CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 14, 1999

S. 1568
East Timor Self-Determination Act of 1999

As reported by the Senate Committee on Foreign Relations on September 27, 1999

S. 1568 would suspend economic and security assistance to the government of Indonesia until the results of the August 30, 1999, vote on East Timor's political status have been implemented. Specifically, the bill would suspend security assistance to Indonesia and would require the Administration to notify the Congress before any new economic assistance is provided. (Humanitarian assistance would still be permitted.) The bill also would prohibit the licensing, export, or delivery of defense articles or defense services to Indonesia, except as may be necessary to support the operations of an international peacekeeping force.

CBO estimates that S. 1568 would have no significant impact on the budget of the federal government. The United States provides less than $1 million per year in security assistance, and current law would permit unexpended balances to be used for an orderly termination of the program. CBO expects that economic assistance to Indonesia would either continue with Congressional notification or be reprogrammed to other countries. Enacting the bill would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply.

S. 1568 would impose private-sector mandates on exporters of defense-related merchandise, who would be prohibited from exporting to Indonesia under most conditions. Such prohibitions could impose significant costs on the private sector, but CBO cannot determine whether those costs would exceed the threshold established in the Unfunded Mandates Reform Act ($100 million in 1996, adjusted annually for inflation).

The bill would prohibit the export or delivery to Indonesia of items on the United States Munitions List unless those items were designated for international peacekeeping forces or humanitarian assistance. The State Department is currently in the final stages of issuing guidelines detailing defense-related export prohibitions for Indonesia. Until those guidelines are final, the State Department has temporarily suspended all exports of defense articles and services to that country. CBO expects that the export prohibitions contained in S. 1568 would be more restrictive than the rules to be issued under current law. According to the State Department, the bill's provisions would prohibit the export of certain high-value merchandise that the department's forthcoming final guidelines would likely allow. The loss of income from the termination of those exports could be costly to the private sector. Without more information on the specific guidelines to be issued by the State Department, however, CBO has no basis for estimating those costs.

According to information provided by the State Department, other provisions in the bill related to export control are largely part of the current policy of the department. By codifying current policy, the bill would allow less Presidential discretion in applying prohibitions. CBO expects that such a change would have a negligible impact on the private sector.

S. 1568 contains no intergovernmental mandates as defined by the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contacts are Joseph C. Whitehill (for federal costs), and Keith Mattrick (for the private-sector impact). This estimate was approved by Robert A. Sunshine, Assistant Director for Budget Analysis.