



(Original Signature of Member)

116TH CONGRESS
1ST SESSION

H. R.

To provide financial lending mechanisms to assist North Atlantic Treaty Organization allies in modernizing their military forces, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. ENGEL introduced the following bill; which was referred to the Committee on _____

A BILL

To provide financial lending mechanisms to assist North Atlantic Treaty Organization allies in modernizing their military forces, and for other purposes.

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 “NATO Defense Fi-
5 nancing Act”.

6 **SEC. 2. FINDINGS.**

7 Congress finds the following:

1 (1) Many United States allies, including some
2 North Atlantic Treaty Organization (NATO) mem-
3 bers, continue to operate Soviet era military equip-
4 ment. This equipment is outdated, unreliable, in-
5 creasingly unsafe and is unable to effectively inte-
6 grate and operate jointly with United States military
7 forces.

8 (2) The inability of some NATO allies to fully
9 operate alongside United States military forces de-
10 creases NATO combat effectiveness and places addi-
11 tional strain on the United States military.

12 (3) Some NATO allies are compelled to buy
13 spare parts and services from Russian providers to
14 keep their Soviet-designed equipment functional.
15 These NATO allies desire to operate modern West-
16 ern military equipment, but have limited financial
17 resources available to purchase expensive new equip-
18 ment.

19 (4) Following the end of World War II, the
20 United States faced a need to help allies rebuild
21 their militaries, which it addressed by providing sub-
22 stantial financial assistance through the Mutual De-
23 fense Assistance Act of 1949 (22 U.S.C. 1571 et
24 seq.) and the Mutual Security Act of 1951 (Public
25 Law 82-165; 65 Stat. 373). However, the United

1 States has not provided similar assistance to new
2 NATO allies following the end of the Cold War.

3 (5) Given the return of “great power competi-
4 tion” and an aggressive Russia, there is a pressing
5 need to assist NATO allies to modernize their forces
6 and replace their obsolete Soviet military equipment.

7 (6) The United States does provide some mili-
8 tary equipment to NATO allies through the foreign
9 military financing program and other grant assist-
10 ance, but that assistance is insufficient to meet al-
11 lies’ needs.

12 (7) To supplement existing grant assistance,
13 providing foreign military financing loans to allies—
14 at rates competitive with those already available on
15 commercial markets—to purchase NATO interoper-
16 able military equipment supports allies’ moderniza-
17 tion requirements.

18 (8) As described in Article 2 of the North At-
19 lantic Treaty, in addition to providing security to al-
20 lies, NATO was established to promote democratic
21 institutions and values “by strengthening their free
22 institutions, by bringing about a better under-
23 standing of the principles upon which these institu-
24 tions are founded, and by promoting conditions of
25 stability and well-being”.

1 **SEC. 3. STATEMENT OF POLICY.**

2 It is the policy of the United States to—

3 (1) deter aggression against North Atlantic
4 Treaty Organization (NATO) allies by Russia or any
5 other adversary;

6 (2) assist NATO allies in acquiring and deploy-
7 ing modern, NATO interoperable military equipment
8 and reducing their dependence on Russian or former
9 Soviet-era defense articles;

10 (3) ensure that NATO allies meet alliance de-
11 fense commitments, including through adequate in-
12 vestments in national defense; and

13 (4) work to maintain and strengthen the demo-
14 cratic institutions and practices of all NATO allies,
15 in accordance with the goals of Article 2 of the
16 North Atlantic Treaty.

17 **SEC. 4. FOREIGN MILITARY LOAN AUTHORITY.**

18 (a) IN GENERAL.—Subject to the notification re-
19 quirements under subsection (b), the President, acting
20 through the Secretary of State, is authorized—

21 (1) to make direct loans under section 23 of the
22 Arms Export Control Act (22 U.S.C. 2763) to mem-
23 ber countries of the North Atlantic Treaty Organiza-
24 tion (NATO) that joined after March 1, 1999, not-
25 withstanding the minimum interest rate required by
26 subsection (c)(1) of such section; and

(2) to charge fees for such loans under paragraph (1), which shall be collected from borrowers in accordance with section 502(7) of the Congressional Budget Act of 1974, and which may be used to cover the costs of such loans as defined in section 502 of the Congressional Budget Act of 1974.

(b) NOTIFICATION.—A loan may not be made under the authority provided by subsection (a) unless the Secretary of State submits to the appropriate congressional committees a certification, not fewer than fifteen days before entering into an agreement to make such loan, that—

(1) the recipient country is making demonstrable progress toward meeting its spending commitments in accordance with the 2014 NATO Wales Summit Declaration;

(2) the government of such recipient country is respecting that country's constitution and upholds democratic values such as freedom of religion, freedom of speech, freedom of the press, the rule of law, and the rights of minorities; and

(3) the recipient country has demonstrated fiscal stability, a commitment to a free market economy, and the financial capacity to meet the terms of the loan proposed to be provided by the United States.

1 (c) REPAYMENT.—A loan made under the authority
2 provided by subsection (a) shall be repaid in not more than
3 12 years, but may include a grace period of up to one
4 year on the repayment of the principal.

5 (d) APPROPRIATE CONGRESSIONAL COMMITTEES
6 DEFINED.—In this Act, the term “appropriate congres-
7 sional committees” means—

8 (1) the Committee on Foreign Affairs and the
9 Committee on Appropriations of the House of Rep-
10 resentatives; and

11 (2) the Committee on Foreign Relations and
12 the Committee on Appropriations of the Senate.