

On February 10, 2020, US President Donald Trump unveiled his Fiscal Year (FY) 2021 Budget Request, detailing the administration's policy and programming priorities for the coming year. The President's proposal continues themes raised in past years, including prioritizing foreign assistance for US allies, such as those in the Indo-Pacific and African regions, and prioritizing strong trade enforcement, along with the negotiation of new and expanded trade agreements with prioritized trading partners.

This alert provides a topline analysis of the President's FY 2021 Budget Request for the Function 150 Account, or funding for international programs under the US Department of State, US Agency for International Development and other federal agencies. It also highlights funding priorities for the Office of the US Trade Representative and other federal agencies implementing the President's trade policies.

US Department of State, US Agency of International Development and Other International Programs

Funding

Similar to the past three years, President Trump has again proposed steep cuts to the Function 150 Account, with the proposal still addressing global challenges, such as competition from those nations believed not to share American values. The President's 2021 Budget Request (the Budget Request) proposes US\$40.8 billion for the Department of State (State) and the US Agency for International Development (USAID), a US\$11.7 billion or 22% decrease from FY 2020 enacted levels. The budget also requests US\$1.6 billion for Department of Treasury international programs, a US\$100 million or 8% decrease from FY 2020 enacted levels. The cuts include eliminating nearly US\$4 billion for Overseas Contingency Operations (OCO), a fund typically viewed as a way to augment base funds for international programs.

The President's Function 150 request outlines the administration's foreign policy priorities and formally kicks off the congressional appropriations cycle. Congress, however, has the final word on US international program funding. There are already signs that members of Congress share similar concerns raised by former Chairman of the Joint Chiefs of Staff (Ret.) Admiral Mike Mullen, who recently circulated a letter warning, "the more we cut the international affairs budget, the higher the risk for longer and deadlier military operations."

The Democratic-led House of Representatives is expected to seek increased funding for democracy and good governance promotion programs, rejecting proposed cuts in these areas. Bipartisan lawmakers in both chambers of Congress are also expected to support international programs that seek to counter the expanding influence of US adversaries around the globe, including implementation of the US Indo-Pacific Strategy and the US-Africa Strategy.

Funding Highlights

- **US Development Finance Corporation (DFC)** – US\$50 million in transfers from the Economic Support and Development Fund account, and an additional US\$700 million in program funds.
- **US Indo-Pacific Strategy** – US\$1.5 billion in foreign assistance and US\$596 million in diplomatic engagement.
- **Countering Russia** – US\$763.8 million in foreign assistance and US\$24 million in dedicated funding to counter Russian disinformation and propaganda in Europe, Eurasia, and Central Asia.
- **Prosper Africa** – US\$75 million to increase two-way trade and investment between the US and African partners.
- **Power Africa** – US\$77 million.
- **Women's Global Development and Prosperity Fund** – US\$200 million.
- **Humanitarian Response** – US\$6 billion for overseas humanitarian assistance.
- **Foreign Military Financing Grant Assistance** – US\$5.6 billion.
- **Embassy/Consulate Infrastructure** – US\$5.8 billion.
- **US Border Security** – US\$1.4 billion for the Western Hemisphere to defend US national security interests including combatting illicit trafficking.
- **US International Boundary & Water Commission (IBWC) Construction** – US\$49 million.

Policy Highlights

The Budget Request for international programs centers on the administration's signature programs, the US Indo-Pacific Strategy and Prosper Africa. Funding for the Indo-Pacific Strategy would promote a US model of democratic, transparent, business-friendly governance, as countries consider competing strategic investments and loans in the region originating from China. With bipartisan and bicameral support in Congress for countering China, lawmakers will likely support increased funding for implementation of the Indo-Pacific Strategy.

Building upon the State Department and USAID's private sector engagement, funding for Prosper Africa in the Budget Request would further increase two-way trade and investment between the US and African partners, countering China's dominance on the continent. The Budget Request also includes US\$310 million under the newly proposed Economic Support and Development Fund account for nine countries identified as offering the best opportunity for engagement – South Africa, Ghana, Nigeria, Kenya, Senegal, Ethiopia, Cote d'Ivoire, Democratic Republic of the Congo and Mozambique. The Budget Request also includes US\$54.6 million, noted to be the first of eight installments, to subscribe to the US's share of the paid-in portion of capital increase for the African Development Bank (AfDB). Congress did not provide any funds to the AfDB in FY 2020, with the last allocation of funding at US\$32.4 million in FY 2019.

The budget request of US\$133.7 million would further provide resources to fund the Development Finance Corporation's (DFC) inaugural year. This request includes all of the positions previously funded through the Overseas Private Investment Corporation (OPIC) and USAID's Development Credit Authority (DCA) administrative expense appropriations. To build on the State Department and USAID's collaboration, the Budget Request anticipates State/USAID posts, missions, and regional bureaus would transfer US\$50 million from the Economic Support and Development Fund to the DFC to support State/USAID goals. The Budget Request also includes an additional US\$700 million in program funds to support subsidy, technical assistance, special projects and equity investments. The DFC is expected to coordinate with State and USAID to support policy priorities in less developed countries, such as women's economic empowerment, Connect Africa, Americas Crece (Latin America and the Caribbean initiative), the Indo-Pacific Strategy, critical infrastructure, energy, healthcare and technology.

The administration also proposes a funding increase of US\$76 million for the Global Engagement Center (GEC), whose mission is to counter foreign state and foreign non-state propaganda and disinformation efforts aimed at undermining or influencing the policies, security, or stability of the US and its allies and partner nations. The Budget Request would "regularize base funding" for the GEC to an overall funding level of US\$138 million for FY 2021 and end budget transfers from the Pentagon.

To counter perceived Russian "malign" activities, the Budget Request focuses funding on countering disinformation and propaganda efforts in Europe, Eurasia and Central Asia. The administration proposes International Military Education and Training (IMET) funding be prioritized for Bulgaria, Georgia, Poland, Romania, Turkey and Ukraine. IMET priorities for sub-Saharan Africa include Chad, Djibouti, Ghana, Kenya, Mali, Niger, Nigeria, Senegal and Uganda.

The Budget Request proposes an expanded set of Foreign Military Financing (FMF) loan and loan guarantee programs for NATO and major non-NATO allies to complement traditional FMF grant assistance. This is intended to increase opportunities for allies to purchase American-made defense equipment and transition away from reliance on equipment from foreign adversaries. A portion of FMF regional funds would be allocated to expand the European Recapitalization Incentive Program (ERIP), emphasizing burden sharing by incentivizing US grant military assistance for countries that commit national funds to modernize their militaries and divest Russian equipment. The Departments of State and Defense will work together to identify potential countries for the ERIP.

The Budget Request also supports the US-Israel Memorandum of Understanding and includes US\$3.3 billion in FMF grant assistance to bolster Israel's capacity to defend itself against regional threats. With respect to countering Iran, US\$337.5 million in economic and military assistance is sustained for partners in the Middle East. The administration notes FMF will also help counter Iranian influence through support to the Lebanese Armed Forces. Countering terrorism (ISIS, al-Qa'ida, Boko Haram, and other terrorist organizations) also remains a priority for the administration in the Middle East region and beyond.

Notably, the Budget Request includes increased US border security-related funding (US\$1.4 billion) to address illegal immigration, including visa processing (US\$4 billion in fee-funded consular programs), and to deter illicit trafficking in the Western Hemisphere. The President's Budget Request would also provide US\$63.8 million for Mexico "to deter irregular migrant flows to the United States," among other things. Through the Merida Initiative in Mexico and the Central America Regional Security Initiative, funding for programs would focus on shared efforts to deter illegal immigration, complementing security plans of each partner government, as well as augment private sector efforts to create economic opportunity. Support to other partners in the region would include US\$412.9 million for Colombia for private sector engagement and drug eradication efforts, and US\$205 million to advance transition in Venezuela. To address the crisis in Venezuela, the Budget Request includes bilateral democracy and health assistance for Venezuelans, as well as assistance for Venezuelans fleeing their country and for communities hosting them.

The Budget Request also includes increased funding for the US IBWC's construction account (US\$12.1 million above the US\$36.9 million FY 2020 enacted level) to address transboundary issues between the US and Mexico. This includes the US Army Corps of Engineers' (USACE) conclusion the Amistad Dam between Texas and Mexico has urgent and high priority deficiencies. The additional funding would also address flood control for the Rio Grande (Texas), rehabilitating the Nogales (Arizona) main collector line, and continue a multi-year project to improve security at US IBWC facilities.



Burden-sharing and institutional accountability remain priorities for the Trump Administration. As in past proposals, the administration notes funding for international organizations should be prioritized for those organizations that “substantially advance US foreign policy interests,” while also making reductions to other organizations and programs that do not. The Budget Request includes funding for the US to rejoin the UN World Tourism Organization “to exert US influence and leadership.” The President’s Budget Request also sustains the US international partnership with the Global Health Security Agenda (GHSA) to defend the US from infectious disease outbreaks by building the capacity of countries to prevent, detect and respond to such threats.

The administration again proposes a new consolidated International Humanitarian Assistance account be created, and that this account be directed by USAID and funded at US\$6.3 billion in FY 2021 for overseas humanitarian needs. The administration also continues to prioritize US efforts to combat human trafficking in the US and globally. The Budget Request would add US\$1.5 million for the Office to Monitor and Combat Trafficking in Persons to strengthen strategic engagement with foreign governments and to provide more in-depth analysis for the annual “Trafficking in Persons Report.”

Proposed Program Reductions

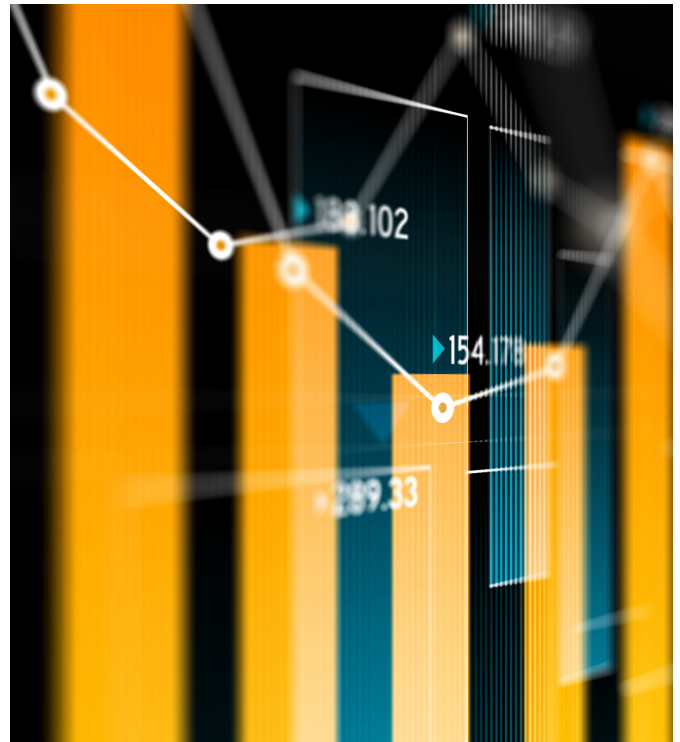
- **International Disaster Assistance/Migration and Refugee Assistance** – The administration again proposes merging the International Disaster Assistance and the Migration and Refugee Assistance accounts into a new International Humanitarian Assistance account. The administration’s Budget Request would cut the combined funding of these two accounts from US\$7.8 billion in FY 2020 to US\$6.3 billion in FY 2021. The Trump Administration previously proposed this consolidation in its FY 2020 Budget Request and lawmakers rejected it.
- **Economic Support Fund (ESF)/Development Assistance (DA)** – The administration again proposes consolidating the ESF and DA accounts, which were collectively funded at approximately US\$6.5 billion in FY 2020. The administration proposes the creation of the Economic Support and Development Fund, with a budget request of US\$5.92 billion for FY 2021. The ESF account was initially proposed by the administration in its FY 2018 budget request and the consolidation continues to be rejected by Congress.
- **McGovern-Dole International Food for Education and Child Nutrition Programs** – As it has in the past, the administration proposes eliminating funding for these US Department of Agriculture-administered programs in FY 2021. (Congress has previously opposed this move and provided approximately US\$1.9 billion for these programs in FY 2020.)

USTR and Other Trade-related Agencies

Funding

The President’s Budget Request generally maintains or increases funding for trade enforcement activities across federal agencies, with some exceptions. It proposes US\$60 million in funding for the Office of the US Trade Representative (USTR), and includes an additional US\$13 million allocated through the Trade Enforcement Trust Fund, for a total of US\$73 million, a 5.8% increase from FY 2020. These funds are meant to support USTR’s wide range of activities, including implementation of the US-Mexico-Canada Agreement (USMCA) and the Phase One deal negotiated with China, entry into force of the first stage of the US-Japan Trade Agreement, and plans to focus on pursuing new agreements with the EU, the UK and Kenya, along with second stage trade deals with Japan and China.

The administration notes this increase in funds would also add 16 additional full-time USTR employees, to support the wide range of enforcement actions and bilateral negotiations envisioned over the next fiscal year. Although USTR prides itself on being an efficient and lean agency, Congress has – especially more recently – raised concerns with whether USTR has the bandwidth and staff for its increased workload, which includes processing Section 301 exemption petitions. Lawmakers will, therefore, likely support increased funds for additional staffing positions at USTR.



Funding Highlights

- **Office of the US Trade Representative** – US\$73 million (US\$69 million in FY 2020)
- **International Trade Administration** – US\$474.41 million (US\$510.25 million in FY 2020)
- **Bureau of Industry and Security** – US\$137.66 million (US\$127.65 million in FY 2020)
- **US International Trade Commission** – US\$105 million (US\$99.4 million in FY 2020)

Policy Highlights

The President's Budget Request proposes an overall decrease in funding for the International Trade Administration (ITA) at the US Department of Commerce of about US\$35.84 million, or 7.3%. The proposal includes an additional US\$2 million for the Enforcement and Compliance program's enforcement of antidumping and countervailing duty actions, and an additional US\$3 million to support the Bureau of Industry and Security's (BIS) review of Section 232 exclusion requests. However, the administration proposes reducing ITA's budget by US\$55 million to account for re-scaling export promotion and trade analysis activities, reducing worldwide personnel (except no closures or scaling are proposed for Africa). The Budget Request proposes increased funding for BIS for increased export control reform and implementation related to the Export Control Reform Act of 2018.

The Budget Request calls for reform of Trade Adjustment Assistance (TAA), programming aimed at supporting workers displaced by shifting trade flows. The administration proposes refocusing the program on apprenticeships and work-based training, and encouraging states to place greater emphasis on intensive re-employment efforts for workers not otherwise participating in these trainings. The Budget Request includes US\$633.6 million in funding for TAA, a slight decrease as compared to the US\$639.88 million appropriated in FY 2020.

The Budget Request also includes a slight increase in funding for the Committee on Foreign Investment in the United States (CFIUS) at the US Department of the Treasury. CFIUS is an interagency group that considers the implications of certain foreign investments or transactions in the US for US national security. The administration is requesting US\$20 million in appropriations for the CFIUS Fund to be offset by up to US\$20 million in collections from filing fees (which will be established in future regulations), as well as US\$15 million in additional transfers to fund capital investments and staff to support the panel's activities (1,000 anticipated cases per year), and approximately US\$5 million for transfer to other agencies to support interagency connectivity and other emerging needs. Overall, the Budget Request allocates US\$39.15 million to CFIUS' budget, a slight increase as compared to the US\$37.34 million funded in FY 2020. These funds would support the hiring of 39 additional full time employees to support CFIUS' anticipated workload growth. The administration is also requesting US\$172.75 million for the Treasury Department's Office of Terrorism and Financial Intelligence, a US\$3.04 million increase from FY 2020 that is aimed in part at increasing staffing at the Office of Foreign Asset Control (OFAC), which is responsible for implementation of US sanctions programs.

The administration notes US Export-Import Bank (EXIM) would be fully funded by receipts collected from the EXIM's customers and requires no additional funding (except for the Office of Inspector General, which is funded by appropriations). The administration reports EXIM forecasts US\$711.2 million in receipts, and after offsetting US\$100.9 million for administrative expenses, US\$610.3 million is anticipated to be sent to the US Treasury, as receipts in excess of expenses.

The President's Budget Request also includes increased funding to support USMCA implementation across the government. The administration is seeking US\$465,000 in increased funding for the Environmental Protection Agency's International Programs, together with redirected resources, to support monitoring and verification provisions on national and global environmental requirements and providing subject matter expertise related to the deal. The Budget Request also allocates increased funding for the US Department of Labor-supported Wage and Hour Division in establishing an enforcement program and regulations for wage-related provisions in the agreement.

Proposed Program Reductions

- **Bureau of International Labor Affairs (ILAB)** – The Budget Request again proposes significant cuts to ILAB funding, requesting US\$18.66 million in funding for FY 2021, an 80.6% cut from the US\$96.13 million enacted in FY 2020 under the Department of Labor's budget. The administration proposes eliminating ILAB's grant funding and focusing the agency on trade agreement implementation.
- **US Trade and Development Agency (USTDA)** – The administration proposes a cut of approximately US\$674 million in FY 2021 under the Function 150 account toward closing the USTDA, citing there are several other agencies – Commerce Department and USAID – that will continue to promote exports. The budget requests US\$12.1 million to wind down operations in FY 2021.



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Please contact a member of our team with any questions regarding the contents of this publication.

Contacts

Stacy Swanson

Public Policy Advisor, Washington DC
T +1 202 457 5627
E stacy.swanson@squirepb.com

Ludmilla Kasulke

Senior Associate, Washington DC
T +1 202 457 5125
E ludmilla.kasulke@squirepb.com

Frank Samolis

Partner, Washington DC
T +1 202 457 5244
E frank.samolis@squirepb.com

Robert Kapla

Partner, Washington DC
T +1 202 457 6192
E robert.kapla@squirepb.com

David LesStrang

Principal, Washington DC
T +1 202 457 6025
E david.lesstrang@squirepb.com



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