trafficking organizations which operate within the three countries, by working with the countries concerned to disrupt or dismantle trafficking operations and elements of greatest value."¹⁵

The report stated that the first short-term goal would involve supporting the commitment of the political leadership of the three host governments to the counternarcotics effort by providing enhanced security training and equipment, and military and economic assistance (including resources to assist the judicial systems of the host countries). The report suggested that economic assistance would be needed to offset the effects of successful drug suppression.

The report asserted that the second short-term goal would involve assisting the host countries in isolating key coca-producing areas, blocking shipments of precursor chemicals and illicit munitions, destroying laboratories and processing centers, and carrying out eradication programs on a case-by-case basis. The report emphasized the need for U.S. economic assistance to help provide legal, self-sustaining, income-earning alternatives for growers and workers. Finally, the report indicated that the third short-term goal would involve focusing on the leaders of the drug trade and their most important staff through arrests, prosecution, and imprisonment; blocking financial transactions; and seizing assets.

In each case, and consistent with earlier documents, the revised strategy emphasized cooperation. The Bush Administration maintained that the counternarcotics effort should be supported--to whatever extent possible--by the Andean countries. Moreover, the revised strategy advocated cooperation on a broader scale. In keeping with the 1989 publication of the *National Drug Control Strategy* and the International Narcotics Control Act of 1989, it proposed a multinational counternarcotics force, an International Drug Control Summit (to follow the Andean Summit), support from existing international and regional organizations, and a number of other initiatives

15. Ibid., pp. 50-51.

involving drug producing, trafficking, and consuming nations.¹⁶ Finally, the 1990 publication of the *National Drug Control Strategy* included revised measurable objectives: the report specified a 15 percent reduction within two years in the estimated amounts of cocaine, marijuana, heroin, and dangerous drugs entering the United States, and a 60 percent reduction in 10 years.

Did the Bush Administration Call for Additional Funding for the Andean Region?

In June 1990, the Bush Administration issued a proposal for about \$2.1 billion to be channeled through economic and military assistance, law enforcement programs, and DEA support over the 1990-1994 period (see Box 2). The five-year plan included funding for Colombia, Peru, and Bolivia. Although poor documentation and conflicting data for some categories of assistance hinder precise comparisons with funding before the initiative, proposed funding, and later reports of actual and estimated funding, it is clear that the Bush Administration intended significant increases. Comparing the preinitiative level of about \$65 million reported by the Bush Administration for 1989 with the \$232 million estimate of obligations reported for 1990, the year-to-year increase would have amounted to about 255 percent.¹⁷ Comparing the \$65 million figure for 1989 with the \$498 million figure for 1992 (funding would have reached a plateau in 1992, with identical levels of funding following in 1993 and 1994), the increase would have amounted to about 660 percent.

By category of assistance, the largest increases would have occurred in economic and military assistance and the smallest in law enforcement and DEA support. Over the five-year period, economic assistance would have accounted for the largest share of the \$2.1 billion, followed by military assistance, law enforcement, and DEA support (see Box 2).

By country, the largest increases would have occurred in Peru and Bolivia (Peru would have ranked first on the basis of percentage gains but second in absolute terms) and then Colombia. Over the five-year period,

16. In addition to the Andean Summit of 1990, a second summit—with an expanded list of participants—convened on February 25, 1992, in San Antonio, Texas.

17. For purposes of comparison, the proposal included "actual" levels of funding for 1989 alongside the estimates, requests, and plans for funding over the 1990-1994 period. In a later discussion, this paper uses obligations and estimates of obligations to measure funding and includes DEA's contribution to Operation Snowcap—a program coordinated with the Bureau of International Narcotics Matters—under DEA support. On that basis, using data provided by various executive branch departments and agencies, the overall level of funding for 1989 would have amounted to about \$69 million (see Table 1). Using the \$69 million figure as an alternative measure of funding for 1989, the increases would have been similar and the rankings, described below, unchanged.

Bolivia would have accounted for the largest share of the \$2.1 billion, followed by Peru and Colombia (see Box 2).

The prominence of economic assistance in the five-year plan, along with references to economic assistance in the 1989 and 1990 publications of the *National Drug Control Strategy*, indicated the significance of economic factors in the Andean strategy. Following that lead, the Bush Administration added a fourth goal to the 1991 publication of the *National Drug Control Strategy*: "To strengthen and diversify the legitimate economies of the Andean nations to enable them to overcome the destabilizing effects of eliminating cocaine, a major source of income."¹⁸ According to the Bush Administration, this goal would involve providing balance-of-payments assistance, supporting income-earning alternatives in areas where coca is grown, as well as in surrounding areas, and supporting trade and investment programs that would generate jobs, income, and foreign exchange.

In the spirit of this fourth and final goal, President Bush signed the Andean Trade Preference Act (ATPA) on December 4, 1991.¹⁹ The ATPA, which was patterned largely after the Caribbean Basin Economic Recovery Act and arose, at least in part, from counternarcotics legislation and objectives, established a basis for removing tariffs on imports from Colombia, Peru, Bolivia, and Ecuador.²⁰ (For additional information about the ATPA, see Box 3.)

Removing tariffs on U.S. imports under the ATPA would reduce federal revenue, resulting in a direct cost to the U.S. Treasury. For the purposes of this discussion, the cost of the ATPA (excluding the cost related to Ecuador) is considered part of the resources devoted to the Andean Initiative. In relation to overall levels of funding, the cost of the ATPA, as estimated by the Congressional Budget Office in November 1991, would have added a small but significant sum to the proposal. At that time, assuming that the program would begin in 1992, CBO estimated that the ATPA would reduce federal revenues by about \$16 million each year for 1992 through 1996, after income and payroll tax offsets (revisions have since been made to account for delays).

18. In addition, the 1991 (and 1992) publications of the *National Drug Control Strategy* introduced new "measurable goals" and a number of minor changes in language, but the basic themes of the strategy remained intact. See Office of National Drug Control Policy, *National Drug Control Strategy* (February 1991), pp. 15 and 78-79, and *National Drug Control Strategy* (January 1992), pp. 26 and 81-83.

19. See Title II of P.L. 102-182 (December 4, 1991). For a description of the history of the Andean Trade Preference Act, see House Committee on Ways and Means, *Overview and Compilation of U.S. Trade Statutes*, WMCP: 103-1 (January 6, 1993), pp. 25-26.

20. See section 9 of the International Narcotics Control Act of 1989 (P.L. 101-231).

BOX 2.
FUNDING TO SUPPORT THE ANDEAN INITIATIVE:
THE BUSH ADMINISTRATION'S PROPOSAL

In June 1990, the Bush Administration proposed funding to support the Andean Initiative (the table that follows is a reproduction of the original).¹ The proposal called for funding of about \$2.1 billion over a five-year period, beginning in 1990. For the purpose of comparison, the Administration reported "actual" levels of funding for 1989 alongside the estimates, requests, and projections of funding for the 1990-1994 period. But inadequate documentation, undefined terms, and conflicting data for some categories of assistance hinder precise comparisons of preinitiative funding, proposed levels of funding, and later reports of actual and estimated levels of funding for the five-year period. For example:

- o The figures for 1989 are not labeled as either budget authority or obligations, but a note accompanying the table, referring to the figures for 1990, describes "projected" obligations (see Note 1 in the table). And for some categories of assistance, the "actual" figures for 1989 differ from "actual" figures that appear in other documents--either budget authority or obligations.²
- o It is not clear whether "DEA support" (support provided by the Drug Enforcement Administration) includes DEA's contribution to Operation Snowcap--a special enforcement program coordinated with the Bureau of International Narcotics Matters and aimed at suppressing the production and trafficking of cocaine, particularly in Bolivia and Peru.
- o In addition, "economic assistance" is not defined. It seems likely, however, based on information contained in the 1990 publication of the *National Drug Control Strategy, Budget Summary* and later documents, that the category is composed of narcotics-related projects funded through the Economic Support Fund and development assistance.³

In a later discussion, this report uses actual obligations and estimates of obligations to measure funding, and includes DEA's contribution to Operation Snowcap under "DEA support." On that basis, using data from the Agency for International Development, the Defense Security Assistance Agency, the Drug Enforcement Administration, and the Bureau of International Narcotics Matters, the overall level of funding for 1989 would have amounted to about \$69 million (see Table 1).

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1. The Office of National Drug Control Policy provided a copy of the table.
 2. For military assistance, see U.S. Department of State and Defense Security Assistance Agency, *Congressional Presentation for Security Assistance Programs* (fiscal year 1991), pp. 9-19.
 3. See Office of National Drug Control Policy, *National Drug Control Strategy, Budget Summary* (January 1990), pp. 97-99.

**BOX 2.
CONTINUED**

ANDEAN STRATEGY NARCOTICS-RELATED FUNDING							
(In millions of dollars)							
	FY 1989 Actual	FY 1990 Estimate 1/	FY 1991 Request	FY 1992 Plan	FY 1993 Plan	FY 1994 Plan	Total 5-Year Plan
COLOMBIA:							
Military Assistance 2/	8.6	40.3	60.5	60.5	60.5	60.5	282.3
Economic Assistance	0.0	3.6	50.0	50.0	50.0	50.0	203.6
Law Enforcement 3/	10.0	20.0	20.0	20.0	20.0	20.0	100.0
DEA Support	<u>4.2</u>	<u>4.4</u>	<u>4.4</u>	<u>4.4</u>	<u>4.4</u>	<u>4.4</u>	<u>22.0</u>
TOTAL	22.8	68.3	134.9	134.9	134.9	134.9	607.9
PERU:							
Military Assistance 2/	2.6	36.5	39.9	39.9	39.9	39.9	196.1
Economic Assistance	1.3	4.3	63.1	103.1	103.1	103.1	376.7
Law Enforcement	10.5	19.0	19.0	19.0	19.0	19.0	95.0
DEA Support	<u>4.3</u>	<u>6.8</u>	<u>6.8</u>	<u>6.8</u>	<u>6.8</u>	<u>6.8</u>	<u>34.0</u>
TOTAL	18.7	66.6	128.8	168.8	168.8	168.8	701.8
BOLIVIA:							
Military Assistance 2/	5.8	33.7	40.9	40.9	40.9	40.9	197.3
Economic Assistance	4.0	40.7	95.8	130.8	130.8	130.8	528.9
Law Enforcement 3/	10.0	15.7	15.7	15.7	15.7	15.7	78.5
DEA Support	<u>4.0</u>	<u>6.6</u>	<u>6.6</u>	<u>6.6</u>	<u>6.6</u>	<u>6.6</u>	<u>33.0</u>
TOTAL	23.8	96.7	159.0	194.0	194.0	194.0	837.7
TOTAL ASSISTANCE:							
Military Assistance 2/	17.0	110.5	141.3	141.3	141.3	141.3	675.7
Economic Assistance	5.3	48.6	208.9	283.9	283.9	283.9	1,109.2
Law Enforcement 3/	30.5	54.7	54.7	54.7	54.7	54.7	273.5
DEA Support	<u>12.5</u>	<u>17.8</u>	<u>17.8</u>	<u>17.8</u>	<u>17.8</u>	<u>17.8</u>	<u>89.0</u>
GRAND TOTAL	65.3	231.6	422.7	497.7	497.7	497.7	2,147.4
<p>1/ The obligations projected for FY 1990 are approximate and adjustments may be made during the course of the year. They include Byrd Amendment reductions.</p> <p>2/ Military assistance includes both Foreign Military Financing (FMF) and International Military Education and Training (IMET). FY 1990 IMET projections are: Colombia, \$1.5 million; Peru, \$0.5 million; and Bolivia, \$0.5 million. FY 1991 IMET projections are: Colombia, \$2.5 million; Peru, \$0.9 million; and Bolivia, \$0.9 million.</p> <p>3/ The Law Enforcement category for FY 1990 includes \$38.2 million in International Narcotics Matters (INM) funds as well as a portion (\$16.5 million) of the \$125 million in FMF appropriated for counternarcotics programs in Section 602 of the Foreign Operations, Export Financing, and Related Programs Act for FY 1990.</p>							
June 20, 1990							

SOURCE: Office of National Drug Control Policy.

BOX 3.
PROVISIONS OF THE ANDEAN TRADE PREFERENCE ACT

The Andean Trade Preference Act (ATPA), which was signed into law by President Bush on December 4, 1991, established a basis for removing tariffs on U.S. imports from Colombia, Peru, Bolivia, and Ecuador.¹ Colombia and Bolivia were designated as "beneficiary countries" in July 1992, Ecuador was designated in April 1993, and Peru in August 1993. The ATPA provides unlimited duty-free access to the U.S. market for thousands of products and reduced-duty access for many others, subject to a number of conditions. Although the Caribbean Basin Economic Recovery Act (CBERA) provided a pattern for the ATPA, there are some important differences between the programs the two acts established. In particular, the CBERA is a permanent program, but the ATPA expires on December 4, 2001.

The benefits of the ATPA are reserved for products satisfying certain rules of origin and content. Eligible products must be wholly grown, produced, manufactured, or "substantially transformed" in one or more of the ATPA countries and imported directly into the United States. At least 35 percent of the customs-appraised value of a product must be attributable to the cost or value of materials produced in one or more of the ATPA or CBERA countries, Puerto Rico, or the U.S. Virgin Islands, and (or) to the direct costs of processing done in one or more of those places. In addition, the cost or value of materials produced in the customs territory of the United States (other than Puerto Rico) may be counted toward the 35 percent value-added requirement, for up to 15 percent of the customs-appraised value of that product.²

For many products, ATPA benefits overlap those offered under the U.S. Generalized System of Preferences (GSP), but the ATPA—unlike GSP—does not limit preferential treatment. Under GSP, a country may lose benefits for a specific product if the value of U.S. imports of that product (from that country) exceed an annually adjusted limit (about \$97 million in 1991), or if that country accounted for more than 50 percent of total U.S. imports of the product in the preceding calendar year.³ In general, the ATPA excludes textiles and apparel subject to textile agreements, footwear, canned tuna, petroleum and petroleum products, watches and watch parts, rum and tafia, and sugars, syrups, and molasses from duty-free treatment. The program offers reduced duties for U.S. imports of handbags, luggage, flat goods, work gloves, and leather wearing apparel. Moreover, the ATPA countries must meet certain political, economic, and social criteria.

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1. This discussion is based on Department of Commerce, International Trade Administration, and Agency for International Development, *Guidebook to the Andean Trade Preference Act* (July 1992), pp. 4-5; International Trade Commission, *International Economic Review* (August 1992), pp. 9-10; and the Andean Trade Preference Act (P.L. 102-182).
 2. Rules of "double substantial transformation" apply to materials produced outside the ATPA and CBERA countries, the U.S. Virgin Islands, Puerto Rico, and the United States.
 3. International Trade Commission, *International Economic Review*, p. 10.

ACTUAL AND ESTIMATED SUPPORT FOR THE ANDEAN INITIATIVE: OBLIGATIONS, NONCASH ASSETS, AND TARIFF REDUCTIONS

How much support--funding and other resources--has the U.S. government provided for the Andean Initiative? In this context, "funding" refers to obligations or estimates of obligations, and "other resources" refers to the value of noncash assets--such as excess defense articles--and tariff reductions under the Andean Trade Preference Act. Although both of the latter categories are defined as other resources, there are important differences between them: tariff reductions directly affect the federal budget, but transfers and unreimbursed deliveries of noncash assets do not. (For additional information about specific categories of assistance and programs, see Box 3 and Appendix B.)

Overall Funding and Other Resources

Actual obligations increased during the early years of the initiative, but estimates of obligations for 1993 and 1994 suggest that funding for the initiative will not reach the level proposed by the Bush Administration.²¹ But the size of the shortfall is uncertain. The Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1994 called for rescissions of unexpended balances of funds that could affect the Andean region (\$203 million for the Economic Support Fund and \$5.1 million for development assistance) and relatively low levels of new budget authority for 1994.²² Moreover, the act stated that none of the funds appropriated (by the act) under the headings "Economic Support Fund" and "Foreign Military Financing" may be made available for the Andean Initiative until the Secretary of State consults with and provides a new Andean counternarcotics strategy (including budget estimates) to the Committees on Appropriations.²³

21. The estimates for 1994 are preliminary, based on actual appropriations. They do not factor in the possibility of carryover from 1993--or carryover into 1995--nor do they reflect new proposals for rescissions reported in the President's budget for 1995 that might affect Andean funding. For a list of potential rescissions, see Office of Management and Budget, *Budget of the United States Government, Appendix, Fiscal Year 1995* (1994), p. 1005.

22. See section 545 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1994 (P.L. 103-87). The rescissions may affect estimates for previous years to the extent that cuts of funds in the pipeline are necessary to meet the rescissions and deobligations are possible.

23. See section 561 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1994 (P.L. 103-87). As noted above, the moratorium is still in effect.

Notwithstanding these considerations, it is clear that funding for the initiative will not meet the level described in the Bush Administration's proposal. The proposal specified a five-year total of about \$2.1 billion, compared with the current five-year estimate of about \$1.3 billion. (Even if other resources--noncash assets and tariff reductions--were added to the figures for each year, the five-year total would not reach the total specified in the proposal.)²⁴ Moreover, it is probably safe to say that the overall level of funding will be lower in 1994 than in any year during the 1990-1993 period. (For a year-to-year comparison of the Bush proposal and actual and estimated levels of funding, see Figure 1. For a summary of actual and estimated levels of funding and other resources, by country and category of assistance, see Table 1.)

A closer examination of funding over the five-year period reveals a brief burst of fiscal enthusiasm, followed by a two-year plateau and a two-year decline. But the early increases were less than those suggested by the Bush Administration; thus, even if the plateau had been maintained in 1993 and 1994, the five-year total would have fallen short of that specified in the proposal. For example, if obligations in 1993 and 1994 were fixed at the two-year average for 1991 and 1992 (the plateau), the five-year total would have amounted to about \$1.6 billion, or roughly three-quarters of the five-year plan. (If other resources were added, the total would have risen to almost \$1.7 billion.)

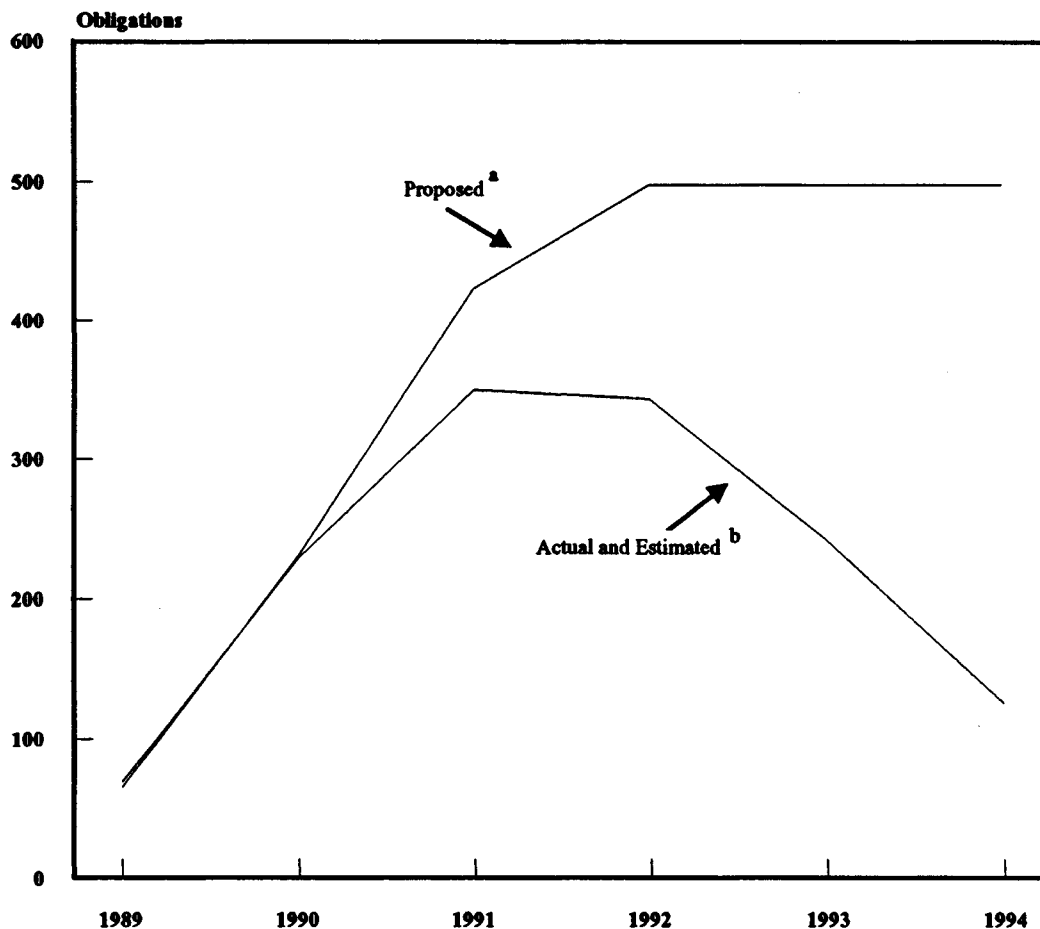
Funding and Other Resources by Country

The estimated five-year totals for each country are substantially lower than the five-year totals specified in the Bush proposal. For Colombia and Bolivia, the estimated five-year totals are about \$471 million and \$616 million, respectively, compared with proposed totals of about \$608 million and \$838 million. For Peru, the estimated five-year total is about \$205 million, compared with the proposed total of about \$702 million; the difference between the estimated and proposed totals, about \$497 million, accounts for more the half of the difference for the three countries combined. (For comparisons of proposed levels of funding for each country and actual and estimated levels, see Figure 2.)

For Peru, the gap in funding may have less to do with strategic objectives and scarce resources than with intervening political factors. In

24. At present, figures for noncash assets are not available for 1994.

FIGURE 1. SUPPORT FOR THE ANDEAN INITIATIVE: THE BUSH ADMINISTRATION'S PROPOSAL FOR FUNDING COMPARED WITH ACTUAL AND ESTIMATED LEVELS OF FUNDING (By fiscal year, in millions of dollars)



SOURCES: Congressional Budget Office based on data from the following agencies and departments of the U.S. government: the Agency for International Development, Office of Planning and Budget, Finance and Administration; Agency for International Development, "Congressional Presentation" (fiscal years 1991-1994); Defense Security Assistance Agency, Legislative and Planning Division; Defense Security Assistance Agency, FMS Control and Reports Division, "Foreign Military Sales, Foreign Military Construction Sales and Military Assistance Facts, as of September 1992;" Department of Justice, Drug Enforcement Administration; Department of State, Bureau of International Narcotics Matters; Department of State, Office of Legislative Affairs; Department of State and Defense Security Assistance Agency, "Congressional Presentation for Security Assistance Programs" (fiscal years 1991-1994); and Office of National Drug Control Policy.

NOTE: This figure includes funding for military and economic assistance, law enforcement, and support from the U.S. Drug Enforcement Administration in Colombia, Peru, and Bolivia. For additional information, see Box 2 and Tables 1-4.

- a. The Bush Administration issued a proposal for funding for the 1990-1994 period with a comparative assessment of funding for 1989 (dated June 20, 1990).
 b. "Actual funding" refers to the 1989-1992 period and "estimated funding" refers to the 1993-1994 period.

TABLE 1. SUPPORT FOR THE ANDEAN INITIATIVE: A SUMMARY OF ACTUAL AND ESTIMATED LEVELS OF FUNDING FOR MILITARY AND ECONOMIC ASSISTANCE, LAW ENFORCEMENT, AND DRUG ENFORCEMENT ADMINISTRATION ACTIVITIES, AND OTHER RESOURCES (By fiscal year, in thousands of dollars)

	1989 Actual	1990 Actual	1991 Actual	1992 Actual	1993 Estimate	1994 Estimate	1990-1994 Total
Obligations							
Colombia							
Military assistance							
Foreign military financing ^a	7,090 ^b	71,730	47,000 ^c	47,000	27,000	7,700	200,430
International military education and training	<u>1,000</u>	<u>1,494</u>	<u>2,593</u>	<u>2,296</u>	<u>2,126</u>	<u>900</u>	<u>9,409</u>
Subtotal	8,090	73,224	49,593	49,296	29,126	8,600	209,839
Economic assistance							
Economic support fund	0	2,302	24,500	74,000 ^k	15,970	1,000	117,772
Development assistance	<u>320</u>	<u>1,540</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,540</u>
Subtotal	320	3,842	24,500	74,000	15,970	1,000	119,312
Law enforcement ^{b,c}	10,000	20,000	20,000	23,383	25,000	20,000	108,383
Drug Enforcement Administration activities^d							
Administration activities ^d	<u>4,259</u>	<u>4,923</u>	<u>6,383</u>	<u>6,359</u>	<u>7,944</u>	<u>7,944</u>	<u>33,553</u>
Total	22,669	101,989	100,476	153,038	78,040	37,544	471,087
Peru							
Military assistance							
Foreign military financing ^a	2,500	1,000	12,412 ^j	0	0	0	13,412
International military education and training	<u>520</u>	<u>523</u>	<u>524</u>	<u>113</u>	<u>0</u>	<u>0</u>	<u>1,160</u>
Subtotal	3,020	1,523	12,936	113	0	0	14,572
Economic assistance							
Economic support fund	1,300	3,286	59,117	4,660	17,350 ^a	9,000	93,413
Development assistance	<u>304</u>	<u>468</u>	<u>150</u>	<u>300</u>	<u>2,914</u>	<u>1,800</u>	<u>5,632</u>
Subtotal	1,604	3,754	59,267	4,960	20,264	10,800	99,045
Law enforcement ^b	10,500	10,000	19,000	12,500 ^l	17,500	8,000	67,000
Drug Enforcement Administration activities^d							
Administration activities ^d	<u>4,119</u>	<u>4,455</u>	<u>5,636</u>	<u>5,785</u>	<u>4,259</u>	<u>4,259</u>	<u>24,394</u>
Total	19,243	19,732	96,839	23,358	42,023	23,059	205,011

(Continued)

TABLE 1. CONTINUED

	1989 Actual	1990 Actual	1991 Actual	1992 Actual	1993 Estimate	1994 Estimate	1990-1994 Total
Bolivia							
Military assistance							
Foreign military financing ^a	5,000	39,228	35,000	25,000	18,595	4,721	122,544
International military education and training	<u>400</u>	<u>498</u>	<u>899</u>	<u>900</u>	<u>1,075</u>	<u>400</u>	<u>3,772</u>
Subtotal	5,400	39,726	35,899	25,900	19,670	5,121	126,316
Economic assistance							
Economic support fund	0	33,413	77,000	99,879 ^m	60,200	25,000	295,492
Development assistance	<u>3,990</u>	<u>8,601</u>	<u>11,437</u>	<u>9,867</u>	<u>10,036</u>	<u>2,335</u>	<u>42,276</u>
Subtotal	3,990	42,014	88,437	109,746	70,236	27,335	337,768
Law enforcement ^{b,c}	10,000	15,700	15,700	15,700	17,000	17,000	81,100
Drug Enforcement Administration activities ^d	<u>7,955</u>	<u>10,680</u>	<u>12,380</u>	<u>15,432</u>	<u>15,938</u>	<u>15,938</u>	<u>70,368</u>
Total	27,345	108,120	152,416	166,778	122,844	65,394	615,552
Combined Funding							
Military assistance							
Foreign military financing ^a	14,590	111,958	94,412	72,000	45,595	12,421	336,386
International military education and training	<u>1,920</u>	<u>2,515</u>	<u>4,016</u>	<u>3,309</u>	<u>3,201</u>	<u>1,300</u>	<u>14,341</u>
Subtotal	16,510	114,473	98,428	75,309	48,796	13,721	350,727
Economic assistance							
Economic support fund	1,300	39,001	160,617	178,539	93,520	35,000	506,677
Development assistance	<u>4,614</u>	<u>10,609</u>	<u>11,587</u>	<u>10,167</u>	<u>12,950</u>	<u>4,135</u>	<u>49,448</u>
Subtotal	5,914	49,610	172,204	188,706	106,470	39,135	556,125
Law enforcement ^{b,c}	30,500	45,700	54,700	51,583	59,500	45,000	256,483
Drug Enforcement Administration activities ^d	<u>16,333</u>	<u>20,058</u>	<u>24,399</u>	<u>27,576</u>	<u>28,141</u>	<u>28,141</u>	<u>128,315</u>
Total	69,257	229,841	349,731	343,174	242,907	125,997	1,291,650
Other Resources (Current Value)							
Noncash Assets							
Drawdown (deliveries) ^e	65,000	25,653	0	6,558	0	u.	u.
Excess defense articles (transfer offers) ^f	<u>n.a.</u>	<u>111</u>	<u>3,979</u>	<u>4,745</u>	<u>80</u>	<u>u.</u>	<u>u.</u>
Total	65,000	25,764	3,979	11,303	80	u.	u.
Tariff Reductions ^g	n.a.	n.a.	n.a.	3,000	13,000	16,000	32,000

(Continued)

TABLE 1. CONTINUED

SOURCES: Congressional Budget Office based on data from the following agencies and departments of the federal government: the Agency for International Development, Office of Planning and Budget, Finance and Administration; Agency for International Development, *Congressional Presentation* (fiscal years 1991-1994); Defense Security Assistance Agency, Legislative and Planning Division; Defense Security Assistance Agency, FMS Control and Reports Division, *Foreign Military Sales, Foreign Military Construction Sales and Military Assistance Facts, as of September 1992*; Department of Justice, Drug Enforcement Administration; Department of State, Bureau of International Narcotics Matters; Department of State, Office of Legislative Affairs; and Department of State and Defense Security Assistance Agency, *Congressional Presentation for Security Assistance Programs* (fiscal years 1991-1994).

NOTES: n.a. = not applicable; u. = unobtainable. For additional information, see Tables 2-6.

- a. Funding for 1989 was provided under the Military Assistance Program.
- b. "Law enforcement" consists of funding for the country programs of the Bureau of International Narcotics Matters (INM), which may include some nonenforcement activities, such as crop production control involving alternative development activities, and drug prevention and awareness.
- c. Funding for 1990 includes \$16.5 million transferred from security assistance to INM to support the Andean strategy--Bolivia received \$6.5 million and Colombia received \$10 million. See the Department of State, Bureau of International Narcotics Matters, *International Narcotics Control Strategy Report* (March 1991), p. 43. The funds were appropriated for counternarcotics programs under section 602 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1990 (P.L. 101-167).
- d. Drug Enforcement Administration (DEA) support consists of the operating and administrative expenses associated with DEA's foreign offices and the operating expenses associated with DEA's contribution to Operation Snowcap (a program coordinated with INM).
- e. Figures are the current values of articles and services drawn down and delivered under section 506(a)(2) of the Foreign Assistance Act of 1961 (FAA), as amended. (For 1989, drawdown occurred under section 506(a) of the FAA, as amended.)
- f. Figures are the current values of excess defense articles (EDA) offered for transfer under section 517 of the FAA, as amended (for 1991 and 1992, they include offers under section 519 of the FAA, as amended). The figures may not correspond to the current values of actual deliveries. Moreover, the figures do not include EDA sold under the Foreign Military Sales (FMS) program.
- g. Figures consist of estimated and projected losses of tariff revenue under the Andean Trade Reference Act (excluding losses related to Ecuador), rounded to the nearest million dollars net of income and payroll tax offsets.
- h. Reflects a rescission of \$10,000 under section 587 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1993 (P.L. 102-391).
- i. Includes concessional-rate financing amounting to \$19.945 million (obligated in 1991 with disbursements beginning in 1993). Some payments on interest may begin in 1994.
- j. Reflects a rescission of \$11.538 million under section 587 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1993 (P.L. 102-391).
- k. Excludes \$5 million transferred to INM.
- l. In 1992, the Peru program was reflected in INM's Latin America Regional account.
- m. Includes \$19.676 million deobligated in 1993; use yet to be determined.
- n. Excludes \$14.5 million carried over from 1992 and transferred to Haiti.

April 1992, President Alberto K. Fujimori suspended the Peruvian constitution and dissolved his country's congress.²⁵ As a result, the United States suspended most of Peru's economic and military assistance. Given more recent developments in Peru, the Clinton Administration may release some of the assistance conditionally. The Peruvian example illustrates the difficulties of formulating a foreign assistance program in a turbulent setting.

Consistent with the proposal, Bolivia will claim the largest share of the three-country total for the five-year period, but Peru will rank third instead of second--its share will shrink from about one-third of the proposed \$2.1 billion to about one-sixth of the estimated \$1.3 billion. If other resources--noncash assets and tariff reductions--were added to each country's total, the differences between estimated and proposed support for Colombia and Bolivia would be somewhat smaller (to date, Colombia has been the principal beneficiary of the ATPA, drawdown, and EDA programs), but the impact on Peru would be modest. As a result, Colombia's share of funding and other resources would be somewhat higher than its share of funding alone, and Peru's share would be even smaller.

Funding and Other Resources by Category of Assistance

The U.S. government has supported the Andean Initiative through the four categories of assistance specified in the Bush proposal--military assistance, economic assistance, law enforcement, and DEA support--but two other channels, noncash assets and tariff reductions, have also been used.²⁶

Consistent with the proposal, funding for economic and military assistance will account for the largest shares of total funding. Funding for law enforcement and DEA support will account for the smallest. But the rankings mask substantial deviations from the proposal that are apparent in finer details. In particular, funding for military and economic assistance increased initially, but later declined substantially. The decline began for military assistance in 1991, but the decline for economic assistance began in 1993. In part, those deviations can be attributed to events in Peru, but substantial shortfalls have also developed for Colombia and Bolivia. Large gaps may not

25. For additional information, see Raphael F. Perl, *Drug Control: International Policy and Options*, Issue Brief IB88093 (Congressional Research Service, updated July 16, 1993), pp. 10-11.

26. In addition, the Assets Forfeiture Fund, the Treasury Forfeiture Fund, the U.S. Information Agency, the U.S. Marshals Service, the Federal Bureau of Investigations, and Interpol have provided support--some peripheral and some more direct--for the Andean Initiative, but their contributions (generally reported as elements of the broader international effort) are not addressed in this paper.

FIGURE 2. SUPPORT FOR THE ANDEAN INITIATIVE: THE BUSH ADMINISTRATION'S PROPOSAL FOR FUNDING COMPARED WITH ACTUAL AND ESTIMATED LEVELS OF FUNDING, BY COUNTRY (By fiscal year, in millions of dollars)

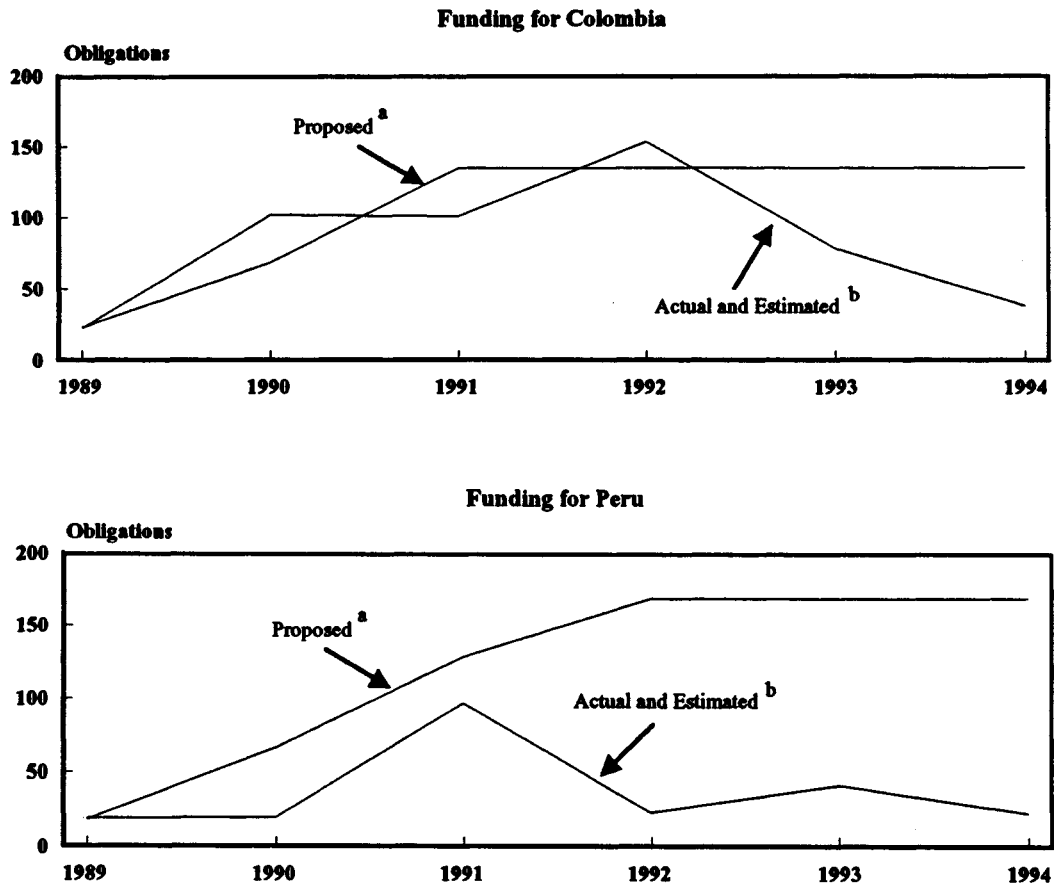
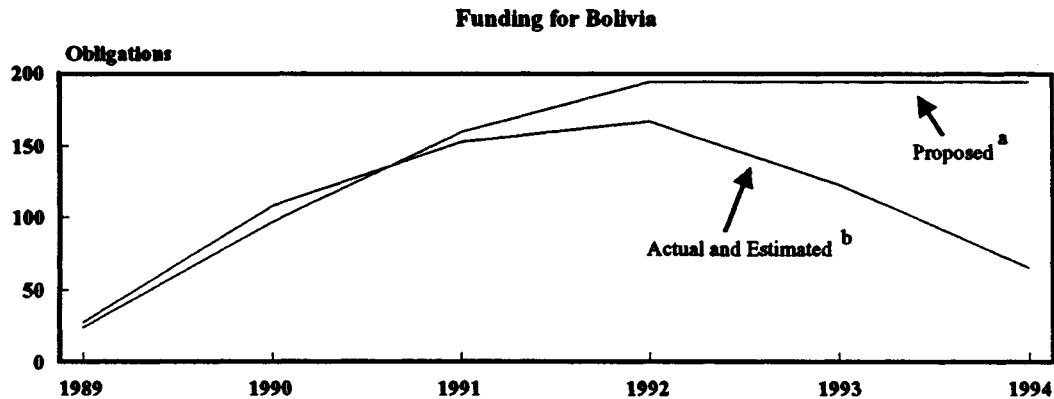


FIGURE 2. CONTINUED



SOURCES: Congressional Budget Office based on data from the following agencies and departments of the U.S. government: the Agency for International Development, Office of Planning and Budget, Finance and Administration; Agency for International Development, "Congressional Presentation" (fiscal years 1991-1994); Defense Security Assistance Agency, Legislative and Planning Division; Defense Security Assistance Agency, FMS Control and Reports Division, "Foreign Military Sales, Foreign Military Construction Sales and Military Assistance Facts, as of September 1992;" Department of Justice, Drug Enforcement Administration; Department of State, Bureau of International Narcotics Matters; Department of State, Office of Legislative Affairs; Department of State and Defense Security Assistance Agency, "Congressional Presentation for Security Assistance Programs" (fiscal years 1991-1994); and Office of National Drug Control Policy.

NOTE: This figure includes funding for military and economic assistance, law enforcement, and support from the U.S. Drug Enforcement Administration in Colombia, Peru, and Bolivia. For additional information, see Box 2 and Tables 1-4.

- a. The Bush Administration issued a proposal for funding for the 1990-1994 period with a comparative assessment of funding for 1989 (dated June 20, 1990).
- b. "Actual funding" refers to the 1989-1992 period and "estimated funding" refers to the 1993-1994 period.

occur in all cases, however; a relatively small gap is expected for law enforcement, and modest overage is expected for DEA support. Combining the estimated gaps in each of the first three categories, the gross shortfall would amount to about \$895 million; subtracting the anticipated overage in the fourth category, the net shortfall would amount to about \$856 million.

Military Assistance. Funding for military assistance in Colombia, Peru, and Bolivia consists of actual and estimated obligations for foreign military financing and international military education and training (see Table 1 on page 18).²⁷ Total funding for military assistance peaked in 1990--the first year of the initiative--and declined in each year thereafter (see Figure 3). This category is expected to account for about \$325 million of the five-year funding gap.

Military funding for Colombia and Bolivia in 1990 exceeded the estimated levels specified in the proposal, but shortfalls developed and increased in each of the following years. For Peru, funding peaked at a relatively low level in 1991 (about \$13 million compared with a request of about \$40 million) and fell to only \$113,000 in 1992 (no funding has been reported for 1993 or 1994). In the case of Peru, the latter-year declines are consistent with the political events and restrictions on funding discussed earlier.

Economic Assistance. Economic assistance consists of actual and estimated development assistance and Economic Support Fund obligations used to support direct counternarcotics programs in Colombia, Peru, and Bolivia (see Tables 1 and 2). The Agency for International Development distinguishes between counternarcotics funding and other funding based on project-level information.

Economic assistance peaked in 1991 and 1992, and sharp declines are expected for the years 1993 and 1994 (see Figure 4). The shortfall in economic assistance, which accounts for the largest share of the estimated five-year funding gap, could exceed \$550 million. Funding for Colombia and Bolivia peaked in 1992, with substantial drops estimated for 1993 and 1994. In 1992, funding for Colombia exceeded the level specified in the Bush proposal by a substantial margin, but funding for Bolivia fell short. For Peru, funding peaked in 1991, at about \$59 million. In 1992, however, funding for Peru dropped to about \$5 million, with levels of about \$20 million and \$11 million estimated for 1993 and 1994, respectively.

27. Although some portion of this funding may be used for law enforcement, this paper refers to all foreign military financing and international military education and training under a single heading.

Law Enforcement. Funding for law enforcement consists of actual and estimated obligations for bilateral programs (also referred to as "country programs") operated by the Bureau of International Narcotics Matters (INM) in Colombia, Peru, and Bolivia (see Tables 1 and 3). In some cases, other funding for INM's regional and interregional programs can be traced directly to one of the three countries. Those additional amounts are discussed below, but to enable consistent year-to-year and country-to-country comparisons, they are not included in Tables 1 and 3 (unless otherwise noted).

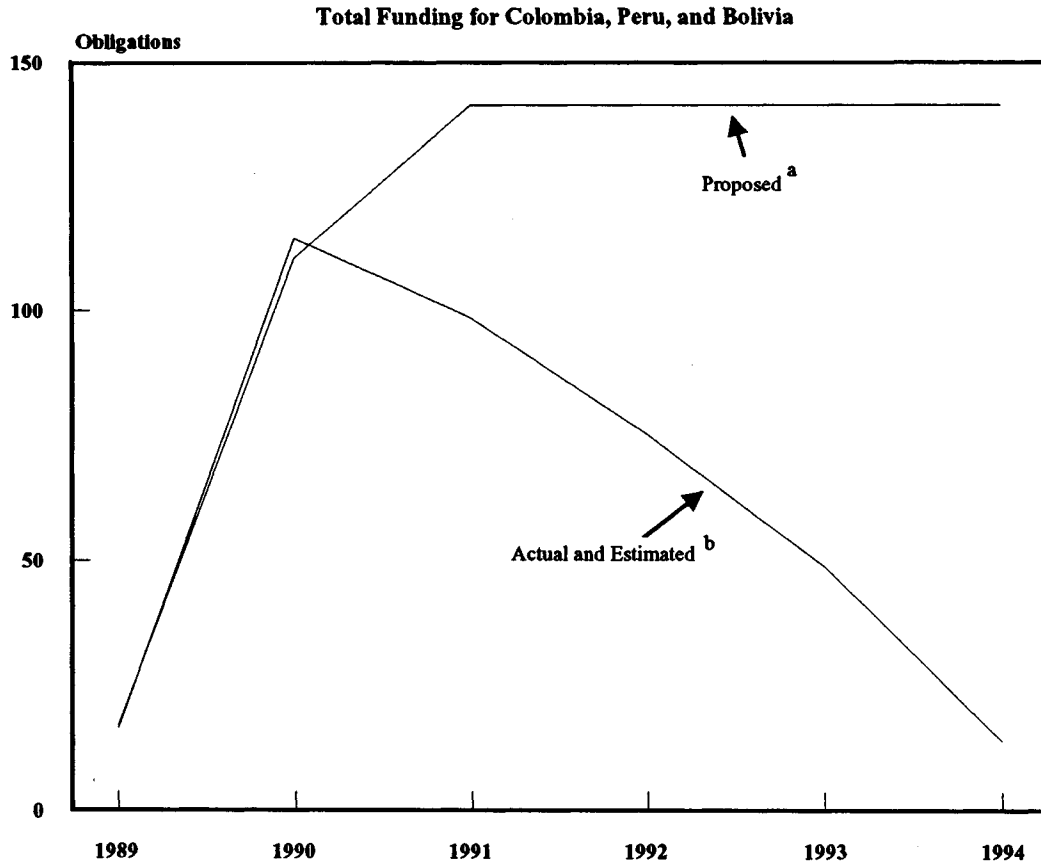
Funding for law enforcement, though relatively stable between 1990 and 1993, may decline from an estimated peak of about \$60 million in 1993 to a low of about \$45 million in 1994 (see Figure 5). (Between 1993 and 1994, the overall appropriation for INM was cut from \$147.8 million to \$100 million.) On that basis, the five-year total for law enforcement will fall short of the total specified in the Bush proposal by about \$17 million, but small five-year overages are expected for Colombia and Bolivia. For Peru, the pattern of funding has been more erratic, with peaks in 1991 and 1993 and substantial shortfalls in 1990, 1992, and 1994.

According to information provided by INM, funding for the interregional air wing (which provides aerial support for counternarcotics activities) would add about \$18 million to the Andean total in 1992, with Peru accounting for the largest share. In 1993, that figure could amount to another \$17 million. Moreover, additional funding for training in 1993 may amount to more than \$200,000 for Colombia, Peru, and Bolivia, ranging between \$40,000 to \$120,000 for each country.

DEA Support. DEA support encompasses the actual and estimated operating and administrative expenses associated with DEA's foreign offices in Colombia, Peru, and Bolivia, and the actual and estimated operating expenses associated with DEA's contribution to Operation Snowcap--a special enforcement program coordinated with INM, targeted at suppressing the production and trafficking of cocaine, particularly in Bolivia and Peru (see Tables 1 and 4). Operating expenses for the foreign offices consist of all costs in support of investigative operations, including purchases of evidence and payments for information; administrative expenses consist of all non-investigative costs in running the field offices, including expenses related to personnel.²⁸

28. Because the personnel for Operation Snowcap are borrowed from DEA's domestic field offices, the obligations reported for Operation Snowcap do not include personnel-related expenses.

FIGURE 3. SUPPORT FOR THE ANDEAN INITIATIVE: THE BUSH ADMINISTRATION'S PROPOSAL FOR MILITARY ASSISTANCE COMPARED WITH ACTUAL AND ESTIMATED LEVELS OF FUNDING (By fiscal year, in millions of dollars)



SOURCES: Congressional Budget Office based on data from the following agencies and departments of the U.S. government: the Agency for International Development, "Congressional Presentation" (fiscal years 1991-1994); Defense Security Assistance Agency, Legislative and Planning Division; Defense Security Assistance Agency, FMS Control and Reports Division, "Foreign Military Sales, Foreign Military Construction Sales and Military Assistance Facts, as of September 1992;" Department of State, Office of Legislative Affairs; Department of State and Defense Security Assistance Agency, "Congressional Presentation for Security Assistance Programs" (fiscal years 1991-1994); and Office of National Drug Control Policy.

NOTE: For additional information, see Box 2 and Table 1.

- a. The Bush Administration issued a proposal for funding for the 1990-1994 period with a comparative assessment of funding for 1989 (dated June 20, 1990).
- b. "Actual funding" refers to the 1989-1992 period and "estimated funding" refers to the 1993-1994 period.

FIGURE 3. CONTINUED

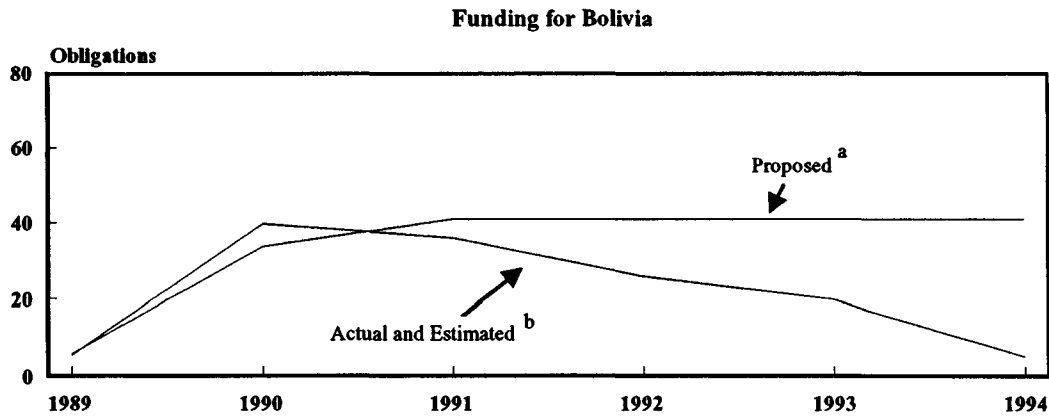
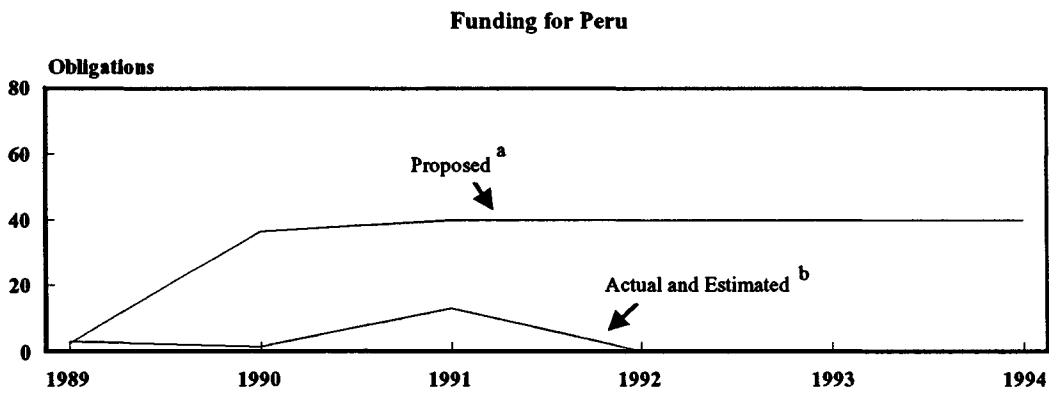
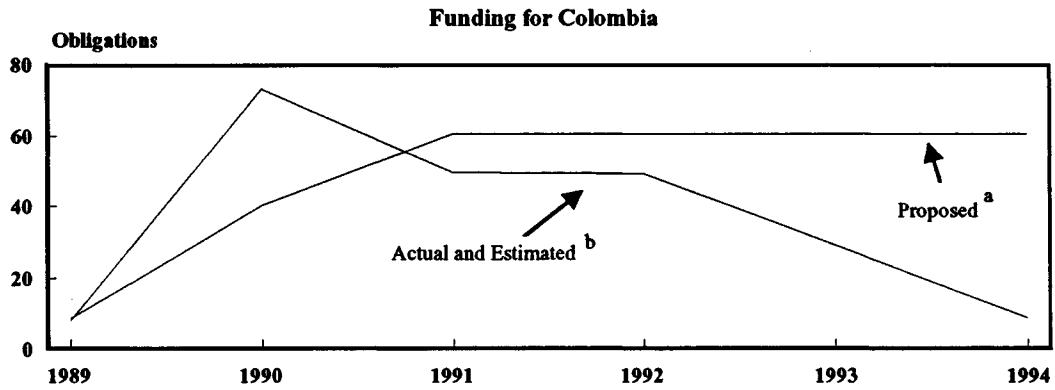


TABLE 2. ECONOMIC ASSISTANCE IN SUPPORT OF THE ANDEAN INITIATIVE: AN ANNOTATED BREAKDOWN OF ACTUAL AND ESTIMATED LEVELS OF FUNDING FOR DEVELOPMENT ASSISTANCE AND THE ECONOMIC SUPPORT FUND (Obligations by fiscal year, in thousands of dollars)

	1989 Actual	1990 Actual	1991 Actual	1992 Actual	1993 Estimate	1994 Estimate	1990-1994 Total
Colombia							
Economic support fund	0	2,302 ^d	24,500 ^e	74,000 ⁱ	15,970	1,000	117,772
Development assistance	<u>320^e</u>	<u>1,540^e</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,540</u>
Subtotal	320	3,842	24,500	74,000	15,970	1,000	119,312
Peru							
Economic support fund	1,300 ^b	3,286	59,117	4,660	17,350 ^k	9,000	93,413
Development assistance	<u>304</u>	<u>468</u>	<u>150</u>	<u>300</u>	<u>2,914</u>	<u>1,800</u>	<u>5,632</u>
Subtotal	1,604	3,754	59,267	4,960	20,264	10,800	99,045
Bolivia							
Economic support fund	0 ^c	33,413 ^f	77,000 ^h	99,879 ^g	60,200	25,000	295,492
Development assistance	<u>3,990</u>	<u>8,601</u>	<u>11,437</u>	<u>9,867</u>	<u>10,036</u>	<u>2,335</u>	<u>42,276</u>
Subtotal	3,990	42,014	88,437	109,746	70,236	27,335	337,768
Combined Funding							
Economic support fund	1,300	39,001	160,617	178,539	93,520	35,000	506,677
Development assistance	<u>4,614</u>	<u>10,609</u>	<u>11,587</u>	<u>10,167</u>	<u>12,950</u>	<u>4,135</u>	<u>49,448</u>
Total	5,914	49,610	172,204	188,706	106,470	39,135	556,125

(Continued)

SOURCE: Congressional Budget Office based on data from the Agency for International Development, Office of Planning and Budget, Finance and Administration.

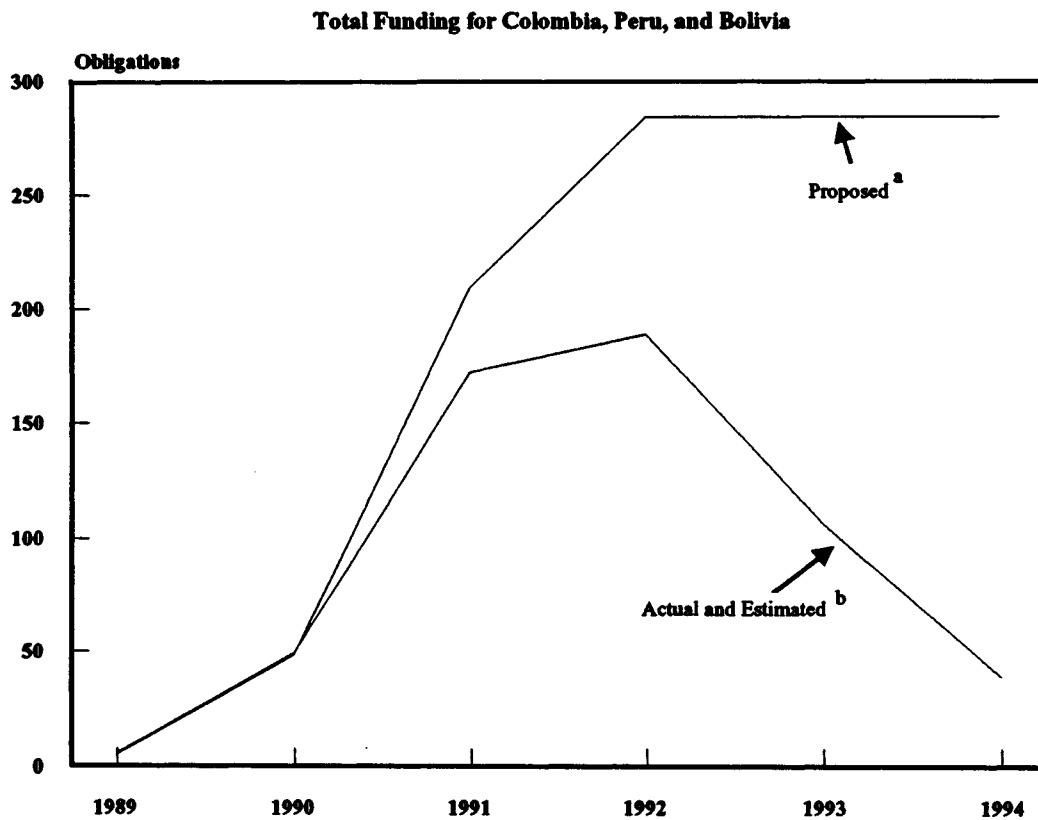
TABLE 2. CONTINUED

NOTES: In some cases, the figures for counternarcotics funding provided by the Agency for International Development's (AID's) Office of Planning and Budget, Finance and Administration, which are reported here (and in Table 1), exceed the overall levels of bilateral funding reported in AID's Congressional presentation documents. Such discrepancies—which are noted below—are related to AID's treatment of regional programs.

AID uses project-level information to distinguish between counternarcotics funding and other funding. On that basis, some of AID's counternarcotics figures for 1989 exclude obligations stemming from an earmarking of the Economic Support Fund (ESF) specified under section 578, "Narcotics Control Program," of the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1989 (P.L. 100-461). The earmark amounted to \$61 million, including \$25 million for Bolivia (of which \$11.75 million was obligated in 1989 and \$13.25 million carried over into 1990) and \$2 million for Peru (the entire sum was obligated in 1989). The \$61 million, which AID refers to as an "ESF Narcotics Control Initiative earmark" on p. 114 of the main volume of its Congressional presentation for fiscal year 1992, was intended "to provide an incentive for countries to increase their efforts toward illicit drug control" (see H.R. 100-641, p. 17). According to AID, the earmark was used to fund some activities that were not direct counternarcotics projects. As a result, AID did not report any counternarcotics ESF obligations for Bolivia in 1989 (the agency reported the entire \$13.25 million carryover in 1990) and reported only \$1.3 million for Peru. (For a complete breakdown of the \$61 million by country and year of obligation, see AID, *Congressional Presentation*, fiscal year 1992, pp. 113-114.)

- a. The main volume of AID's Congressional presentation document does not report bilateral development assistance obligations for Colombia in 1989 (see AID, *Congressional Presentation, Main Volume*, fiscal year 1991, p. 243). In this case, regional development assistance funds were used from two Latin America and the Caribbean (LAC) Regional projects for narcotics public awareness and demand reduction activities in Colombia (see AID, *Congressional Presentation, Annex III, Latin America and the Caribbean*, fiscal year 1991, p. 210).
- b. Does not fully account for ESF obligations—amounting to \$2 million—earmarked under section 578, "Narcotics Control Program," of the Foreign Operations Appropriations Act of 1989 (P.L. 100-461). See AID, *Congressional Presentation*, fiscal year 1992, pp. 113-114, and the discussion above.
- c. Excludes ESF obligations—amounting to \$11.75 million—earmarked under section 578, "Narcotics Control Program," of the Foreign Operations Appropriations Act of 1989 (P.L. 100-461). See AID, *Congressional Presentation*, fiscal year 1992, p. 113-114, and the discussion above.
- d. The main volume and summary tables of AID's Congressional presentation documents report bilateral ESF obligations of only \$2.107 million for Colombia in 1990; the remainder of the funding was from regional accounts. See AID, *Summary Tables*, fiscal year 1992, p. 25; AID, *Congressional Presentation*, fiscal year 1992, pp. 113-114 and p. 712; and AID, *Statistical Annex*, fiscal year 1992, beginning on p. 596.
- e. The summary tables of AID's Congressional presentation documents do not report bilateral development assistance obligations for Colombia in 1990 (see AID, *Summary Tables*, fiscal year 1992, p. 25); the remainder of the funding was from regional accounts (see AID, *Statistical Annex*, fiscal year 1992, beginning on p. 596).
- f. Includes ESF obligations—amounting to \$13.25 million—earmarked under section 578, "Narcotics Control Program," of the Foreign Operations Appropriations Act of 1989 (P.L. 100-461). See AID, *Congressional Presentation*, fiscal year 1992, p. 113-114, and the discussion above.
- g. Includes \$250,000 transferred from Colombia's bilateral program to the LAC Regional program for the "Andean Counterdrug Management Information System."
- h. Includes \$250,000 transferred from Bolivia's bilateral program to the LAC Regional program for the "Andean Counterdrug Management Information System."
- i. Excludes \$5 million transferred to the Bureau of International Narcotics Matters.
- j. Includes \$19.676 million deobligated in 1993; use yet to be determined.
- k. Excludes \$14.5 million carried over from 1992 and transferred to Haiti.

FIGURE 4. SUPPORT FOR THE ANDEAN INITIATIVE: THE BUSH ADMINISTRATION'S PROPOSAL FOR ECONOMIC ASSISTANCE COMPARED WITH ACTUAL AND ESTIMATED LEVELS OF FUNDING (By fiscal year, in millions of dollars)



SOURCES: Congressional Budget Office based on data from the Agency for International Development, Office of Planning and Budget, Finance and Administration; and Office of National Drug Control Policy.

NOTE: For additional information, see Box 2 and Tables 1 and 2.

- a. The Bush Administration issued a proposal for funding for the 1990-1994 period with a comparative assessment of funding for 1989 (dated June 20, 1990).
- b. "Actual funding" refers to the 1989-1992 period and "estimated funding" refers to the 1993-1994 period.

FIGURE 4. CONTINUED

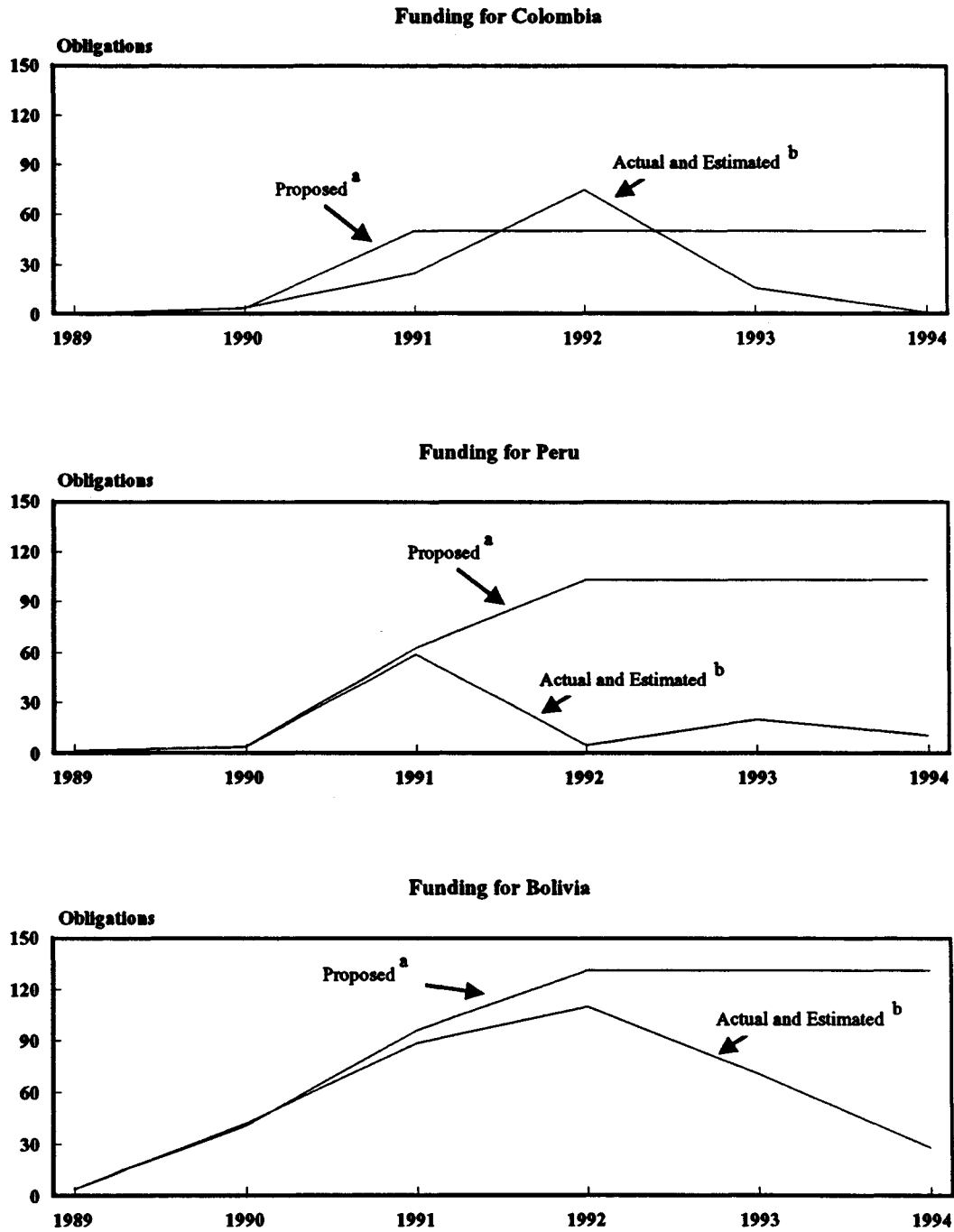


TABLE 3. LAW ENFORCEMENT IN SUPPORT OF THE ANDEAN INITIATIVE: AN ANNOTATED BREAKDOWN OF ACTUAL AND ESTIMATED LEVELS OF FUNDING FOR THE COUNTRY PROGRAMS OF THE BUREAU OF INTERNATIONAL NARCOTICS MATTERS (Obligations by fiscal year, in thousands of dollars)

	1989 Actual	1990 Actual	1991 Actual	1992 Actual	1993 Estimate	1994 Estimate	1990- 1994 Total
Colombia							
Interdiction	9,363	18,950	18,500	21,633	22,700	u.	u.
Crop production control	0	0	0	0	0	u.	u.
Drug prevention and education	0	200	300	200	400	u.	u.
Administration*	<u>637</u>	<u>850</u>	<u>1,200</u>	<u>1,550</u>	<u>1,900</u>	<u>u.</u>	<u>u.</u>
Subtotal	10,000	20,000 ^b	20,000	23,383	25,000	20,000	108,383
Peru							
Interdiction	7,650	6,875	13,625	7,800	12,200	u.	u.
Crop production control	2,000	2,200	4,175	3,500	4,100	u.	u.
Drug prevention and education	50	125	170	100	100	u.	u.
Administration*	<u>800</u>	<u>800</u>	<u>1,030</u>	<u>1,100</u>	<u>1,100</u>	<u>u.</u>	<u>u.</u>
Subtotal	10,500	10,000	19,000	12,500 ^c	17,500	8,000	67,000
Bolivia							
Interdiction	6,509	10,867	11,470	12,150	13,500	u.	u.
Crop production control	2,184	2,658	2,030	2,050	2,000	u.	u.
Drug prevention and education	400	525	0	0	0	u.	u.
Administration*	<u>907</u>	<u>1,650</u>	<u>2,200</u>	<u>1,500</u>	<u>1,500</u>	<u>u.</u>	<u>u.</u>
Subtotal	10,000	15,700 ^b	15,700	15,700	17,000	17,000	81,100
Combined Funding							
Interdiction	23,522	36,692	43,595	41,583	48,400	u.	u.
Crop production control	4,184	4,858	6,205	5,550	6,100	u.	u.
Drug prevention and education	450	850	470	300	500	u.	u.
Administration*	<u>2,344</u>	<u>3,300</u>	<u>4,430</u>	<u>4,150</u>	<u>4,500</u>	<u>u.</u>	<u>u.</u>
Total	30,500	45,700	54,700	51,583	59,500	45,000	256,483

(Continued)

TABLE 3. CONTINUED

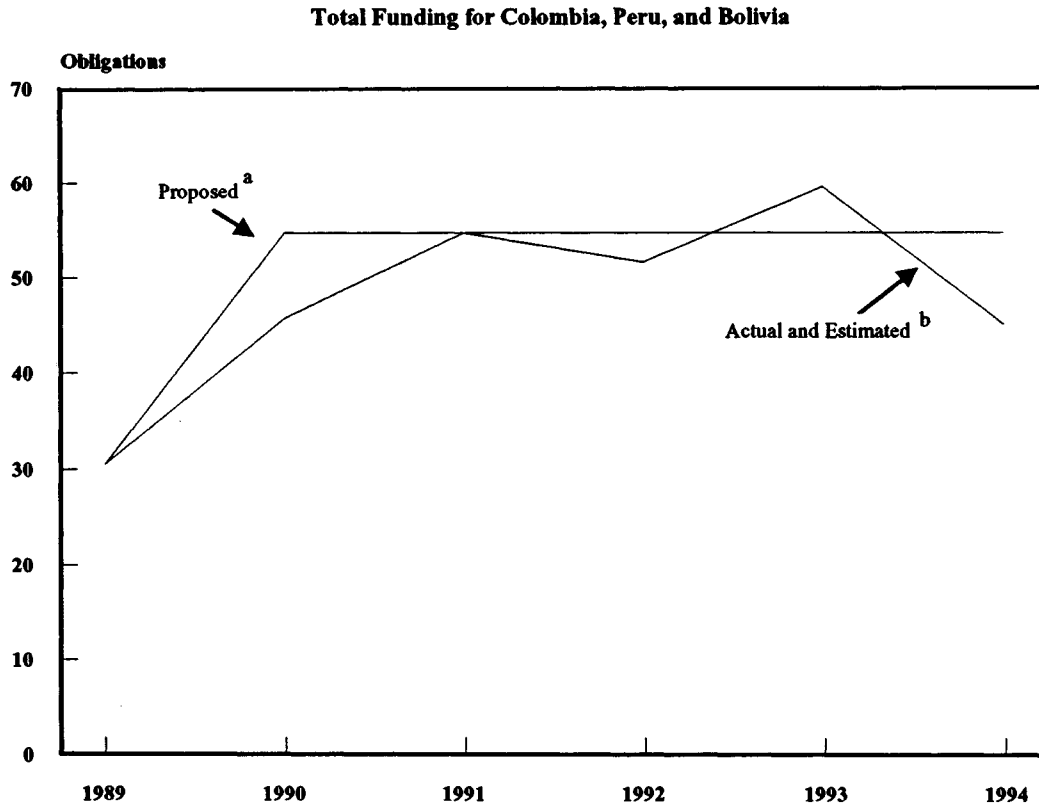
SOURCE: Congressional Budget Office based on data from the Department of State, Bureau of International Narcotics Matters (INM).

NOTES: u. = unobtainable.

"Law enforcement" consists of funding for INM's country programs in Columbia, Peru, and Bolivia, which may include some nonenforcement activities, such as crop production control involving alternative development activities, and drug prevention and awareness.

- a. Administration refers to program development and support.
 - b. Funding for 1990 includes \$16.5 million transferred from security assistance to INM to support the Andean strategy--Bolivia received \$6.5 million and Colombia received \$10 million. See the Department of State, Bureau of International Narcotics Matters, *International Narcotics Control Strategy Report* (March 1991), p. 43. The funds were appropriated for counternarcotics programs under section 602 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1990 (P.L. 101-167).
 - c. In 1992, the Peru program was reflected in the Latin America Regional account.
-

FIGURE 5. SUPPORT FOR THE ANDEAN INITIATIVE: THE BUSH ADMINISTRATION'S PROPOSAL FOR LAW ENFORCEMENT COMPARED WITH ACTUAL AND ESTIMATED LEVELS OF FUNDING (By fiscal year, in millions of dollars)



SOURCES: Congressional Budget Office based on data from the Department of State, Bureau of International Narcotics Matters; and Office of National Drug Control Policy.

NOTE: For additional information, see Box 2 and Tables 1 and 3.

- a. The Bush Administration issued a proposal for funding for the 1990-1994 period with a comparative assessment of funding for 1989 (dated June 20, 1990).
- b. "Actual funding" refers to the 1989-1992 period and "estimated funding" refers to the 1993-1994 period.

FIGURE 5. CONTINUED

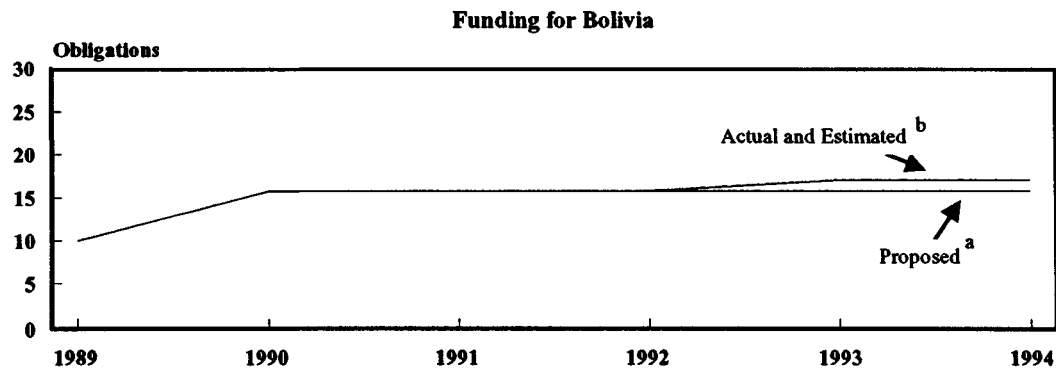
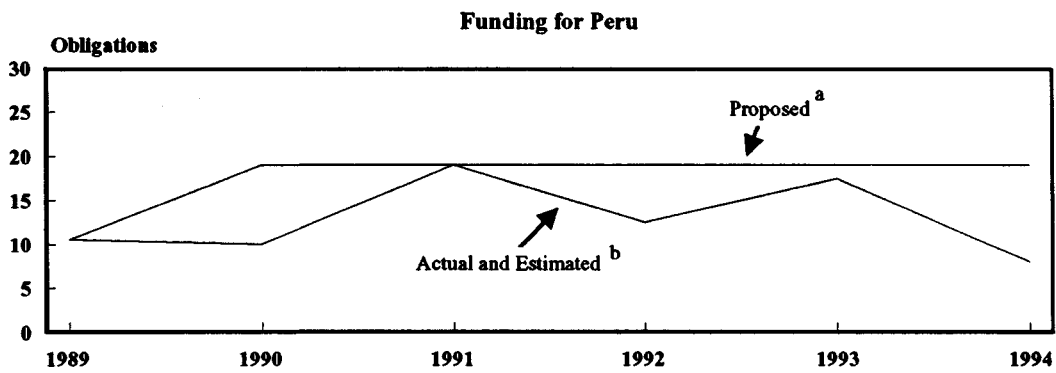
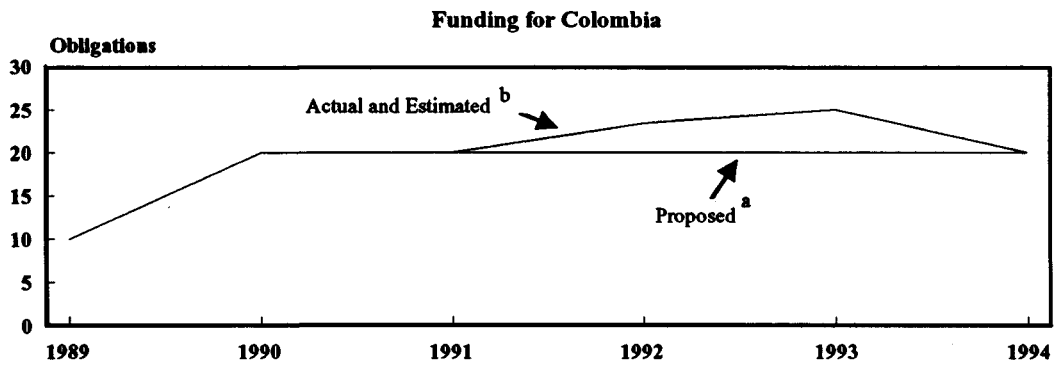


TABLE 4. DRUG ENFORCEMENT ADMINISTRATION ACTIVITIES IN SUPPORT OF THE ANDEAN INITIATIVE: AN ANNOTATED BREAKDOWN OF ACTUAL AND ESTIMATED LEVELS OF FUNDING FOR FOREIGN OFFICES AND OPERATION SNOWCAP (Obligations by fiscal year, in thousands of dollars)

	1989 Actual	1990 Actual	1991 Actual	1992 Actual	1993 Estimate	1994 Estimate	1990-1994 Total
Colombia							
Foreign offices							
Operating expenses	598	688	867	931	1,280	1,280	5,046
Administrative expenses	<u>3,461</u>	<u>4,035</u>	<u>5,316</u>	<u>5,128</u>	<u>6,364</u>	<u>6,364</u>	<u>27,207</u>
Subtotal	4,059	4,723	6,183	6,059	7,644	7,644	32,253
Operation Snowcap	<u>200</u>	<u>200</u>	<u>200</u>	<u>300</u>	<u>300</u>	<u>300</u>	<u>1,300</u>
Total	4,259	4,923	6,383	6,359	7,944	7,944	33,553
Peru							
Foreign offices							
Operating expenses	868	790	1,092	1,077	1,148	1,148	5,255
Administrative expenses	<u>1,851</u>	<u>2,065</u>	<u>2,944</u>	<u>3,008</u>	<u>2,011</u>	<u>2,011</u>	<u>12,039</u>
Subtotal	2,719	2,855	4,036	4,085	3,159	3,159	17,294
Operation Snowcap	<u>1,400</u>	<u>1,600</u>	<u>1,600</u>	<u>1,700</u>	<u>1,100</u>	<u>1,100</u>	<u>7,100</u>
Total	4,119	4,455	5,636	5,785	4,259	4,259	24,394
Bolivia							
Foreign offices							
Operating expenses	1,530	2,437	2,890	3,141	3,388	3,388	15,244
Administrative expenses	<u>2,825</u>	<u>4,043</u>	<u>5,290</u>	<u>7,791</u>	<u>6,950</u>	<u>6,950</u>	<u>31,024</u>
Subtotal	4,355	6,480	8,180	10,932	10,338	10,338	46,268
Operation Snowcap	<u>3,600</u>	<u>4,200</u>	<u>4,200</u>	<u>4,500</u>	<u>5,600</u>	<u>5,600</u>	<u>24,100</u>
Total	7,955	10,680	12,380	15,432	15,938	15,938	70,368
Combined Funding							
Foreign offices							
Operating expenses	2,996	3,915	4,849	5,149	5,816	5,816	25,545
Administrative expenses	<u>8,137</u>	<u>10,143</u>	<u>13,550</u>	<u>15,927</u>	<u>15,325</u>	<u>15,325</u>	<u>70,270</u>
Subtotal	11,133	14,058	18,399	21,076	21,141	21,141	95,815
Operation Snowcap	<u>5,200</u>	<u>6,000</u>	<u>6,000</u>	<u>6,500</u>	<u>7,000</u>	<u>7,000</u>	<u>32,500</u>
Total	16,333	20,058	24,399	27,576	28,141	28,141	128,315

SOURCE: Congressional Budget Office based on data from the Department of Justice, Drug Enforcement Administration.

NOTES: Operating expenses consist of all costs in support of investigative operations, including the purchase of evidence and payments for information. Administrative expenses consist of all noninvestigative costs incurred to run field offices, including personnel-related expenses. Obligations attributed to Operation Snowcap consist of operating expenses only. Operation Snowcap is a special enforcement program coordinated with the Bureau of International Narcotics Matters, targeted at suppressing the production and trafficking of cocaine, particularly in Bolivia and Peru.

Funding for DEA support is expected to surpass the five-year total specified in the Bush proposal by about \$39 million (see Figure 6). It is possible, however, that part of the overage in DEA support may result from differences in labeling or composition. In particular, it is not clear whether the Bush proposal included funding for DEA's contribution to Operation Snowcap. If such funding were excluded from the actual and estimated figures, the five-year total would be lower, but not low enough to eliminate the overage altogether (see Table 4).

Breaking down the data by country, the five-year totals for Colombia and Bolivia would exceed the totals specified in the proposal by significant margins, but the five-year total for Peru would fall short.

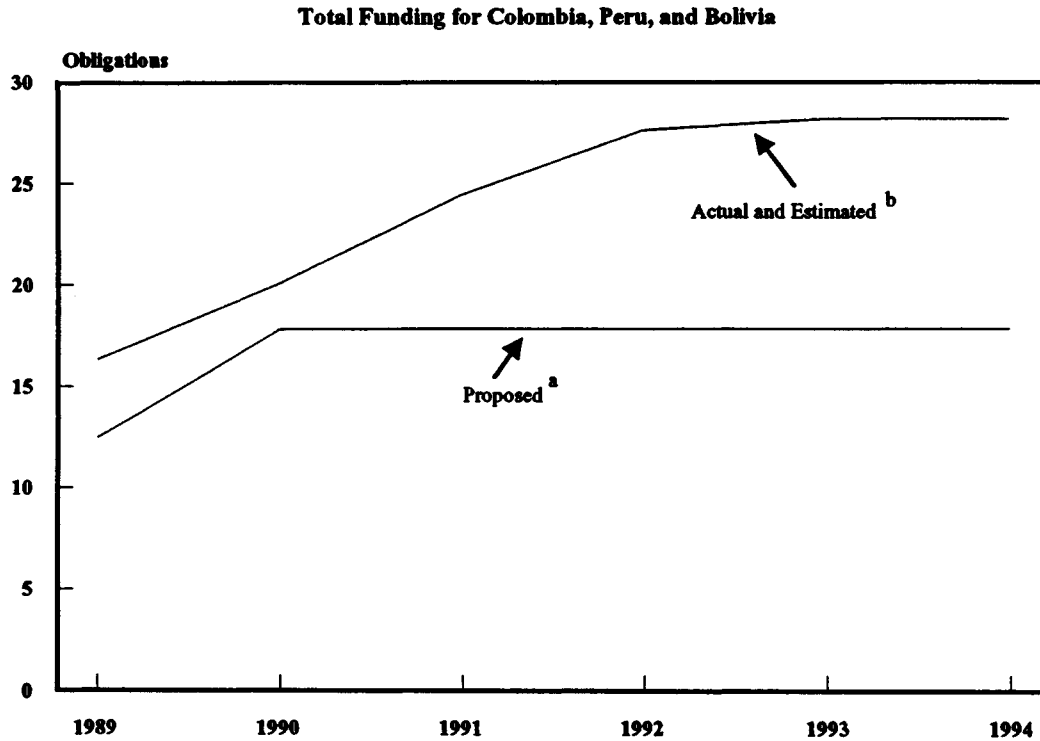
Noncash Assets. Noncash assets consist of offers to transfer excess defense articles (EDA) and actual deliveries of military equipment and services drawn down from U.S. stocks, measured at current value (see Tables 1, 5, and 6).²⁹ (Transfers of noncash assets, as well as unreimbursed deliveries of equipment and services made available through drawdowns, do not have a direct effect on the Treasury and are not "counted" directly in the federal budget.) In 1990, drawdown for Bolivia included a lease for helicopters valued at about \$2.6 million, fatigue uniforms valued at \$67,000, and combat rations--"meals ready to eat" (MREs)--valued at \$137,407. In 1992, Colombia's EDA included MREs valued at \$445,170, support equipment, and several trucks. (Neither list is exhaustive.) During the 1990-1993 period (data for 1994 are not yet available), noncash assets contributed additional resources amounting to about \$41 million. The bulk of those resources were directed to Colombia.

Tariff Reductions. Tariff reductions consist of actual and projected losses of revenue from tariffs under the Andean Trade Preference Act, after income and payroll tax offsets.³⁰ CBO's previous estimate of losses of revenue from tariffs assumed full implementation and participation in 1992, but the actual start-up of the program occurred over a period of almost two years. (Colombia and Bolivia were designated as beneficiary countries in July 1992; Peru was designated in August 1993.) The Congressional Budget Office's revised estimate of actual and projected revenue losses has been adjusted for

29. To facilitate comparisons with other sources of data, Table 5 provides figures for budget authority and Table 6 provides figures for EDA measured at acquisition value and sales of EDA, but those figures are not included in Table 1. (EDA may be either sold to eligible countries under the Foreign Military Sales program or transferred under provisions of the Foreign Assistance Act of 1961, as amended. See Department of State and Defense Security Assistance Agency, *Congressional Presentation for Security Assistance Programs* (fiscal year 1994), p. 74.)

30. Excluding losses related to Ecuador.

FIGURE 6. SUPPORT FOR THE ANDEAN INITIATIVE: THE BUSH ADMINISTRATION'S PROPOSAL FOR U.S. DRUG ENFORCEMENT ADMINISTRATION ACTIVITIES COMPARED WITH ACTUAL AND ESTIMATED LEVELS OF FUNDING (By fiscal year, in millions of dollars)



SOURCES: Congressional Budget Office based on data from the Department of Justice, Drug Enforcement Administration; and Office of National Drug Control Policy.

NOTE: For additional information, see Box 2 and Tables 1 and 4.

- a. The Bush Administration issued a proposal for funding for the 1990-1994 period with a comparative assessment of funding for 1989 (dated June 20, 1990).
- b. "Actual funding" refers to the 1989-1992 period and "estimated funding" refers to the 1993-1994 period.

FIGURE 6. CONTINUED

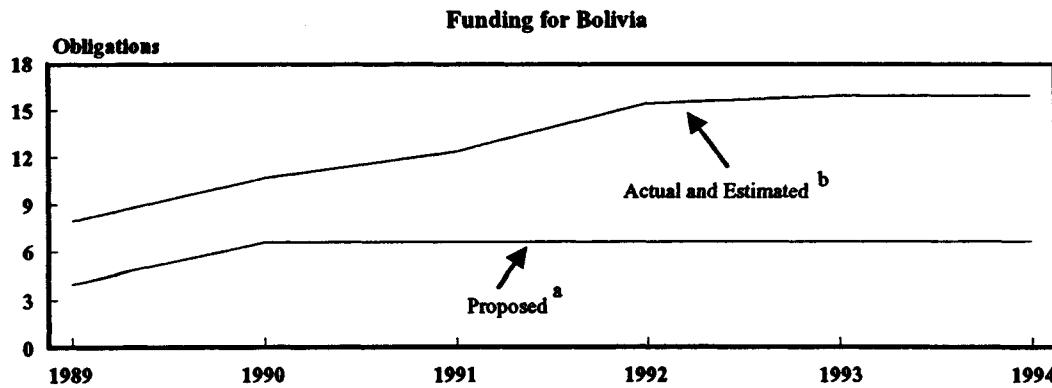
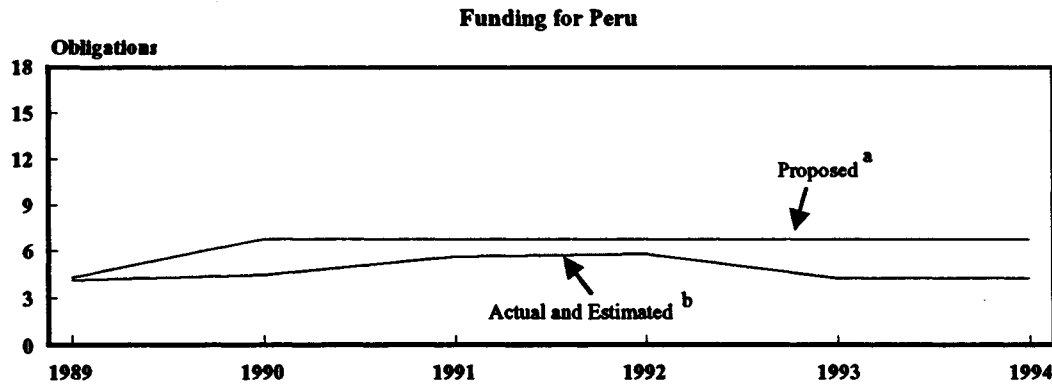
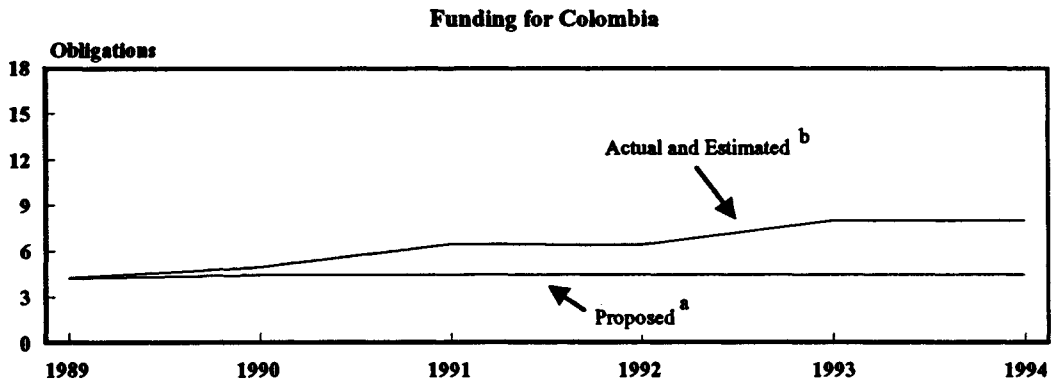


TABLE 5. NONCASH ASSETS PROVIDED IN SUPPORT OF THE ANDEAN INITIATIVE: AN ANNOTATED BREAKDOWN OF AUTHORIZED DEFENSE DRAWDOWN AND REPORTED DELIVERIES
(By fiscal year, in thousands of dollars)

	1989	1990	1991	1992	1993	1994
Budget Authority						
Colombia	65,000	20,000	0	7,000	0	u.
Peru	0	0	0	0	0	u.
Bolivia	<u>0</u>	<u>7,800</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>u.</u>
Total	65,000	27,800	0	7,000	0	u.
Current Value of Deliveries						
Colombia						
Articles and services	60,940	14,685	0	5,813	0	u.
Transportation, packing, handling, and crating	<u>4,060</u>	<u>3,434</u>	<u>0</u>	<u>745</u>	<u>0</u>	<u>u.</u>
Subtotal	65,000	18,119	0	6,558	0	u.
Peru						
Articles and services	0	0	0	0	0	u.
Transportation, packing, handling, and crating	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>u.</u>
Subtotal	0	0	0	0	0	u.
Bolivia						
Articles and services	0	7,193	0	0	0	u.
Transportation, packing, handling, and crating	<u>0</u>	<u>341</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>u.</u>
Subtotal	0	7,534	0	0	0	u.
Combined Deliveries						
Articles and services	60,940	21,878	0	5,813	0	u.
Transportation, packing, handling, and crating	<u>4,060</u>	<u>3,775</u>	<u>0</u>	<u>745</u>	<u>0</u>	<u>u.</u>
Total	65,000	25,653	0	6,558	0	u.

(Continued)

TABLE 5. CONTINUED

SOURCES: Congressional Budget Office based on data from the Defense Security Assistance Agency, Legislative and Planning Division; and Department of State and Defense Security Assistance Agency, *Congressional Presentation for Security Assistance Programs* (fiscal years 1991-1994).

NOTES: u. = unavailable.

Section 506(a)(2) of the Foreign Assistance Act of 1961 (FAA), as amended by section 551 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1990 (P.L. 101-167), "authorizes the President to draw down defense articles and services, and provide military education and training for counternarcotics, disaster relief, or refugee assistance upon making a determination that it is in the national interest." See Office of National Drug Control Policy, *National Drug Control Strategy, Budget Summary* (January 1992), p. 24. Section 506(c) authorizes "appropriations for reimbursement of applicable funds," but such appropriations have not been granted in recent years. (Before 1990, section 506(a) of the FAA provided drawdown authority for unforeseen emergencies, but did not provide specific authority for international narcotics control.)

TABLE 6. NONCASH ASSETS OFFERED IN SUPPORT OF THE ANDEAN INITIATIVE: AN ANNOTATED BREAKDOWN OF OFFERS TO TRANSFER OR SELL EXCESS DEFENSE ARTICLES (By fiscal year, in thousands of dollars)

	1989	1990	1991	1992	1993	1994
Current Value						
Colombia						
Transfers						
Section 517	n.a.	63	817	1,362	80	u.
Section 519	<u>n.a.</u>	<u>n.a.</u>	<u>3,162</u>	<u>1,787</u>	<u>n.a.</u>	<u>n.a.</u>
Subtotal	n.a.	63	3,979	3,149	80	u.
Foreign military sales	<u>20</u>	<u>0</u>	<u>0</u>	<u>102</u>	<u>0</u>	<u>u.</u>
Total	20	63	3,979	3,251	80	u.
Peru						
Transfers						
Section 517	n.a.	48	0	121	0	u.
Section 519	<u>n.a.</u>	<u>n.a.</u>	<u>0</u>	<u>0</u>	<u>n.a.</u>	<u>n.a.</u>
Subtotal	n.a.	48	0	121	0	u.
Foreign military sales	<u>0</u>	<u>0</u>	<u>0</u>	<u>332</u>	<u>0</u>	<u>u.</u>
Total	0	48	0	453	0	u.
Bolivia						
Transfers						
Section 517	n.a.	0	0	0	0	u.
Section 519	<u>n.a.</u>	<u>n.a.</u>	<u>0</u>	<u>1,474</u>	<u>n.a.</u>	<u>n.a.</u>
Subtotal	n.a.	0	0	1,474	0	u.
Foreign military sales	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>u.</u>
Total	4	0	0	1,474	0	u.
Combined Transfers and Sales						
Transfers						
Section 517	n.a.	111	817	1,484	80	u.
Section 519	<u>n.a.</u>	<u>n.a.</u>	<u>3,162</u>	<u>3,261</u>	<u>n.a.</u>	<u>n.a.</u>
Subtotal	n.a.	111	3,979	4,745	80	u.
Foreign military sales	<u>24</u>	<u>0</u>	<u>0</u>	<u>434</u>	<u>0</u>	<u>u.</u>
Total	24	111	3,979	5,179	80	u.

(Continued)

TABLE 6. CONTINUED

	1989	1990	1991	1992	1993	1994
Acquisition Value						
Colombia						
Transfers						
Section 517	n.a.	1,101	2,382	4,924	1,051	u.
Section 519	<u>n.a.</u>	<u>n.a.</u>	<u>4,201</u>	<u>3,768</u>	<u>n.a.</u>	<u>n.a.</u>
Subtotal	n.a.	1,101	6,583	8,692	1,051	u.
Foreign military sales	<u>57</u>	<u>0</u>	<u>0</u>	<u>811</u>	<u>0</u>	<u>u.</u>
Total	57	1,101	6,583	9,502	1,051	u.
Peru						
Transfers						
Section 517	n.a.	458	0	243	0	u.
Section 519	<u>n.a.</u>	<u>n.a.</u>	<u>0</u>	<u>0</u>	<u>n.a.</u>	<u>n.a.</u>
Subtotal	n.a.	458	0	243	0	u.
Foreign military sales	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,657</u>	<u>0</u>	<u>u.</u>
Total	0	458	0	2,900	0	u.
Bolivia						
Transfers						
Section 517	n.a.	0	0	0	0	u.
Section 519	<u>n.a.</u>	<u>n.a.</u>	<u>0</u>	<u>2,100</u>	<u>n.a.</u>	<u>n.a.</u>
Subtotal	n.a.	0	0	2,100	0	u.
Foreign military sales	<u>11</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>u.</u>
Total	11	0	0	2,100	0	u.
Combined Transfer and Sales						
Transfers						
Section 517	n.a.	1,559	2,382	5,167	1,051	u.
Section 519	<u>n.a.</u>	<u>n.a.</u>	<u>4,201</u>	<u>5,868</u>	<u>n.a.</u>	<u>n.a.</u>
Subtotal	n.a.	1,559	2,382	11,035	1,051	u.
Foreign military sales	<u>68</u>	<u>0</u>	<u>0</u>	<u>3,468</u>	<u>0</u>	<u>u.</u>
Total	68	1,559	6,583	14,502	1,051	u.

(Continued)

TABLE 6. CONTINUED

SOURCES: Congressional Budget Office based on data from the Defense Security Assistance Agency, Legislative and Planning Division; and Department of State and Defense Security Assistance Agency, *Congressional Presentation for Security Assistance Programs* (fiscal years 1991-1994).

NOTES: u. = unavailable; n.a. = not applicable.

Materiel no longer needed by the U.S. armed forces is referred to collectively as excess defense articles (EDA) and may be either sold to eligible countries under the Foreign Military Sales program or transferred under provisions of the Foreign Assistance Act of 1961 (FAA), as amended (see Department of State and Defense Security Assistance Agency, *Congressional Presentation for Security Assistance Programs*, fiscal year 1994, p. 74). Section 517 of the FAA, as amended, which was created under section 5 of the International Narcotics Control Act of 1989 (P.L. 101-231), provides transfer authority for EDA used *primarily* in support of counternarcotics activities. (Prior to amendments specified in section 15 of the International Narcotics Control Act of 1990 (P.L. 101-623), section 517 provided transfer authority for EDA used *only* in support of counternarcotics activities.) Section 519 of the FAA, as amended, which was created under section 596 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1991 (P.L. 101-513), has provided additional authorities relating to modernization of military capabilities for transfers of nonlethal EDA, but does not apply to major illicit-drug producing or trafficking countries in Latin America after 1992. (Under section 9 of the International Narcotics Control Act of 1992 (P. L. 102-583), the transfer authority provided in section 519 may not be exercised with respect to any major illicit-drug producing or drug trafficking country in Latin America or the Caribbean.) The figures for EDA are offers and may not correspond to actual deliveries.

those delays. CBO's estimate of actual revenue losses amounts to about \$3 million for 1992 and \$13 million for 1993, after income and payroll tax offsets are subtracted. For 1994, CBO's estimate of projected losses is about \$16 million, also after income and payroll tax offsets are subtracted. Stated slightly differently, the ATPA added an estimated \$16 million to the cost of the Andean Initiative during the 1992-1993 period and is expected to add another \$16 million to that cost in 1994. In each case, Colombia has been or is expected to be the principal beneficiary.

CONCLUSIONS

In September 1989, the Bush Administration introduced the Andean Initiative and, in June 1990, issued a five-year plan to provide about \$2.1 billion for military and economic assistance, law enforcement, and DEA support in Colombia, Peru, and Bolivia. The Bush Administration intended significant increases in narcotics-related funding for the three countries, but the record of actual and estimated obligations indicates substantial shortfalls. Although regional funding increased in 1990 and 1991, it increased less than was envisioned in the proposal, and is expected to decline in 1993 and 1994. Other resources--such as trade benefits and noncash assets--have added to the totals, but not enough to affect the general conclusion.

But comparisons of funding before the initiative, proposed levels of funding, and later reports of actual and estimated levels of funding for the Andean region should be viewed with care. Poor documentation and data incongruities, as well as the uncertainty surrounding estimates of obligations for 1994, make precise assessments difficult. Moreover, the data for the Andean region should not be viewed in isolation or apart from political events, such as President Fujimori's decision to suspend the Peruvian constitution in 1992. And although funding for the initiative appears to be waning, overall funding for some of the agencies and programs has also declined. For example, the total appropriation for the Bureau of International Narcotics Matters fell from \$147.8 million in 1993 to only \$100 million in 1994, but the share of those funds allocated to Colombia, Peru, and Bolivia rose from 40 percent to 45 percent. Finally, the Congress has called for a moratorium on some Andean Initiative funding for 1994, pending a new strategy from the Clinton Administration.

APPENDIX A: THE CLINTON ADMINISTRATION'S DRUG CONTROL STRATEGY

In February 1994, the Clinton Administration delivered the 1994 *National Drug Control Strategy* to the Congress, with the President's 1995 request for funding for programs related to the war against illegal drugs. The format of the request for international programs, which includes funding for programs in Colombia, Peru, and Bolivia, differs from previous years (see Table A-1).

Funding for an integrated International Narcotics Control (INC) program, coordinated by the U.S. Bureau of International Narcotics Matters (INM), includes funding for foreign military financing, international military education and training, Economic Support Fund, and development assistance programs. As noted in the strategy, "The INC Program proposal for FY1995 incorporates the funding for Economic Support Fund, Development Assistance (formerly scored within the Agency for International Development budget), International Narcotics Matters funding, Foreign Military Financing and International Military Education and Training (formerly scored within the Bureau of Politico-Military Affairs budget)."¹ Under the INC program, funding for those programs makes up the bulk of the President's consolidated budget for the International Narcotics Trafficking, Terrorism, and Crime Bureau, which also includes funding for antiterrorism assistance and international criminal justice. (The request for the INC program does not include funding for support from the Drug Enforcement Administration; that funding has been requested under the Department of Justice.)

According to the strategy's program summary, INM's responsibilities include "developing, implementing, and monitoring U.S. international counternarcotics strategies and programs in support of the *President's National Drug Control Strategy*. INM functions also include foreign policy formulation and coordination, program management, and diplomatic initiatives."² The program summary provides the following statements:

"The President has identified international narcotics control as a major U.S. foreign policy objective. The Department of State and other agencies will work together to respond to the international narcotics problem by highlighting a new strategy that will stress greater multilateral efforts to strengthen democratic institutions, making them more effective in fighting international trafficking syndicates."³

1. Office of National Drug Control Policy, *National Drug Control Strategy, Budget Summary* (February 1994), p. 181.

2. *Ibid.*, p. 133.

3. *Ibid.*, p. 134.

**TABLE A-1. BUREAU OF INTERNATIONAL NARCOTICS MATTERS: A
SUMMARY OF RESOURCES (By fiscal year, in millions of dollars)**

	Budget Authority		
	1993 ^a Actual	1994 ^a Estimate	1995 ^a Request
Drug Resources by Function			
International	336.4	147.1	227.8
Prevention	<u>5.0</u>	<u>9.9</u>	<u>4.0</u>
Total	341.4	157.0	231.8
Drug Resources by Decision Unit			
International narcotics control program			
Assisting institutions in other countries	319.0	136.5	204.3
International cooperation	6.8	5.0	11.5
Administrative support	<u>15.6</u>	<u>15.5</u>	<u>16.0</u>
Total	341.4	157.0	231.8 ^b

SOURCE: Congressional Budget Office based on data from the Office of National Drug Control Strategy, *National Drug Control Strategy, Budget Summary* (February 1994), p. 133.

NOTES: The following notes accompany the President's strategy:

a. "In FY 1993 and 1994, funding for Foreign Military Financing (FMF), Economic Support Fund (ESF), International Military Education and Training (IMET), and Development Assistance (DA) programs were not included in the International Narcotics Matters (INM) budget. In FY 1995, the consolidated International Narcotics Trafficking, Terrorism, and Crime Bureau (NTC) budget includes funding for these programs. For presentation purposes, the totals in FY 1993 and FY 1994 include funding for INM, FMF, ESF, IMET, and DA programs."

b. "\$7.2 million of the \$231.8 million is attributed to programs in Asia."

"The reorganization of international narcotics control and the 1995 budget are designed to focus increasingly on source countries where the trade and trafficking organizations are most confined and vulnerable. The funding level reflects our most extensive effort yet to integrate police and military law enforcement activities, training, and sustainable economic growth into comprehensive regional and country counter-narcotics programs."⁴

The Administration proposed allocating \$165.9 million to "regional and country counternarcotics" activities in Latin America, of which \$68 million would be allocated to Bolivia, \$40 million to Colombia, and \$42 million to Peru. (Drawing on estimates of obligations for 1993 and 1994, Table A-2 compares the President's request with funding for prior years, by country.) The President's *National Drug Control Strategy* briefly describes programs for each country as follows:

"The economic, political, and security situation in Bolivia, the second largest producer of illicit coca, provides an opportunity to implement a new comprehensive narcotics control program that focuses on developing the institutional capabilities of counternarcotics police and military law enforcement, coca eradication, sustainable economic growth, judicial reform, and public drug awareness, and prevention."⁵

"The Colombian trafficking organizations remain the largest suppliers of cocaine to the U.S. and pose a serious security threat to the Colombian government. Program funds will support counternarcotics police and military and law enforcement activities; eradication of coca and poppy cultivations; public awareness and drug prevention; and judicial reform."⁶

"Strong funding for Peru, the largest producer of coca, is important to a successful counternarcotics strategy in Latin America. Funding will support an integrated Peruvian strategy to provide judicial reform, dismantle key Peruvian trafficking organizations, and provide sustainable economic growth to communities that support the eradication of coca cultivations. The program includes assistance to police and other law enforcement agencies, local and national government agencies involved

4. Ibid., p. 134.

5. Ibid., p. 134.

6. Ibid., p. 134.

TABLE A-2. FUNDING FOR COUNTERNARCOTICS ACTIVITIES IN COLOMBIA, PERU, AND BOLIVIA: A COMPARISON OF THE CLINTON ADMINISTRATION'S REQUEST FOR 1995 AND ESTIMATES OF OBLIGATIONS FOR 1993 AND 1994
(By fiscal year, in millions of dollars)

	1993	1994	1995
Colombia	70	30	40
Peru	38	19	42
Bolivia	<u>107</u>	<u>49</u>	<u>68</u>
Total	215	98	150

SOURCES: Congressional Budget Office based on data from the Agency for International Development, Office of Planning and Budget, Finance and Administration; Agency for International Development, *Congressional Presentation* (fiscal year 1994); Defense Security Assistance Agency, Legislative and Planning Division; Department of State, Bureau of International Narcotics Matters; Department of State, Office of Legislative Affairs; and Department of State and Defense Security Assistance Agency, *Congressional Presentation for Security Assistance Programs* (fiscal year 1994); and Office of National Drug Control Strategy, *National Drug Control Strategy, Budget Summary* (February 1994), pp. 134-135.

NOTES: The figures for 1993 and 1994 include funding for foreign military financing, international military education and training, Economic Support Fund, development assistance, and International Narcotics Matters programs. The figures for 1995 include funding for those programs, now under the International Narcotics Control program, which is the central component of the President's consolidated budget for the International Narcotics Trafficking, Terrorism, and Crime Bureau. This table does not include funding for Drug Enforcement Administration activities.

The figures for 1993 and 1994 are rounded to the nearest million.

in sustainable economic growth, and public awareness and education activities."⁷

7. *Ibid.*, pp. 134-135.

APPENDIX B: PROGRAMS, PROJECTS, AND OPERATIONS SUPPORTING THE ANDEAN INITIATIVE

Several federally funded programs, projects, and operations have supported the Andean Initiative in Colombia, Peru, and Bolivia.¹ Among them, foreign military financing (FMF) and international military education and training (IMET) programs, narcotics-related Economic Support Fund (ESF) and development assistance projects, the bilateral programs of the Bureau of International Narcotics Matters (INM), and the foreign offices and coordinated operations of the Drug Enforcement Administration (DEA) are highlighted in this report. Moreover, other resources have been allocated through trade benefits, military drawdown, and transfers of excess defense articles (EDA).²

Military Assistance

Military assistance consists of funding for FMF and IMET programs in Colombia, Peru, and Bolivia. Although some of the assistance may be used for law enforcement, this paper refers to all FMF and IMET under one heading.³

In general, host governments use FMF to acquire U.S. military articles, services, and training. In particular, FMF provides financing for "modern military equipment, permitting host governments to engage in the defense of their countries against drug traffickers."⁴ (For the most part, the FMF program provides grants, but in some cases it offers low-interest loans.) IMET, according to the Administration, "provides a variety of training to host government forces, including aviation operations and maintenance, and boat handling in support of counternarcotics operations."⁵

In addition to FMF and IMET, the President has limited authority to draw down defense articles and services, provide military education and

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1. The following descriptions are based on narratives appearing in: Office of National Drug Control Policy, *National Drug Control Strategy, Budget Summary* (January 1992); U.S. Department of State and Defense Security Assistance Agency, *Congressional Presentation for Security Assistance Programs* (fiscal year 1994); explanations provided by the agencies; and legislative language. Unless otherwise noted, this discussion does not take into account any new information provided in the 1994 *National Drug Control Strategy* and may not be applicable after 1994.
 2. Trade benefits are discussed separately in Box 3.
 3. The Defense Security Assistance Agency carries out the FMF and IMET programs under the auspices of the Department of State's Bureau of Politico-Military Affairs.
 4. Office of National Drug Control Policy, *National Drug Control Strategy, Budget Summary*, pp. 152-153.
 5. *Ibid.*, p. 153.

training for counternarcotics assistance, and transfer EDA from U.S. military stocks (see the discussion below on noncash assets).

Economic Assistance

Economic assistance consists of funding for narcotics-related development assistance and ESF projects in Colombia, Peru, and Bolivia.⁶ The 1992 publication of the *National Drug Control Strategy, Budget Summary* provides general description of both programs:

"Development Assistance (DA) is designed to accelerate economic growth, alleviate hunger, improve health and education, and alleviate unmanageable population pressures."⁷

"The Economic Support Fund (ESF) advances U.S. economic, political, and security interests by offering economic assistance to allies and developing countries of strategic importance to the U.S. A portion of ESF is used to finance project activities, but the primary use is to provide balance of payment support through the provision of direct financial assistance (cash transfer) or the financing of commodity imports. . . ."⁸

The same publication lists five types of alternative development activities aimed at combating illegal narcotics, namely, "area-targeted development, narcotics awareness programs, balance of payments support, improvements in the administration of justice, and projects to provide alternative sources of income and foreign exchange as counter-narcotics efforts succeed."⁹

6. The Agency for International Development carries out both programs. It carries out the Economic Support Fund program "with overall foreign policy guidance from the Secretary of State." See Department of State and Defense Security Assistance Agency, *Congressional Presentation for Security Assistance Programs*, p. 38.

7. Office of National Drug Control Policy, *National Drug Control Strategy, Budget Summary*, p. 12.

8. *Ibid.*, p. 12.

9. *Ibid.*, p. 13.

Law Enforcement

Law enforcement consists of funding for INM's bilateral programs in Colombia, Peru, and Bolivia. INM's regional and interregional programs provide additional support.¹⁰

INM's bilateral programs (also referred to as "country programs") provide support for interdiction, crop production control (including funding for alternative development), drug prevention and education, and program development and support, including INM's contribution to Operation Snowcap.

In addition, INM operates regional and interregional programs. Some of those programs provide support for the Andean Initiative (for example, the interregional air wing has been active in Peru and other countries), but their costs are accounted for separately and are not included in this paper's tables of funding. In some cases, however, they can be traced to one of the three countries.

DEA Support

The Department of Justice's Drug Enforcement Administration operates field offices in Colombia, Peru, and Bolivia, and contributes to Operation Snowcap. According to the *National Drug Control Strategy, Budget Summary*, the special agents assigned to DEA's foreign offices "establish diplomatic liaison with host countries and provide investigative assistance and training."¹¹

In coordination with INM, DEA began Operation Snowcap in 1987 as a special enforcement program aimed at suppressing the production of and trafficking in cocaine in Latin American source countries, particularly Bolivia and Peru.¹² Teams of DEA special agents, in support of host-country law enforcement organizations, participate in jungle and riverine operations against cocaine-producing laboratories and transportation routes. Special agents volunteer from DEA's domestic offices for 90-day tours of duty (the costs associated with those personnel are accounted for separately). All

10. The Bureau of International Narcotics Matters is the lead bureau for international narcotics control at the Department of State.

11. Office of National Drug Control Policy, *National Drug Control Strategy, Budget Summary*, p. 92.

12. The Drug Enforcement Administration provided the information for this summary.

enforcement efforts of Operation Snowcap are coordinated and conducted in cooperation with law enforcement officials in host countries.

Noncash Assets

Under current law, "noncash assets" consist of EDA offered for transfer under section 517 of the Foreign Assistance Act of 1961 (FAA), as amended, and drawdown of military equipment and services authorized under section 506(a)(2) of that act. (In the past, noncash assets also included EDA offered for transfer under section 519 of the FAA.)

Defense articles no longer needed by the U.S. armed forces (EDA) may be either sold to eligible countries under the Foreign Military Sales program or transferred under provisions of the FAA, as amended.¹³ Section 5 of the International Narcotics Control Act of 1989 (P.L. 101-231) amended the FAA by adding section 517: "Modernization of Military Capabilities of Certain Major Illicit Drug Producing Countries." Under section 517 the President has limited authority to transfer EDA "for the purpose of encouraging the military forces of an eligible country in Latin America and the Caribbean to participate with local law enforcement agencies in a comprehensive national antinarcotics program. . . ," at no cost to the recipient country.¹⁴ In addition, EDA transfers were offered to Colombia and Bolivia in 1991 and 1992 under section 519 of the FAA, as amended.¹⁵ Under current law, however, section 519 "may not be exercised with respect to any major illicit drug producing country or major drug-transit country in Latin America or the Caribbean."¹⁶

Section 506(a)(2) of the FAA, as amended by section 551 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1990 (P.L. 101-167), "authorizes the President to draw down defense articles and services, and provide military education and training for counternarcotics,

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13. Department of State and Defense Security Assistance Agency, *Congressional Presentation for Security Assistance Programs*, p. 74
 14. See section 517 of the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2321k). Section 9 of the International Narcotics Control Act of 1992 (P.L. 102-583) amended the heading of section 517, by striking out "Military Capabilities of Certain Major Illicit Drug Producing" and inserting in lieu thereof "Counternarcotics Capabilities of Certain." In addition, it amended the text of section 517 (quoted above) to read, "for the purpose of encouraging the military forces and local law enforcement agencies of an eligible country in Latin America and the Caribbean to participate cooperatively in a comprehensive national antinarcotics program. . . ."
 15. See section 596 of the Foreign Operations, Export Financing, and Related Appropriations Act of 1991 (P.L. 101-513) and section 519 to the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2321m).
 16. See section 9 of the International Narcotics Control Act of 1992 (P.L. 102-583) and section 517 of the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2321k).

disaster relief, or refugee assistance upon making a determination that it is in the national interest."¹⁷ Section 506(c) authorizes "appropriations for reimbursement of applicable funds," but such appropriations have not been granted in recent years. (Before 1990, section 506(a) of the FAA provided drawdown authority for unforeseen emergencies, but did not provide specific authority for international narcotics control.)

17. Office of National Drug Control Policy, *National Drug Control Strategy, Budget Summary*, p. 24.

