

104TH CONGRESS  
2D SESSION

# H. R. 4306

To enhance international security by using the resources and expertise of the international financial institutions and the United Nations to redirect world military spending to human development.

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 28, 1996

Mr. KENNEDY of Massachusetts (for himself and Mr. MILLER of California) introduced the following bill; which was referred to the Committee on International Relations, and in addition to the Committee on Banking and Financial Services, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To enhance international security by using the resources and expertise of the international financial institutions and the United Nations to redirect world military spending to human development.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Demilitarization for  
5 Development Act”.

1 **SEC. 2. FINDINGS.**

2 The Congress finds the following:

3 (1) The world's governments spend  
4 \$868,000,000,000 each year to support military  
5 forces of more than 27,000,000 soldiers.

6 (2) This expenditure for achieving security has  
7 itself become a serious threat to security, absorbing  
8 12 percent of all government expenditures at a time  
9 when citizens in both developed and developing coun-  
10 tries face sharp cuts in programs—such as health,  
11 education, research, and job training—that provide  
12 the human building blocks for our common future.

13 (3) The United States and other developed na-  
14 tions bear significant responsibility for excessive  
15 military expenditures, accounting for 75 percent of  
16 world military spending and for 90 percent of arms  
17 transfers to developing nations, with the United  
18 States being the world's leader in both categories.

19 (4) The United States and other developed na-  
20 tions jointly have a controlling vote in the Inter-  
21 national Monetary Fund, the International Bank for  
22 Reconstruction and Development, and other inter-  
23 national financial institutions that have subsidized  
24 excessive military spending in numerous countries by  
25 exempting the military portions of a country's budg-  
26 et from audit and assessment.

1           (5) Developing nations also bear significant re-  
2           sponsibility for excessive military expenditures,  
3           spending \$221,000,000,000 each year, or 4 times all  
4           receipts of foreign aid from all sources.

5           (6) In the developing world, where more than  
6           900,000,000 people cannot read or write, military  
7           spending exceeds spending on education.

8           (7) In the developing world, where  
9           1,000,000,000 people never see a health professional  
10          and where more than 2,000,000 children die each  
11          year of preventable infectious diseases, military  
12          spending is more than twice as high as spending on  
13          health.

14          (8) The lack of transparency, to both a coun-  
15          try's citizens and to international financial institu-  
16          tions, of the military budget and of military owner-  
17          ship or other forms of involvement in the civilian  
18          economy provides refuge for corruption and under-  
19          cuts the international financial institutions' efforts  
20          to promote "good governance".

21          (9) Ownership of businesses and investment  
22          funds and other types of financial interests of armed  
23          forces in the civilian sector of the economy in coun-  
24          tries as diverse as Chile, China, Ecuador, Guate-  
25          mala, and Indonesia distorts prices and reduces

1 competition, and also increases the political power of  
2 armed forces, thereby posing a threat to the transi-  
3 tion to economic and political freedom in the devel-  
4 oping world that is a primary goal of United States  
5 foreign policy.

6 (10) Top-ranking United States and inter-  
7 national officials, including the Secretary of the  
8 Treasury, the President of the World Bank, and the  
9 Managing Director of the International Monetary  
10 Fund, have publicly recognized the urgent need to  
11 reduce world military spending, and pledged to make  
12 policy changes in their institutions to promote reduc-  
13 tions.

14 (11) Congress and the President have also  
15 made the reduction of world military spending a goal  
16 of United States foreign policy, and provided for the  
17 use of the financial resources and technical capabili-  
18 ties of the international financial institutions to  
19 achieve that goal, by enacting—

20 (A) section 60 of the Bretton Woods  
21 Agreements Act, which requires the United  
22 States Executive Director at the International  
23 Monetary Fund to report on methods to pro-  
24 mote reductions in military spending;

1 (B) the Foreign Operations, Export Fi-  
2 nancing, and Related Programs Appropriations  
3 Act, 1993, which, in its statement of managers,  
4 urges United States executive directors at all  
5 the international financial institutions to use  
6 the United States voice and vote to promote re-  
7 ductions in military spending;

8 (C) section 570 of the Foreign Operations,  
9 Export Financing, and Related Programs Ap-  
10 propriations Act, 1994, which requires the  
11 State Department to report on countries' ef-  
12 forts to reduce military spending, including re-  
13 gional force reduction talks; and

14 (D) section 1502 of the International Fi-  
15 nancial Institutions Act, which requires United  
16 States executive directors at the international  
17 financial institutions to take into account, when  
18 deciding on loan proposals, the proposed recipi-  
19 ent's commitment to providing accurate military  
20 spending data and ending military involvement  
21 in the civilian economy.

22 (12) Despite these high-level statements and re-  
23 quirements in law, no significant progress has been  
24 made in establishing either a mechanism for regional

1 talks on mutual military reductions or mechanisms  
2 within the international financial institutions for—

3 (A) verifying through accepted auditing  
4 procedures the accuracy of reported military  
5 budgets;

6 (B) receiving and assessing the justifica-  
7 tion for various expenditures within military  
8 budgets as well as the overall trends and  
9 amounts of such expenditures; and

10 (C) ending military ownership and finan-  
11 cial interests in the civilian economy.

12 (13) Dr. Oscar Arias, former President of  
13 Costa Rica and 1987 Nobel Peace Laureate, has  
14 joined with 67 citizens' groups around the world to  
15 propose a practical plan to achieve the goals of these  
16 high-level statements and requirements in law, The  
17 Year 2000 Campaign to Redirect World Military  
18 Spending to Human Development, which contains  
19 the following 6 proposals:

20 (A) The Security Council and General As-  
21 sembly of the United Nations call on all nations  
22 to commit to meeting with their neighbors to  
23 identify and implement confidence-building  
24 measures and mutual reductions in military  
25 threats that will reduce the likelihood of future

1           conflicts. These nations will seek to achieve sub-  
2           stantial reductions in military forces and ex-  
3           penditures by the year 2000.

4           (B) Special envoys be appointed by the  
5           United Nations Secretary-General to organize  
6           these demilitarization talks in various regions of  
7           the world.

8           (C) Every nation meet with its regional  
9           envoy to present plans for regional security at  
10          reduced force levels. These nations will also  
11          participate in negotiations guided by the envoy  
12          in order to identify military capacities and im-  
13          plement mutual force reductions. Such negotia-  
14          tions will reduce the threat that nations pose to  
15          each other due to the size, proximity, and tech-  
16          nological sophistication of their armed forces.

17          (D) With savings from reduced military  
18          spending, all nations, in cooperation with grass-  
19          roots organizations, implement economic re-  
20          forms related to demilitarization, such as the  
21          conversion of military to non-military produc-  
22          tion, landmine clearance, community recon-  
23          struction, and the reintegration of demobilized  
24          soldiers.

1           (E) In support of the steps taken toward  
2           demilitarization by developing countries, indus-  
3           trialized nations condition their bilateral and  
4           multilateral aid to promote demilitarization.  
5           They will exchange debt forgiveness for military  
6           conversion efforts, provide special funding for  
7           programs to assist the demilitarization process,  
8           promote full transparency and reductions in  
9           military budgets, and bring about the end of  
10          military involvement in the civilian economy.

11          (F) All arms-exporting nations agree to a  
12          Code of Conduct on arms transfers that would  
13          bar exports to nondemocratic governments,  
14          countries engaged in armed aggression in viola-  
15          tion of international law, countries that do not  
16          fully participate in the United Nations Register  
17          of conventional arms, and governments permit-  
18          ting gross violations of internationally recog-  
19          nized human rights.

20          (14) Citizens around the world are signing The  
21          Arias Peace Pledge and communicating to their gov-  
22          ernments their support for the proposals of The  
23          Year 2000 Campaign to Redirect World Military  
24          Spending to Human Development.



1           (15) The United Nations General Assembly is  
2       expected to consider crucial components of this 6-  
3       point plan.

4   **SEC. 3. PURPOSE.**

5       The purpose of this Act is to enhance international  
6       security by using the resources and expertise of the inter-  
7       national financial institutions and the United Nations to  
8       redirect world military spending to human development.

9   **SEC. 4. SPECIAL ENVOYS FOR MUTUAL DISARMAMENT.**

10       The President shall instruct the United States Am-  
11       bassador to the United Nations to support in the Security  
12       Council, the General Assembly, and other United Nations  
13       bodies, resolutions and other efforts to—

14           (1) appoint special envoys for conflict preven-  
15       tion to organize and conduct, in cooperation with ap-  
16       propriate multilateral institutions, mutual disar-  
17       mament talks in every region of the world in which  
18       all nations would participate, and to report to inter-  
19       national financial institutions on the degree of co-  
20       operation of governments with these talks;

21           (2) commit each member state to agree to meet  
22       with its regional special envoy within 3 months of  
23       appointment to deliver and discuss its proposal for  
24       regional (and, where appropriate, international) con-  
25       fidence-building measures, including mutual reduc-

1        tions in the size, proximity, and technological sophis-  
2        tication of its and other nations' armed forces, that  
3        would lead to significant cuts in threat levels and  
4        military spending; and

5            (3) commit each member state to agree to con-  
6        tinue meeting with the special envoy and such re-  
7        gional bodies and states as the special envoy shall  
8        suggest to complete negotiations on such confidence-  
9        building measures, with the goal of making signifi-  
10      cant cuts in military spending by the year 2000.

11 **SEC. 5. ALTERNATIVE SECURITY PLAN.**

12        Within 3 months after the date of the enactment of  
13 this Act, the President shall prepare and deliver to the  
14 Congress and to the Secretary General of the United Na-  
15 tions a report as described in section 4(2) that would de-  
16 tail the changes in other nations' forces and United States  
17 forces that would permit by the year 2000 a 50 percent  
18 reduction in United States military spending.

19 **SEC. 6. UNITED STATES POLICY AT INTERNATIONAL FINAN-**  
20 **CIAL INSTITUTIONS.**

21        (a) HIGHER PRIORITY FOR DEMILITARIZATION.—  
22 Title XV of the International Financial Institutions Act  
23 (22 U.S.C. 262o–262o–1) is amended by adding at the  
24 end the following:

1   **“SEC. 1503. PROMOTION OF, AND REPORTING ON, DEMILI-**  
2                   **TARIZATION ACTIVITIES.**

3           “The Secretary of the Treasury shall instruct the  
4   United States executive directors at the international fi-  
5   nancial institutions (as defined in section 1701(c)(2) of  
6   the International Financial Institutions Act) to promote,  
7   and to report annually to the Congress on, the establish-  
8   ment of lending facilities, debt forgiveness programs, and  
9   increased funding in lending facilities for demilitarization  
10   activities, including auditing of military budgets and re-  
11   duction of military involvement in the civilian economy,  
12   the conversion of military to nonmilitary production, land-  
13   mine clearance, community reconstruction, and the re-  
14   integration of demobilized soldiers.”.

15           (b) **CONDITIONALITY OF LOANS.**—Title XV of the  
16   International Financial Institutions Act (22 U.S.C. 262o–  
17   262o–1), as amended by subsection (a) of this section, is  
18   amended by adding at the end the following:

19   **“SEC. 1504. TRANSPARENCY OF MILITARY EXPENDITURES.**

20           “Beginning 3 years after the date of the enactment  
21   of this section, the Secretary of the Treasury shall instruct  
22   the United States Executive Director at each international  
23   financial institution (as defined in section 1701(c)(2)) to  
24   use the voice and vote of the United States to oppose any  
25   proposal that the institution make a loan to the govern-  
26   ment of any country, other than to address basic human

1 needs, unless the President of the United States deter-  
2 mines that—

3 “(1) the recipient government has in place a  
4 functioning system for, and, in the immediately pre-  
5 ceding year, has conducted, an independent civilian  
6 audit of all receipts and expenditures in its military  
7 budget and other portions of its national budget that  
8 fund activities of the armed forces and security  
9 forces;

10 “(2) the recipient government has provided a  
11 summary of the audit to the institution;

12 “(3) the institution has taken independent steps  
13 to confirm that the audit is accurate; and

14 “(4) the recipient government has prepared and  
15 reported to the institution an accounting of all own-  
16 ership and financial interest in revenue-generating  
17 enterprises by military institutions and individuals  
18 acting on their behalf.”.

19 (c) REPORT.—The Secretary of the Treasury shall,  
20 drawing on other Executive Branch resources as appro-  
21 priate, prepare an annual report to the Congress that—

22 (1) describes and evaluates steps being taken by  
23 the International Monetary Fund and the Inter-  
24 national Bank for Reconstruction and Development  
25 to comply with section 1504 of the International Fi-

1        nancial Institutions Act, and of steps being taken by  
2        the Executive Branch to implement this legislation;  
3        and

4            (2) identifies specific additional measures that  
5        need to be taken by the institutions to achieve full  
6        compliance, and an action plan to ensure these  
7        measures are adopted.

8    **SEC. 7. SENSE OF THE CONGRESS.**

9        It is the sense of the Congress that—

10           (1) the United States should not provide eco-  
11        nomic assistance, military assistance, or approve  
12        arms transfers or related training, to any foreign  
13        government at any time during which the United  
14        States is opposing loans to that foreign government  
15        at international financial institutions pursuant to  
16        section 1504 of the International Financial Institu-  
17        tions Act;

18           (2) the President should designate the United  
19        States Agency for International Development to be  
20        the lead agency for the determinations made pursu-  
21        ant to such section; and

22           (3) the President should report annually to the  
23        Congress on the progress made by international fi-  
24        nancial institutions in integrating military spending  
25        issues such as those raised in this Act into the loan

- 1 review process of such international financial institu-
- 2 tions.

