

# Wall Street Journal

## White House Warns Bill Would Crimp Foreign Food Aid

By Kristina Peterson

April 24, 2014 7:31 p.m. ET

WASHINGTON—A little-noticed provision in a bill passed by the House this month calls for relying more on U.S.-flagged ships to deliver food aid to foreign countries—a change backed by labor groups and criticized by the White House.

The measure, tucked into a Coast Guard and maritime bill, would increase the proportion of food aid transported abroad on private ships flying the U.S. flag, which are required to employ primarily American mariners.

The Obama administration opposes boosting the requirement to 75% of food aid, in tons, from the current 50%, saying it would raise shipping costs by about \$75 million a year—siphoning off funds that otherwise could be used to send food aid overseas.

"As we work swiftly to reach hungry people and save lives, this bill would only increase the cost of shipping emergency food aid, potentially denying relief to more than 2 million persons in need annually," said Rajiv Shah, administrator of the U.S. Agency for International Development, or USAID. The U.S. provided about \$2 billion in food assistance in the year that ended Sept. 30.

Supporters of the House measure say government food-aid programs should do as much as possible to protect U.S. mariner jobs at a time when the industry is struggling to recover from the economic downturn and dwindling government business as the wars in Iraq and Afghanistan wind down.

"If you're going to use public resources to engage in humanitarian aid, you should do so while maximizing the use of U.S. industries and to create good jobs in this country," said Edward Wytkind, president of the Transportation Trades Department at the AFL-CIO, the nation's biggest labor federation.

U.S.-flagged ships are privately owned vessels that must register and operate in the U.S., and their crews must be at least 75% American citizens. However, some of the U.S. companies that own the ships are units of foreign firms, including Denmark-based A.P. Moller-Maersk Group, the world's biggest container-shiping company.

The clash over the Coast Guard bill, which was passed by voice vote in the House on April 1 and is headed for the Senate, is the latest flare-up in a debate about how to modernize the U.S. food-aid system. President Barack Obama has pushed in recent budgets to maximize efficiency in delivering food overseas, but has encountered resistance from lawmakers from both parties worried about the potential impact on U.S. jobs or military might.

Both industry officials and many lawmakers have said the policy of using U.S.-flagged ships to transport food aid is necessary to ensure that a viable fleet of private ships—and the mariners trained to operate them—are available during wars and other emergencies.

"The secondary reason for food aid is food," Rep. Duncan Hunter, the California Republican who introduced the bill, said in an interview Thursday. "The No. 1 reason is military readiness."

Not all the ships supported by the food-aid program are ready to go to war. Of the U.S.-flagged vessels eligible in 2006 to carry food aid, 70% didn't meet the Defense Department's definition of a "militarily useful vessel," according to a 2010 analysis by Cornell University economists, often because the ships were too old.

But supporters say the food aid helps make the cargo business viable and prevents job losses.

"Companies aren't going to keep cargo ships if there's no cargo," said Don Marcus, president of the International Organization of Masters, Mates and Pilots, the union representing merchant marine sailors. "It's personnel—trained mariners—that are really the key."

The country's once-giant commercial shipping fleet shrank in the decades after World War II, in part due to increased global competition. The number of ships has also dwindled as vessels became larger and more efficient. There are now fewer than 100 U.S.-flagged ships involved in foreign trade, according to government officials' testimony.

Transporting cargo on U.S.-flagged ships is more expensive because they face higher costs for labor and complying with U.S. regulations, and are often older vessels. To compensate for the higher costs, the Maritime Administration had been reimbursing USAID and the Agriculture Department for some of the expenses of using U.S.-flagged vessels, but those payments were eliminated as part of the bipartisan budget deal reached in December, saving \$731 million over 10 years.

Taken in combination with the provision in the House Coast Guard bill, the changes would reduce the number of people who can receive food aid by four million a year, an administration official said in a letter last week to Senate Commerce Committee Chairman Jay Rockefeller (D., W.Va.), whose panel oversees the Coast Guard.

"This requirement adds millions in extra transportation costs and delays delivery times by months. It puts lives in jeopardy," House Foreign Affairs Committee Chairman Ed Royce (R., Calif.) said Thursday.

The bill's fate in the Senate isn't yet clear. The Coast Guard's current authorization expires Sept. 30, and the Senate is expected to write a reauthorization bill, aides said.

Sen. Bob Corker of Tennessee, the top Republican on the Foreign Relations Committee, and Sen. Chris Coons (D., Del.) are expected to introduce legislation later this spring overhauling the food-aid program to make it more efficient, according to both lawmakers' offices.

The "cargo preference" requirement for food aid is permanent law, though its level has frequently bounced around. The current requirement to transport 50% of food aid on U.S.-flagged ships had been boosted to 75% in 1985, then returned to 50% in 2012, as part of legislation renewing highway funding.