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Reagan Requests 1987 Supplement for U.S. Foreign Affairs Budget

by LADB Staff
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In his annual budget message to Congress on Jan. 5, President Ronald Reagan issued a supplemental FY 1987 budget request of $1.321 billion for the US foreign affairs budget, and requested a total of $19.073 billion for FY 1988. At a press briefing in Washington the same day, Secretary of State George Shultz called the Reagan administration's fiscal 1988 foreign affairs budget request "a clear investment in the future."

The supplemental budget request includes $458 million for US base rights and access in foreign countries; $293 million in funds owed to multilateral development banks; $240 million for aid to Central America; $119 million for State Department operational needs; $100 million for earthquake relief to El Salvador; $50 million for the president's South Africa initiative; $42 million for US information and exchange programs, and $10 million for anti-drug trafficking programs.

Reagan is requesting a total of $1.158 billion in bilateral development assistance for FY 1988. This compares with an estimated total of $1.474 billion in FY 1987, and an actual figure of $1.494 billion in FY 1986. The FY 1988 request includes $3.6 billion for economic support funds compared to an estimated $3.897 billion in FY 1987. This budget item refers to economic assistance to countries considered of special interest to US political and security concerns. Next, the 1988 request includes a total of $946.6 million for the PL-480 Food for Peace program. This compares to an estimated total of $1.083 billion in FY 1987 and an actual figure of $1.243 billion in 1986.

Shultz said the request for increased funding to multilateral development banks is a key element of the Baker Plan aimed at assisting major debtor nations to achieve economic growth. He pointed out that funding for these banks was cut by about one-third in the fiscal year ending September 30, 1987. The supplemental budget request for FY 1987 seeks to bring the US up to date in its commitments to the World Bank and other multilateral financial institutions. In the FY 1988 request, $1.8 billion are earmarked for development banks.

The supplemental FY 1987 request would bring US contributions up to date for the International Finance Corporation (World Bank private investment affiliate), International Development Association (World Bank affiliate making long-term, interest-free loans to the poorest developing nations), the African Development Fund and the African Development Bank. Assuming Congress grants the $293 million supplement for multilateral banks, the US would still be in arrears about $491.5 million in contributions.

The shortfalls include $204.9 million to the World Bank, $44.4 million to the Multilateral Investment Guarantee Agency (MIGA), $63.2 million to the Inter-American Development Bank (IDB), $89.4 million to the IDB Fund for Special Operations, $14.8 million to the Asian Development Bank.
and $72 million to the Asian Development Fund. If Congress grants Reagan's FY 1988 budget request, these arrearages would also be eliminated. The FY 1988 request includes $1.819 billion for multilateral banks. The banks received an estimated total of $949.3 million in FY 1987 (excluding the $293 million supplement), actual appropriations of $1.143 billion in FY 1986, and $1.548 billion in FY 1985. According to Joanne Omang, writing for the WASHINGTON POST (1/7/87), the State Department has initiated an effort to increase visibility "in order to build a constituency of supporters in America's heartland."

"People and firms who see that their towns' jobs...are linked to aid projects and economic development abroad will, it is hoped, lobby for foreign aid and State Department spending the way defense contractors push for a military buildup." Meanwhile, Shultz has been informed by members of Congress that the $1.3 billion supplemental 1987 request stands little chance of approval, and that the $19.1 billion target for 1988 is likely to undergo substantial reductions. [Note: The US federal deficit in 1986 was $220.7 billion. According to the president's Jan. 5 budget message, the 1987 deficit estimate is $173.2 billion. The Reagan administration's estimates for the 1988 and 1989 deficits are $107.8 billion, and $92.8 billion, respectively. The federal budget shortfall has equalled or exceeded 5% of gross national product (GNP) in each of the past four years.]

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