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STUDY

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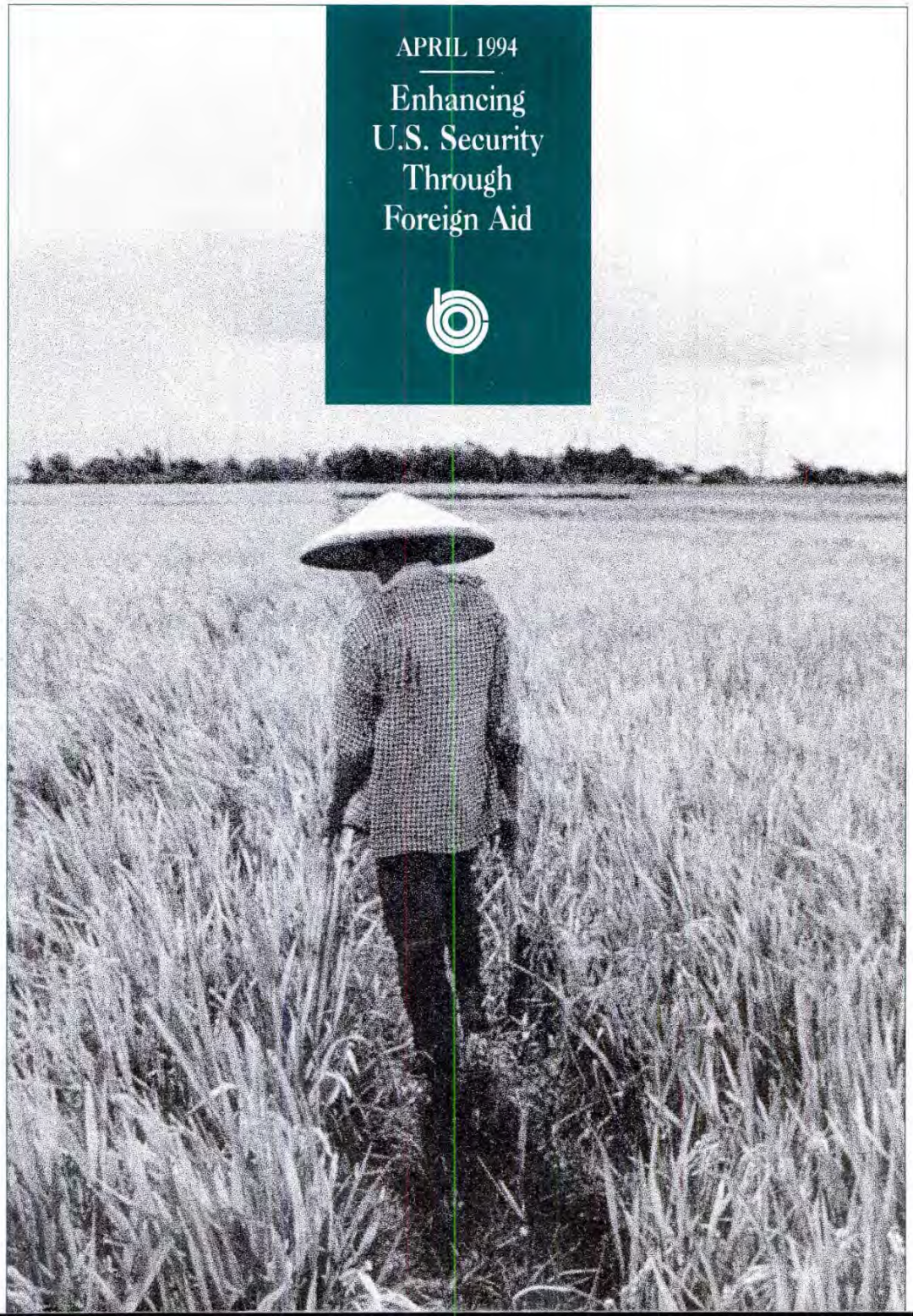
Enhancing U.S. Security Through Foreign Aid



ENHANCING U.S. SECURITY THROUGH FOREIGN AID

The Congress of the United States
Congressional Budget Office

NOTES

Unless otherwise noted, all U.S. budget data is presented by fiscal year and expressed in constant 1994 dollars.

Numbers may not add to totals because of rounding.

The possible cuts in military forces and spending that are discussed in this study would be in addition to those that are already planned by the Clinton Administration and due to be completed later in the decade. The possible increases in U.S. foreign aid, by contrast, are assumed to be additional to current (1994) levels of funding since detailed data for later in the decade are not available.

Cover photo shows a farmer at a "miracle rice" project in the Philippines sponsored by the U.S. Agency for International Development. (Photo courtesy of AID)

Preface

As part of reshaping foreign policy for the post-Cold War era, should the United States increase its support for programs to enhance economic development, conflict resolution, and demilitarization in other countries? This study explores that question and its potential implications for the federal budget. The study was conducted at the request of the Chairman of the Subcommittee on Europe of the Senate Committee on Foreign Relations.

Michael E. O'Hanlon wrote the study with the assistance of Kent Christensen, Geoff Cohen, Rachel Schmidt, and Joseph C. Whitehill. The study was prepared under the supervision of Robert F. Hale, R. William Thomas, and Neil M. Singer. Robert Dennis, Nicola O. Goren, Victoria Greenfield, Roger E. Hitchner, Michael A. Miller, and Elliot Schwartz provided significant guidance and numerous comments. William P. Myers and Elizabeth Chambers provided certain budget data, and Victoria Farrell supplied data about the Russian economy.

Thoughtful reviews of a draft of the study were furnished by Bruce Blair, Barry Blechman, Tony Gambino, John Waterbury, and Charles Weiss. John Anderson, Samuel Baldwin, Nicole Ball, Henry Bienen, Robert Blake, Sam Carlson, Joseph DeStefano, George Ingram, John Lewis, Larry Q. Nowels, Lant Pritchett, and John Sewell also contributed guidance or information. Additional asssistance was provided by other individuals from the Department of State, Department of Defense, Agency for International Development, Department of the Treasury, World Bank, International Monetary Fund, U.N. Secretariat, U.N. High Commissioner for Refugees, UNICEF, World Health Organization, Population Action International, U.S. Committee for Refugees, World Resources Institute, Bread for the World, and Carter Center of Emory University. However, responsibility for the study naturally remains with the author and with the Congressional Budget Office.

Paul L. Houts edited the study, and Christian Spoor provided editorial assistance. Judith Cromwell aided in the production of tables. Kathryn Quattrone and Martina Wojak-Piotrow prepared the study for publication.

Robert D. Reischauer
Director

April 1994

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Summary

In recent years, the perceived threats to U.S. security have changed in fundamental ways. Over the four decades of the Cold War, deterring the threat of Soviet aggression in Europe and containing the spread of communism in other parts of the world dominated the security agenda. Since the collapse of the Soviet Union and the Warsaw Pact, other security threats have become primary concerns--for example, the proliferation of nuclear weapons, attempts by one country to dominate others in its region, and activities of terrorist organizations.

Regional conflict around the world has already begun to affect U.S. interests. In cases such as Somalia, to resolve regional conflicts and mitigate their human costs, the United States has put its own soldiers at risk. In other cases, U.S. citizens have been endangered by terrorism and war.

The squalor and lack of economic opportunity that remain in parts of the developing world, if not mitigated, could intensify political schisms and instability. When combined with the ongoing proliferation of weaponry, including nuclear, biological, and chemical arms, they could produce volatile conditions. U.S. overseas interests, and perhaps even U.S. territory and citizens, might be threatened on a large scale.

To respond to some of these threats, the United States may want not only to retain a strong military but also to consider increased funding for foreign assistance programs that can help meet national security goals. Certain types of foreign aid--including monies for U.N. peacekeeping operations, international arms control efforts, and aid to the former Soviet republics--may in some cases be more effective than military weapons in dealing with problems such as arms proliferation and territorial disputes. Selected types of development assistance may help greatly in stemming the rapid population growth and economic deprivation that, especially over a period of years, can provide a breeding ground for extremist groups that cause political instability and violence--or that make it more difficult for governments to take politically difficult yet responsible steps in pursuit of peace.

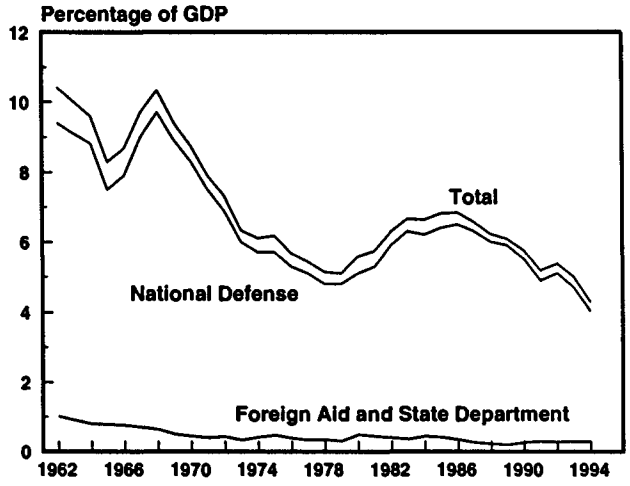
Relying more on foreign aid to enhance national security would parallel the decision that followed victory in an earlier and quite different geopolitical conflict. In the late 1940s, the United States initiated the Marshall Plan, which helped rebuild the economies of Western Europe after World War II. In the first postwar decade, it also began large aid programs for several developing countries of Asia that became strong military and political allies. More recently, the United States has begun to budget large amounts of money for the newly independent states of the former Soviet Union--a total of about $6 billion in the last two years. Should the United States continue to provide aid at those levels, a host of programs and projects might be supported in those countries. With more funding, a social welfare net might be put in place to cushion the effects of economic reform--and perhaps improve its political prospects.

But even though the use of foreign aid as a tool of national security policy has continued throughout the post-World War II era, its budgetary share has declined sharply. By this study's definition of foreign aid, the United States will provide roughly $18 billion to other countries in 1994. That amount includes aid for development, security assistance, demilitarization funds for the former Soviet Union, and funds for international broadcasting. It repre-

sents slightly more than one penny out of every dollar of federal spending, and less than the United States gave out in the 1960s when its economic base was less than half as large. Today's amount represents about 0.27 percent of gross domestic product (GDP), compared with considerably higher levels earlier in the postwar period (see Summary Figure 1). Despite certain steps the Clinton Administration has taken in the realm of development assistance, including a proposal for a new foreign assistance act, declines in funding are expected to continue under its watch.

The foreign aid initiatives in this study illustrate those that the Congress might consider if it decides that a shift in budgetary emphasis would enhance U.S. security. The increases are assumed to be part of a global effort to which other countries would make contributions commensurate with their means. Because this study's options are premised on the notion that foreign aid can serve some of the same goals as the Department of Defense, any increases in foreign assistance would be financed by reductions in spending for lower-priority aid programs and traditional military programs.

Summary Figure 1.
U.S. Foreign Policy Budget, 1962-1994
(As a percentage of gross domestic product)



SOURCE: Congressional Budget Office based on data from the Office of Management and Budget.

The scope of this study has certain important limits: it focuses only on budget matters, and it is centered on a relatively traditional and literal view of national security--the security of the United States and its citizens, together with the physical security against direct attack of its overseas interests and its deployed military forces. Thus, the study does not examine instruments of U.S. national policy--such as trade--that may be even more important than aid to many developing countries. Nor does it give detailed consideration to other important goals of foreign aid such as improving the global environment, except where strongly linked with U.S. national security.

Despite those limitations, the scope of this study is broad, and it does illustrate one possible approach to carrying out the Administration's apparent intent to revitalize foreign assistance. As part of its proposed rewriting of the foreign assistance act, the Administration suggested that all funding for international affairs focus on six objectives: building democracy, promoting peace, promoting sustainable development, providing humanitarian assistance, promoting prosperity, and advancing diplomacy. Although this study focuses on using foreign aid to enhance national security, the options it sets forth would help to meet several of the Administration's goals.

If all of the options were put in place, this study's illustrative set of ideas for expanding foreign assistance could cost the United States up to $12.5 billion a year above 1994 levels during the next decade (as measured in constant 1994 dollars). Some types of funding--such as monies for U.N. peacekeeping and assistance for the newly independent countries of the former Soviet Union--might be large early in this 10-year period but would then decline. By contrast, most development aid would tend to increase over time.

If increased by as much as $12.5 billion, the total aid budget could reach $30 billion a year, representing nearly 0.4 percent of U.S. GDP as projected by the Congressional Budget Office for 1999 (still considerably below the United Nations' goal of 0.7 percent). A more narrowly focused initiative, such as one that emphasized security-related aid or that increased funding more gradually,

would add substantially less to spending. A broader one that included treatment of global environmental issues could cost more--as discussed in Appendix D to this study.

Possible Increases in Security-Related Assistance

Today, the United States provides about $10.9 billion in security-related assistance, defined as funding for activities directly tied to weapons, arms control, the resolution of conflicts, or the support of reform and demilitarization in the newly independent countries of the former Soviet Union. This aid flows primarily to Israel, Egypt, and Russia. The U.S. share of the cost of U.N. peacekeeping missions is also included in this category. Certain types of increases in security-related assistance might enhance U.S. security--particularly increases in funds for peacekeeping operations, aid to the former Soviet republics, and arms control and peace initiatives. Were all of the examples discussed in this study adopted, annual U.S. spending on security-related assistance might increase by as much as $6.5 billion.

Aid to the Newly Independent States of the Former Soviet Union

The United States has begun to provide substantial levels of funding to Russia and the other countries of the former Soviet Union. It authorized spending of roughly $3 billion in the 1993 budget and again in the 1994 budget.

Although large, this amount of money is not as great as some individuals advocate and may not be particularly great given the stakes involved. A number of analysts and policymakers across the ideological spectrum have argued that helping the process of reform in Russia and the other former republics is the great geopolitical challenge facing the United States in the 1990s.

Some policymakers maintain, for example, that the Western world should provide what amounts to a financial cushion to help pensioners, the unemployed, and other individuals particularly hurt by the high inflation and economic restructuring now occurring in the states of the former Soviet Union. Certain Administration officials, including Deputy Secretary of State Strobe Talbott, support the idea of a cushion but lament the lack of funding available for such purposes. Other advocates of aid point to the need for effective arms control activities, such as a major effort to improve the control of militarily sensitive exports leaving the territories of the newly independent states. Still others propose giving more aid to Ukraine--even before it gives up its nuclear weapons--as a way to reassure that country about its sovereignty and induce it to support policies consistent with the national security interests of the United States.

In this light, the Western world may elect to step up its aid efforts. Or, perhaps more realistically at a time of wavering commitment to reform by governments in Russia and elsewhere, it may decide how much more it would be prepared to help should future policies in those countries warrant additional support. Holding out the prospect of a large aid increase may help influence political trends in the former Soviet republics.

Social Welfare Net. Together with other donors and the governments of some of the newly independent countries, the United States may decide to provide social welfare nets for pensioners, the unemployed, and the poor. Costs might be up to $10 billion a year for several years. The United States' contribution to such an effort, given its special security interest--shared also by Europe and Japan--in ensuring a successful reform process in the countries that made up the Soviet Union, might be about $3 billion a year. Averaged out over a 10-year period, the U.S. contribution to this program might approach $1.5 billion a year.

Improved Export Controls. During the communist era, the flow of goods and people into and out of the Soviet Union was tightly controlled. But this totalitarian approach to government had certain advantages from a Western perspective: there was little fear that a rogue military commander or profiteer could slip dangerous technologies across state borders without approval from Moscow. With the

breakup of the Soviet Union, fewer military goods are being shipped around the world for political reasons--but a much greater risk exists that weapons or sensitive technologies may make their way out surreptitiously.

Although outside powers cannot impose a strong organizational framework on the customs duties of the newly independent states, they may be able to play a constructive role. If customs officers are not receiving sufficient training or adequate salaries, the United States may choose to improve their compensation levels and thus--it is hoped--reduce their temptation to permit the unauthorized export of weapons or weapons-related technologies. Depending on the scale of the effort, such a program to enhance export controls might cost the United States $200 million a year.

Other ideas may call for greater external funding as well--especially if economic reforms in Russia, Ukraine, and elsewhere would make such aid a wise investment. For example, the Fund for Democracy and Development has recently argued for channeling more money to the grass-roots level to help develop agriculture and small business. Should macroeconomic conditions improve in the former Soviet republics, more aid for heavy investment in the oil sector and other parts of the economy may make sense as well. The outside world may also consider helping Russia and other former republics service their debt during the first few years of tough reform measures. Taken together, these and other steps could boost overall aid levels to as much as $6 billion a year on average.

Clearly, however, a number of caveats and counterarguments about aid to the former Soviet republics need to be borne in mind. As has recently been emphasized in Congressional debates, Russia--while undoubtedly having changed greatly in recent years, and generally for the better from a U.S. perspective--is not a close ally of the United States at present. Moreover, its commitment to economic reform remains in serious doubt--especially after the strong showing of Russian nationalists and ex-communists in parliamentary elections in December 1993 and the resignations of several key reformers from President Yeltsin's cabinet shortly thereafter.

In this light, Western donors may elect to condition much of their aid on Russia and the other former republics adopting policies that are consistent with economic reform and other U.S. interests. Especially in regard to economic aid, any help provided by individual Western governments and the international financial institutions might be linked to adopting and continuing policies that emphasize privatization and are consistent with low inflation rates and a convertible currency. (However, some demilitarization, arms control, and humanitarian activities might be worth pursuing even if macroeconomic policy deteriorates somewhat.) Without such policies, even aid for grass-roots development may bear little fruit--as the Chairman of the House Committee on Foreign Affairs, Lee Hamilton, has argued recently.

Peacekeeping Operations

In calendar year 1993, the United Nations spent about $3 billion on activities generally referred to as peacekeeping operations. Traditionally, U.N. peacekeepers have monitored cease-fires. But today they are taking on many new tasks intended to help countries at various stages of conflict, conflict resolution, disarmament, and political reconstruction.

The scale of U.N. efforts has been rising very rapidly in recent years. In mid-1993, large peacekeeping operations were under way in Bosnia, Somalia, and Cambodia, and about 10 smaller operations were also being conducted. Had the mid-1993 tempo of operations been sustained over an entire year, official U.N. peacekeeping expenses paid through the office of the Secretary General would have amounted to $4.2 billion.

Estimating Future Costs. Were official U.N. peacekeeping costs to range from $3 billion to $4.2 billion in future years, and the United States to pay fully its assessed share of nearly 32 percent, U.S. contributions made directly to the United Nations would range from $0.9 billion to $1.3 billion a year. Compared with funding in 1994, that would represent an annual increase of $400 million to $800 million. In addition, the United States is building up large arrears again in calendar year 1994. Were

the United States to make a one-time contribution to make good on these debts in a timely fashion, the average increase in U.S. funding over a decade might be $500 million to $900 million a year (see Summary Table 1).

It is, of course, impossible to know the level of future U.N. peacekeeping costs with confidence. Those costs depend on the number of conflicts that occur around the world and increasingly contentious decisions about where and how the world community should intervene. These budgetary increases do, however, illustrate the potential for added U.S. costs should operations continue at recent, ambitious levels.

Summary Table 1.
Possible Increases in U.S. Foreign Assistance (In millions of 1994 dollars)

Category of Aid	Average Annual Increases
Security-Related Aid	
Additional aid to FSU	Up to 3,000
U.N. peacekeeping budget	500 to 900
Sanctions relief fund	Up to a few hundred
Arms control and peace funds	Up to 2,000
Subtotal	Up to 6,500
Aid for Health, Basic Human Needs, and Family Planning	
Family planning	500 to 600
Child and maternal health	1,400
Education	200 to 500
Agriculture	2,000
Refugee support	300
Debt forgiveness and relief	750 to 1,400
Subtotal	5,000 to 6,000
Total	Up to 12,500

SOURCE: Congressional Budget Office.

NOTES: The numbers in this table are approximate and are intended to be illustrative.

FSU = newly independent states of the former Soviet Union.

Costs Could Be Greater. Increases in U.S. costs for U.N. peacekeeping could possibly even reach or exceed $1 billion a year. Most notably, an expanded operation of the type recently considered for Bosnia--especially if combined with several operations like the recent ones in Somalia and Cambodia--could easily lead to a doubling of peacekeeping costs. As much as the scope of United Nations peacekeeping has grown in recent years, as of February 1994 only some 70,000 peacekeepers were under U.N. auspices--well under 1 percent of the total number of soldiers in the world in national armies. Thus, regrettably, there is much room for new conflict and potentially for growth in the scope of peacekeeping operations.

Modest levels of funding might also be provided to cushion the hardship of countries hurt economically by U.N. sanctions imposed against a neighbor. The international community may need to make such funds available if it wishes such countries--often highly dependent on trade with just a handful of nearby countries--to cooperate effectively with sanctions that impose disproportionate costs on them. This type of idea, whether funded as official U.N. peacekeeping costs or some other way, could increase costs associated with peacekeeping by up to a few hundred million dollars a year.

Costs Could Be Lower. Alternatively, U.S. contributions might not increase as much--or even at all. In a speech before the U.N. General Assembly, the President recently argued that the U.S. share of U.N. peacekeeping costs should be reduced from about 32 percent to 25 percent, which would be consistent with the U.S. share for other U.N. activities. In its 1994 bill providing funds for U.N. operations, the Congress also endorsed this idea for bringing peacekeeping "assessments" more in line with standard scales for other U.N. activities. At the 25 percent level, costs to the United States from maintaining recent levels of peacekeeping operations would still go up, but by less than indicated above.

The total cost of U.N. peacekeeping might also decline. Armed conflicts, no longer exacerbated by the superpower rivalry as they sometimes were during the Cold War, might become less prevalent or less intense. If festering conflicts in such places as Afghanistan and Angola were eventually resolved

successfully, and ethnic and nationalist conflict in other parts of the developing world were mitigated or mediated more successfully, probably fewer wars would be attracting outside attention.

Perhaps more likely, the world community may decide to scale back peacekeeping operations because some are deemed ineffective. The current problems in Somalia, and the apparently failed U.N. role in building a peace in Angola, make it clear that success is not assured. Resolving conflict is a difficult undertaking, made all the more so by the multiple centers of decisionmaking and varied types of military forces that characterize U.N. operations.

In the future, the world community--or even just one or two of its important members with vetoes on the U.N. Security Council, such as the United States--may cast a more skeptical eye on peacekeeping operations, as the U.S. Congress has already begun to do in recent months. In situations where the major parties to a conflict do not agree to a real cease-fire and a meaningful timetable for disarmament and political reconciliation, member states as well as the U.N. Secretary General may determine that it makes little sense for outside players to attempt to bring peace or even to intervene for humanitarian reasons. Such a discriminating approach might be necessary if the international community is to retain confidence in multilateral peacekeeping--even if it means that some conflicts will be left unaddressed.

Indeed, the United States and many other countries already appear to have adopted a more wary attitude toward U.N. peacekeeping. In this light, the real question may be whether the United Nations and its member states can learn from its successes and failures to improve future operations. If they can, the United Nations may remain activist; if they cannot, the scope and number of peacekeeping operations are likely to decrease in the future.

Arms Control

In the hands of rogue political leaders or terrorist organizations, nuclear and chemical weapons pose serious threats to the security of the United States and its allies. U.S. and allied security might therefore be enhanced by devoting extra funds to support agreements that seek to control those weapons.

For example, the U.N.-affiliated International Atomic Energy Agency (IAEA) might benefit from added resources to improve the monitoring of technologies that can be used to build nuclear weapons. Expanded inspections might limit the types of violations that recently occurred in Iraq, if countries that refused to comply with the new inspection requirements were categorically denied access to technologies that could be used for nuclear weapons. Precise cost estimates are not available, but U.S. contributions for improving IAEA monitoring would be unlikely to amount to more than $50 million a year.

Providing funds to help countries comply with the recently completed Chemical Weapons Convention might also enhance U.S. security. The convention requires that all chemical munitions be eliminated within a decade of its coming into force (probably in 1995). The United States has developed a good deal of useful technology for eliminating chemical munitions, some of which it is now attempting to share with Russia as that country seeks to destroy its chemical weapons stocks.

If detailed analyses show that this sophisticated technology is useful in countries where chemical stockpiles are small, and if the United States elects to help other countries destroy their chemical weapons, added U.S. funding might amount to a few hundred million dollars a year.

Peace Funds

To induce continued cooperation, the United States might also decide to help those nations willing to work with it to resolve deep-rooted and serious conflicts that concern them. Such types of aid--which might be dubbed peace accounts or "peace funds"--have been advocated for the Middle East by the Washington-based Overseas Development Council and figure in the Administration's proposal for a new foreign assistance act. Peace funds would not necessarily be tied to specific projects, but might be made available for general economic assistance.

Peace funds would be similar to assistance now provided through economic support funds. Such assistance is currently given primarily to Egypt and Israel, under an aid policy begun in the mid-1970s. In the future, peace funds might, for example, be extended to countries elsewhere in the Middle East, on the Indian subcontinent, or in other parts of the world now characterized by conflict or by unresolved political disputes. It is difficult to estimate the cost of any such peace funds, since they probably would not be linked to specific projects and programs. But to provide sufficient leverage in a country with a moderately large population and economy, a few hundred million dollars a year probably would be needed. If the peace initiative involved several countries, costs could rise and could exceed $1 billion a year.

Using peace funds to induce cooperative behavior is a tricky business, however. Modest amounts of outside money may not be enough to influence momentous decisions by other countries about whether or not to go to war. Offering such funds only makes sense when a government seriously committed to reform is inclined to try the path of peace on its own, but needs help in winning over domestic critics in order to do so successfully.

Illustrative Increases in Development Assistance

In 1994, funding for U.S. development assistance totals about $6.8 billion. This assistance is intended to promote general economic and political development in poorer countries around the world. Development assistance is disbursed through bilateral channels such as the U.S. Agency for International Development and multilateral organizations such as the World Bank.

This type of aid generally does not have direct and immediate effects on U.S. security. But over the long run, development assistance arguably contributes to U.S. security by giving more people a stake in existing political and economic structures, thereby reducing the appeal of extremist groups. The initiatives illustrated in this study--which range from family planning to agricultural assistance--could add as much as $6 billion a year to U.S. spending.

Family Planning

Demographers estimate that, under current policies, today's world population of 5.5 billion might increase by 100 percent or even more by the middle of the next century. Particularly in those parts of the developing world where resources have already been eroded by excessive clearing of forests, overfarming, and overgrazing, such population growth may lead to further declines in already low standards of living, increased vulnerability to natural disaster, and a greater likelihood of conflict over scarce resources.

Demographers also estimate that modest increases in the use of contraceptives--specifically, from about 50 percent of the developing world's couples to 60 percent (an increase that should be achievable by making contraceptives generally available around the world)--might help limit the increase in population to the lower end of this scale. According to estimates by the World Bank and several nongovernmental organizations, which generally support the idea of increasing the availability of family planning services, achieving such an increase in the use of contraceptives might cost $6 billion to $7 billion more a year. If donor nations paid one-third of the total costs, and the United States bore 25 percent of the foreign contribution, the added U.S. costs would be about $500 million to $600 million a year--roughly a doubling of current funding levels.

Although there is much to be said for an increased availability of contraceptives, it is important to bear in mind their limitations. Extra funds can make contraceptives more available, but doing so may not always limit population growth significantly. In many cases, people have large families because of economic incentives or simply because they want to. Developing countries also have limited financial resources, and it may be difficult for them to pay a substantial portion of the total costs as they are assumed to do in these estimates.

Increasing access to contraceptives remains, however, an attractive policy. According to a recent World Bank review of a number of demographic studies, increased access does indeed help limit population growth to at least some degree. Expanding family planning efforts can also have other benefits, such as limiting transmission of the human immunodeficiency virus (HIV).

Child Health

One key to reducing birth rates is to raise parents' confidence that their offspring will survive childhood years. In countries where children effectively represent a family's social security system, parents understandably want to assure themselves of providers for their later years. Beyond these demographic arguments, there are also clear humanitarian motives for reducing the frequency with which young children die.

In many poor countries today, 90 or more of every 1,000 children die before reaching their first birthday. Some simple measures can markedly reduce early deaths. These measures include expanding immunizations for basic childhood diseases, providing more families with rehydration salts to reduce the mortality rates associated with diarrhea and other intestinal disorders, improving basic nutrition, and providing better sanitation and clean drinking water. The agenda put forth by the United Nations Children's Fund (UNICEF) at the 1990 World Summit for Children envisions providing such services to nearly all of the world's children.

UNICEF estimates that, if donor nations provide one-third of the funding for such an expansion, their costs might total nearly $6 billion a year. If the United States pays 25 percent of the bill, its additional annual contribution might be $1.4 billion.

Under these assumptions, the developing countries themselves would provide $12 billion in annual funding as well as most of the people needed to expand clinical services. The requirements for substantial fiscal resources from the developing countries themselves may be the single greatest reason for skepticism about this idea.

Education

Over the long run, helping countries provide a basic education for all of their people is a highly beneficial investment. Education through the primary level provides basic competence in the skills needed for many jobs, thereby improving employment prospects and standards of living. Moreover, women who have benefited from a basic level of education tend to have lower fertility rates and lower child mortality rates. Both of these tendencies help hold down population increases.

Despite these attractive features of primary education, many children in developing countries--especially girls--do not receive much formal schooling. As a consequence, male literacy rates are often in the vicinity of 50 percent to 70 percent, with rates for women commonly 10 percent to 30 percent lower.

A number of individuals and organizations advocate rectifying these educational deficiencies. In one World Bank paper, economist Lawrence Summers recently argued that equalizing enrollment rates for boys and girls throughout the developing world could add about $2.4 billion a year to costs. A more ambitious agenda that included improving enrollment rates in primary and secondary schools to levels characteristic of higher-income countries could cost at least $5 billion a year. If donor nations paid for one-third of the total amount, with the United States contributing 25 percent of the foreign aid, U.S. funding for foreign educational assistance would have to increase by some $200 million to $500 million a year.

Substantial expansion of education would, however, require hiring many more competent teachers. Although primary education does not involve particularly sophisticated subject matter, it requires pedagogical skills that themselves must be taught. Thus, even if this idea was adopted, it might not be fully in place for a number of years--and it might have to compete for scarce fiscal and human resources with health and family planning programs, especially in the near term.

Agriculture

Economic development in poorer countries may eventually benefit U.S. security, and agricultural development is certainly a key to that growth. As a nation's agriculture becomes efficient and productive, nutrition improves. In addition, more labor and often more foreign currency become available for manufacturing and other types of entrepreneurial activity that help economies advance. Agricultural productivity, therefore, is among the single most important factors in determining the quality of human life in poorer countries.

In addition, the projections for continued rapid expansion of the globe's population--together with increasing loss of forest and damage to topsoils in many parts of the world--underscore the need for increased agricultural productivity. Although productivity has generally increased with new technologies and plant varieties, there are serious concerns that improvements in productivity will be insufficient to meet the needs of rapidly growing populations--particularly in Africa.

Improving agriculture is a multifaceted effort. It consists of research to develop new strains of crops, improved farming and soil conservation techniques, and increased access to markets. A World Bank proposal would focus new resources on research, roads, soil conservation, and reforestation. The approach carries a substantial price tag, however, of up to $25 billion a year. If donor nations provided one-third of total funding, and the United States 25 percent of donor funding, added U.S. funding could reach $2 billion a year.

Many agricultural improvements would, however, require substantial cooperation from the governments of developing countries. It does little good to build a new road, for example, if the government is not willing and able to maintain it. There must also be a realistic prospect that local farmers will take advantage of new ways to improve agricultural productivity. Thus, an agriculture initiative must be carried out at different paces in different countries and for that reason might well cost less than indicated above.

Refugee Support

Warfare over the past two decades has continuously and greatly increased the numbers of refugees and people displaced within their own countries. Globally, each category now includes at least 20 million people--almost 10 times as many as in 1970. By contrast, financial support has not grown as quickly--meaning that funds available to the U.N. High Commissioner for Refugees and related organizations fell by 50 percent on a per-refugee basis between the mid-1980s and the early 1990s.

Returning per capita U.S. aid for refugees and displaced persons to the 1980 level in real terms, and assuring more rapid crisis relief, might entail added U.S. spending of up to $300 million a year. Though substantial, this added funding can contribute to U.S. security even in the near term. Without extra funding, refugees may lack basic human needs--a situation that could lead to instability throughout a whole region and that ultimately might entail a greater chance of U.S. military intervention.

Debt Relief

All of the above ideas require significant contributions from developing countries themselves. Unfortunately, some nations--particularly certain abjectly poor countries in Africa and a few other parts of the world--simply do not have the money. Their problems are often exacerbated by crushing foreign debt, in many cases incurred by previous regimes. In some cases, if donor nations are confident that true reform is taking place within a country, they may decide to ease the debt burden and make a serious new start on economic development efforts. They may also give small amounts of untied aid to governments of poor countries with less crushing debt if those governments prove serious about reform.

Although many of the debts owed by African nations to foreign governments are being reduced through actions of the Paris Club of major donor nations, they have not been eliminated. In addition, large debts to private and multilateral institutions remain. Under an ambitious approach to reducing

these debt burdens, the average annual payments by the United States for general debt relief to very poor countries could be as high as $1.4 billion a year. Spending could be considerably less, however, if aid were limited only to governments that have made serious efforts to promote democracy, institute reforms that encourage private business, and avoid undue protectionism and subsidies for consumers. Using this instrument of aid judiciously could also improve the incentives for other countries to reform their economic policies.

Caveats and Cautionary Notes

Although increases in assistance for development have the potential to enhance U.S. national security, the policymaker should bear in mind several caveats. Some have already been mentioned in connection with specific aid proposals. Others apply more generally to all of the proposals.

Donor organizations have certain flaws that limit their effectiveness in many cases and that may call into doubt their ability to expand assistance programs significantly. Today, several major development organizations, including the Agency for International Development, are sometimes viewed as falling short of acceptable performance levels.

Aid can actually do harm if it is not provided with care. It can buttress corrupt or ruthless leaders, favor certain classes or groups in society at the expense of others, allow needed economic reforms to be postponed, and free up a country's own resources for wasteful or undesirable purposes such as excessive military spending. Such problems were fairly prevalent during the Cold War, when donors--and the superpowers in particular--often continued to support friendly leaders for geopolitical reasons, even when their policies were poor. Some of the very countries whose internal politics and foreign affairs cause the United States trouble today--Iran, Somalia, and Sudan being lead exhibits--were large aid recipients in the past. If it is to avoid these types of problems, any new effort to use aid more ambitiously must be more discriminating and do a better job of reaching people who are truly in need.

Most important of all, aid simply cannot do what the international economic system can. The total global development budget of roughly $55 billion a year (as of 1991), though representing more than half of the net capital inflow to developing countries, is smaller by about a factor of 10 than their combined export earnings. Moreover, the vast majority of all investment in developing countries comes from their own domestic savings. Thus, a country's economic policies, and the trade and fiscal policies of donor countries, hold the keys. In order to develop, recipient governments need to keep subsidies to consumers and producers in check, maintain open trade channels, and make sensible types of domestic investments. Industrialized nations, for their part, should place first priority on further trade liberalization and on economic policies that increase available private capital and spur imports. (This rule should not necessarily apply, however, to the poorest countries, which do depend heavily on aid.)

Paying the Bill

The bill for any increases in foreign aid must somehow be paid. The increases in aid outlined in this study, if all were actually made, would add as much as $12.5 billion a year to the U.S. aid budget relative to 1994 levels, and perhaps even a little more relative to expected 1999 levels. These added costs could be financed through increases in taxes or cuts in federal programs. However, pressing domestic needs, a serious budget deficit problem, and a tax-averse public together make it unlikely that taxes, deficit financing, or cuts in domestic programs will fund new foreign aid programs. Moreover, the focus of this study is on shifts in priorities within the foreign policy budget. Thus, it is assumed that any aid increases would be paid for by cutting existing aid programs and by further reducing the defense budget.

Cuts in Today's Foreign Assistance

A number of the programs accounting for today's $18 billion in annual U.S. funding for foreign aid might be viewed as obsolete, inefficient, or simply lower in priority than the initiatives presented above. Reductions in such programs could help finance increases in other aid programs.

One possible approach would reduce grant aid given to Israel and Egypt to about the level that prevailed immediately after the Camp David Accords, saving more than $1 billion a year in budget authority by the end of the decade. Such a reduction might be acceptable in light of the end of the Cold War and the weakening of Iraqi military capability in the Gulf War. Another approach would cut assistance given by the Agency for International Development to perhaps 30 middle-income developing countries. These countries have in many cases become capable of addressing more of their own needs--and the United States probably does more for their ongoing development through trade and the workings of international capital markets than through aid anyway. Savings might reach $400 million annually. Finally, streamlining the P.L. 480 food program to focus on disaster relief, as opposed to providing an outlet for surplus U.S. agricultural products, could save nearly $500 million a year.

These program changes would, of course, involve some disadvantages of their own (see Chapter 6). If all were judged acceptable, however, they could reduce spending by about $2 billion a year by the end of this decade.

Further Cuts in Defense Spending

Additional savings might be achieved by reducing the defense budget beyond what the Clinton Administration has planned. To permit such reductions, the United States could scale back its goal of being able to fight two major regional wars that occur nearly simultaneously. Such a decision might be consistent with the low likelihood of two simultaneous wars, judgments about the relative military weakness of potential adversaries, and greater reliance on allies. Also, some analysts believe that the United States is only likely to engage in conflict when close U.S. friends or important interests are at stake. In this event, making sure that the United Nations can function efficiently and effectively might be preferable to preparing for the unlikely event of two large and simultaneous regional wars rivaling Desert Storm in scope.

If goals were scaled back, the United States might be able to reduce the air and ground forces designed to fight such wars below the levels planned by the Administration. For example, it might be possible to eliminate an additional active Army division (of the type equipped with heavy armored vehicles), a Marine expeditionary force, and three Air Force tactical fighter wings. Annual savings would be more than $4 billion a year. Even if the Congress and the Pentagon chose not to undertake substantial additional force cuts, consolidating some roles and missions of the armed forces might permit substantial savings. For example, cuts in light Army units (those not equipped with heavy armored vehicles) might save up to $3.5 billion a year.

The military might also be able to rely more heavily on new types of ships to carry out certain naval missions, such as the peacetime presence mission. If so, then the Navy's aircraft carrier fleet could be scaled back in size to 10 carriers, saving $1 billion annually. In the post-Cold War era, the United States might also need less redundancy in its strategic nuclear forces. Without reducing its strategic warhead inventory below the 3,500 total allowed by the second Strategic Arms Reduction Talks (START II) Treaty, it could still change its force structure and reduce the Department of Energy's abilities to develop new types of warheads. In these ways, some $1.5 billion a year could be saved.

Finally, cuts in some modernization programs could save substantial sums, even if additional force reductions were not pursued. Examples could include reducing the Navy's destroyer program, canceling further upgrades to Army tanks, delaying or canceling new tactical aircraft for the Air Force, and eliminating some tactical missile defense programs of the Ballistic Missile Defense Organization. Together these changes would reduce planned defense procurement budgets by nearly $5 billion a year through the rest of the decade.

Further reductions in defense spending would, of course, result in a smaller, less modern military. Additional reductions would also come on top of substantial defense budget cuts already imposed or planned. Many lawmakers and defense analysts have begun to express concern about the pace and scope of cuts in defense spending. Since a peaceful global environment in which trade can flourish is

arguably the single most important thing that the United States can, as the world's greatest military power, offer other countries, it needs to be careful about cutting defense further in order to fund increases in aid--as the framework of this study would have it do.

Additional cuts in defense spending could also require further reductions in the number of U.S. military forces. A smaller military might not have the capability to carry out the Adminstration's strategy of being able to fight and win two major regional wars that occurred nearly simultaneously. The Administration argues, as did its predecessor, that this capability is important in order to keep the probability of two such wars at a minimal level. If U.S. forces again became involved in one major regional war such as Operation Desert Storm, and the military lacked the ability to prevail in a second one within a short period of time, a second aggressor might perceive an opportunity to attack.

There is no clear answer to the question of exactly how much force is needed to maintain a two-war capability; indeed, the Bush Adminstration planned to keep a military roughly 10 percent larger (in terms of manpower) in order to support a very similar strategy. But many analysts might already question the ability of the Administration's planned forces to prevail nearly simultaneously in two conflicts on the scale of Desert Storm.

These important disadvantages must be weighed against the potential benefits to U.S. security of increasing the policy and budgetary emphasis on foreign aid. In this post-Cold War era, some of the traditional defense programs may be less effective than selected types of foreign aid in countering certain potential threats to U.S. security--especially those insidious threats such as overpopulation and lack of economic opportunity and development in much of the world. These increases in aid may also be consistent with the Administration's apparent desire to revitalize foreign assistance as a tool of U.S. foreign policy.

Chapter One

Introduction

Out of every dollar of federal spending in the United States, only a little more than a penny now goes to foreign aid. By contrast, overseas assistance accounted for about a nickel of every federal dollar at the beginning of the Kennedy Administration, and over a dime during the Marshall Plan years--an era bearing certain resemblances to today in that the United States had just prevailed in a major geopolitical struggle and was trying to "shape the peace."

Today's aid dollars--about $18 billion a year--fund a broad range of activities. They include security-related operations such as U.N. peacekeeping, elimination of weapons and defense conversion in the former Soviet Union, as well as activities intended to serve economic and humanitarian goals such as family planning, child immunizations, and agricultural development. (See Box 1 for a discussion of different definitions of foreign aid.)

Current federal expenditures on defense are about 15 times larger than those on aid, constituting about 19 percent of federal outlays. But defense spending has also declined considerably from its level during previous years and is expected to continue to decline. Having constituted over half of all federal spending during most of the early Cold War decades, defense spending will be only about 14 percent of the budget by the time President Clinton's planned cuts in U.S. military forces are fully in place. As measured in constant 1994 dollars, outlays for the national defense function in the federal budget (function 050) will be $231 billion in 1999--after a Cold War average of more than $275 billion and a recent peak of $355 billion in 1989 (see Figure 1).

The rationale for significant declines in defense spending is fairly persuasive to many analysts and policymakers. After almost a century of either world war or geopolitical competition with the Soviet Union, the basic security position of the United States and its allies has improved greatly. War between major powers appears quite unlikely in the near future--given that most of the world's great powers are friendly to the United States, more intent on economic success than on conquest of territory or resources, and currently unable to rival the United States militarily.[1]

In many ways, however, the world is unimproved from its Cold War state--and some indicators of the future are ominous. The ongoing push of technology and of human civilization have frightening dimensions: growing populations tax education and health resources in developing countries and contribute to widespread underemployment; agricultural practices damage forests and soils and appear increasingly untenable in many parts of the world; industrial emissions and the rapid exploitation of resources harm the quality of air, water, and soil in many places; and weapons of advanced capability and mass destruction proliferate.

In addition, there are still enough traditional grievances and unresolved contests over territory, wealth, and power to foster conflict in several parts of the world--even if not necessarily among the wealthy powers. Sometimes these conditions have

1. For a good example of this point of view, see Richard H. Ullman, *Securing Europe* (Princeton, N.J.: Princeton University Press, 1991), especially pp. 3-42, 107-137.

Box 1.
Defining Foreign Aid

Foreign aid can be defined in several different ways. The most common measure is "official development assistance," or ODA, used by the Development Assistance Committee of the Organization for Economic Cooperation and Development. It encompasses official transfers of money, goods, or services intended to further human welfare. The transfers can take the form either of grants or of loans with a concessional (below-market) element of at least 25 percent. ODA does not include aid intended to promote political development, such as international broadcasting; nor does it include military assistance or funding for United Nations peacekeeping. By this definition, the United States gave about $11 billion in foreign aid in 1991.[1]

This study, with its broad focus on a variety of activities contributing to national security, employs a broader definition. It includes most of the $19 billion found in the budget function for international affairs (function 150) in 1994--excluding only funding for State Department salaries and expenses and the nonbroadcasting functions of the U.S. Information Agency. These organizations and activities, while also contributing to foreign aid programs in some cases, are intended to serve a broader range of U.S. interests and as such are not included in this study's framework. But military assistance, funding for U.N. peacekeeping, and funding for international broadcasting are included since their primary purpose is to help other countries (even if, as with many things, they also provide indirect benefits to the United States). Department of Defense (DoD) contributions to U.N. peacekeeping and humanitarian operations, DoD "Nunn-Lugar" funding for cooperative reduction of threats in the former Soviet Union, and some food aid not in function 150 are also included in this study's definition of foreign aid.

1. See Alexander R. Love, Chairman, Development Assistance Committee, *Development Cooperation: 1992 Report* (Paris: Organization for Economic Cooperation and Development, 1992), p. A-99.

implications for the security of the United States, its overseas interests, and its military forces. Terrorism rooted in extremist movements caused hundreds of U.S. military casualties in Lebanon in 1983, hundreds of civilian deaths in the Lockerbie explosion in 1988, and further casualties in the World Trade Center bombing of 1993. The Persian Gulf War was fought not over great-power rivalry but rather over economic interests, specific concerns about the Mideast region, and to some degree worries about nuclear proliferation.

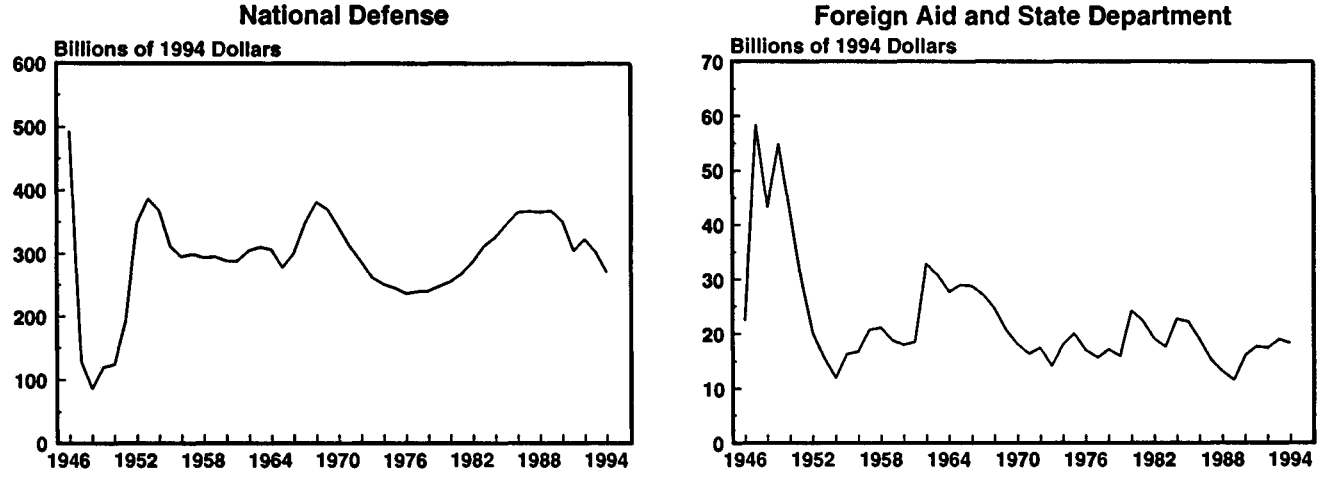
In many of these cases, even small groups or renegade regimes have become able to kill large numbers of people--and have acquired the communications and transportation networks needed to play havoc virtually anywhere on the globe. In some parts of the world, economic and political progress may be contributing to a more peaceful future. But in other regions, problems show little sign of resolution. Consider, for example, the Balkans or parts of the Middle East, Africa, or South Asia.

Most of these trends were well under way during the Cold War. But its end may provide an opportunity to address them more effectively. Clearly, military force is likely to remain an important element of the U.S. approach to thwarting threats and enhancing global stability. But selected types of foreign assistance may in some cases yield a higher payoff on the dollar for problems that are imminent, such as Russia's nuclear weapons, as well as for those more likely to have effects over time, such as global population growth.

One apparent goal of the Administration is to place greater emphasis on foreign assistance as an instrument of promoting global economic development, political stability, and security. Together with the Congress, the Administration has formulated such a policy in regard to Russia and the other newly independent states: it pieced together a total of about $6 billion for these countries over 1993 and 1994.

Will other types of programs and other countries be the subject of new efforts as well? The Administration has created a new high-level position for global issues in the State Department, initiated an effort to reinvigorate the Agency for International

Figure 1.
U.S. Foreign Policy Outlays, 1946-1994



SOURCE: Congressional Budget Office based on data from the Office of Management and Budget.

Development (AID), and has now offered the Congress a proposal to rewrite the U.S. Foreign Assistance Act (see Box 2). But it is not yet clear if the Administration will be able to devise the specific policies--and find the budgetary resources--that may be needed in order to make these other changes effective (see Table 1). The Administration's own chief development expert, AID Administrator Brian Atwood, was recently quoted by *The Washington Post* as saying, "We think we can scrape enough out of the old pipelines to have an impact for a few years. But we won't be able to do nearly as much as we would like if we had more money."[2]

This study asks whether certain types of foreign assistance activities that have considerable implications for U.S. security would accomplish significantly more if funded at a higher level. The study employs a framework similar to that in the Administration's plan--and uses the four organizing objectives of promoting sustainable development, promoting peace, building democracy, and providing humanitarian assistance to discuss what might be accomplished if foreign aid is given higher priority as a policy tool for national security.

Arguments for Giving Higher Priority to Foreign Aid

Several factors argue for giving a higher priority to foreign aid within the overall foreign policy budget.

Aid Can Help Meet New Threats

Selected increases in foreign aid could yield high payoffs in addressing issues such as the proliferation of nuclear weapons and the implementation of arms control agreements. Aid may also be able to help many of the world's poor to improve their lives. As Brian Atwood recently argued, the alternative may be a greater likelihood of humanitarian disaster or violent conflict--with costs to the United States that can be much greater than the costs of programs to address poverty in the first place.[3]

2. John M. Goshko and Thomas W. Lippman, "Foreign Aid Shift Sought by Clinton," *The Washington Post*, November 27, 1993, p. A1.

3. See Dick Kirschten, "Crisis Prevention," *National Journal*, December 11, 1993, p. 2,945.

Box 2.
The Clinton Administration's Proposal for a New Foreign Assistance Act

In 1961, the Congress passed the U.S. Foreign Assistance Act, which guides annual foreign aid appropriations and disbursements. Since then, it has been amended several times, adding potentially useful policy goals but reducing the act's clarity in the process. Recently, the Administration submitted a proposal to the Congress for a complete rewriting of this act that would attempt to provide a new and simpler legislative framework from scratch.

The Clinton plan would replace the current act's 33 goals and 75 "priority areas" with fewer objectives. Budget function 150 would be oriented around six principles: building democracy, promoting peace, promoting sustainable development, providing humanitarian assistance, promoting prosperity through trade and investment, and advancing diplomacy. In the process, it would move away from country-by-country budgetary allocations--instead providing the Administration with flexibility to try to put money where it might do the most good.

The Administration's proposed principle of building democracy consists of aid to the former Soviet republics as well as international broadcasting and related activities. Promoting peace mainly includes all types of aid given to Egypt, Israel, and other participants in the Mideast peace process. It also includes contributions for peacekeeping operations paid out of the budget of the State Department. In this study, these two principles are grouped under the general heading of security-related assistance. According to the Administration, 1994 discretionary funding levels (slightly different from the overall funding levels) for these two areas are $3.7 billion and $6.8 billion, respectively. The requests for 1995 total $2.9 billion and $6.4 billion (as measured in nominal, or current, dollars).

Promoting sustainable development involves programs for health, education, family planning, water and sanitation, roads, ports, agriculture, and environmental preservation in developing countries. Providing humanitarian assistance entails funds for refugees, disaster assistance, and other, related activities. These principles, grouped in this study under the general title of assistance for development, are receiving 1994 discretionary budget authority of $4.4 billion and $1.7 billion, respectively ($5.0 billion and $1.6 billion are requested for 1995).

Promoting prosperity encompasses the activities of the Export-Import Bank and the Overseas Private Investment Corporation; it also includes agricultural credit programs. Advancing diplomacy consists primarily of funding for the State Department and related activities. These goals are now funded at $1 billion and $4 billion, respectively (with 1995 requests of $1 billion and $4.1 billion).

In reality, the Administration's plan may not be such a fundamental reorientation of aid as it appears. The six broad principles may serve merely to repackage existing aid programs. In addition, the general idea of moving away from country-by-country allocations does not change the fact that Israel, Egypt, and the former Soviet republics will remain major beneficiaries of U.S. assistance. These countries, in fact, have two of the six main objectives of the new legislation devoted to them--in practice if not in the letter of the bill. Nevertheless, the Administration's proposal may provide a somewhat different emphasis to U.S. overseas activities and perhaps represent the first step in a period of new thinking about foreign aid.

More insidiously, squalor and economic inequity can create receptive ears for the rallying cries of extremist groups. Some of these groups could have the organizational skills and financing necessary to turn their radicalism into real threats to U.S. overseas interests and sometimes even to parts of the United States itself. Secretary of State Warren Christopher made precisely this argument when lobbying for aid to the Palestinians in the fall of 1993.[4] Even where extremism does not cause violence, it can politically hamper leaders from taking responsible steps for peace.

4. See, for example, Elaine Sciolino, "U.S. to Contribute $250 Million in Aid for Palestinians," *The New York Times*, September 21, 1993, p. A1.

Indeed, a brief survey of the world's trouble spots shows a fairly striking correlation between economic malaise on the one hand and domestic unrest and political instability on the other. A number of countries in the Middle East, on the Indian subcontinent, and in Africa are especially prone to civil strife and violence. Some of these could, or already have, caused direct damage to U.S. interests. Parts of the world where broad-based economic progress has occurred tend to be more stable politically--notably much of East Asia and several countries in Latin America.

Table 1.
U.S. Foreign Policy Budget
(In billions of 1994 dollars of budget authority)

	1990	1994	1999[a]
National Defense[b]	344	259	231
Foreign Aid[c]	18	18	14
Remainder of International Affairs[d]	3	3	3
Total	365	280	248

SOURCE: Congressional Budget Office.

a. Figures for 1999 assume that the Clinton Administration's plans for defense and for international affairs will be implemented.

b. This category leaves out portions of funding for budget function 050--Nunn-Lugar aid to Russia and money for Department of Defense peacekeeping and disaster relief operations (as, for example, in Somalia). The same amount of funds is removed for both 1994 and 1999. The national defense total includes Department of Energy weapons programs.

c. International affairs, less spending for the State Department and parts of the U.S. Information Agency (USIA) budget, plus funds for foreign assistance that were subtracted from the national defense function above, plus some Department of Agriculture food aid not part of budget function 150.

d. Primarily State Department and some USIA funding.

Combating terrorism and political extremism around the world clearly requires more than foreign aid. Indeed, it can also demand military tools, suggesting that any cuts in defense intended to help fund foreign aid programs must be made judiciously. But a key element must be providing a positive vision for the potential radicals of the developing world and helping them advance economically and politically, while defusing the domestic political clout of those who already have taken up extremism and violence. Foreign aid may be able to play a greater role in this endeavor than it does now.

Aid Can Support America's Global Vision

Philosophically, a shift in priorities in favor of foreign aid could be grounded in the belief that long-term peace is possible only if most of the world's peoples see the international system as fair. As the English scholar E.H. Carr wrote several decades ago:

> . . . In the national community, we assume that in this process of self-sacrifice and give-and-take the giving must come principally from those who profit most by the existing order. In the international community, the assumption is commonly made by statesmen and writers of the satisfied powers that the process of give-and-take operates only within the existing order and that sacrifices should be made by all to maintain that order. . . . [But] the process of give-and-take must apply to challenges to the existing order. Those who profit most by that order can in the long run only hope to maintain it by making sufficient concessions to make it tolerable to those who profit by it least . . . .[5]

Indeed, this type of theory of international economic development and political stability has been at the core of U.S. foreign policy for 50 years.

5. E.H. Carr, *The Twenty Years' Crisis, 1919-1939* (New York: Harper & Row, 1964), p. 169.

That policy was heavily influenced by the belief that the harsh terms of the Versailles Treaty produced circumstances that helped lead to Hitler's rise in Germany, and perhaps also by a U.S. inclination toward idealism. Articulated by many of the great statesmen of the 20th century, such as George Kennan, modern American foreign policy has emphasized strengthening other countries' economies and political systems--in other words, tapping into humanity's common aspirations for liberty, security, and economic progress--as the best way to combat hostile ideologies and build the long-term foundations for peace.[6] (See Appendix A for an overview of post-World War II U.S. foreign aid and its relation to U.S. national security goals.) Modern social science research also supports the propositions that economic development often contributes to democratization and that democratic countries tend not to fight one another.[7]

Some people differ with this philosophy, arguing that governments in other parts of the world have different conceptions of societal and human progress that the United States cannot easily fathom or address.[8] But much evidence suggests that other peoples of the world--as opposed, sometimes, to their governments--share many U.S. values and aspirations. These values include economic betterment; devotion to family and community; cultural and spiritual meaning; and a significant (if not necessarily Western) sense of individual freedom, peace, and security. Global trends toward democracy, the continuing appeal of the West throughout the world, and the widespread quest for economic growth all suggest that human beings around the world tend to agree on basic values much more than they disagree. As U.N. Secretary General Boutros Boutros-Ghali put it, "It is possible to discern an increasingly common moral perception that spans the world's nations and peoples, and which is finding expression in international laws."[9]

A better counterargument might focus on the question of whether or not aid is a useful way to help other countries. As discussed below, most developing countries probably have even more to gain from a Western world that opens its markets and keeps its own economies healthy and innovative than from foreign aid (though there is no reason why the West could not do all of these things simultaneously). But at specific stages of development, and for specific purposes, aid may make important contributions.

Public Goods Are Often Scarce in Developing Countries

But why is aid even relevant to the goal of improving economic well-being and political stability around the world?

On economic grounds, individual citizens and sometimes even individual ruling regimes do not have great incentive--or sufficient means--to provide certain so-called public goods. Yet without them, society generally suffers serious consequences. Classic examples of public goods include national defense, roads, ports, schools, hospitals and health clinics, police forces, and the like.

Where the consequences of not providing public goods can include significant human suffering, lasting and serious damage to ecosystems, and ultimately political instability, donors may elect to get involved rather than simply wait and hope that the problems will work themselves out quickly enough that no great harm is done.

6. John Lewis Gaddis, *Strategies of Containment* (New York: Oxford University Press, 1982), pp. 54-65; Barton Gellman, *Contending with Kennan* (New York: Praeger, 1984), pp. 136-138.

7. Evelyne Huber, Dietrich Rueschemeyer, and John D. Stephens, "The Impact of Economic Development on Democracy," *Journal of Economic Perspectives*, vol. 7, no. 3 (Summer 1993), pp. 71-85; Michael W. Doyle, "Liberalism and World Politics," *American Political Science Review*, vol. 80, no. 4 (December 1986).

8. For two cogent recent examples, see Samuel P. Huntington, "The Coming Clash of Civilizations, Or, the West Against the Rest," *The New York Times*, June 6, 1993, p. E19; Paul Lewis, "Splits May Dampen Rights Conference," *The New York Times*, June 6, 1993, p. A1.

9. Boutros Boutros-Ghali, *An Agenda for Peace* (New York: United Nations, 1992), p. 8.

Aid Has Often Been Effective

There are no panaceas for the afflictions facing many developing countries today. And ultimately they must bear responsibility for their own future; outside countries can play only a secondary role at best. But with a half century of experience in trying to help other countries develop economically and politically, the United States and other donors have a great deal of knowledge about how to use foreign aid to address such problems--and also about how not to. They have a number of success stories under their belts: many of the countries enjoying high rates of growth since World War II, such as South Korea, Taiwan, and Thailand, benefited from aid programs at one point or another in their development or reconstruction (even if aid generally played only a supporting role in their economic success).

Development Assistance. If targeted carefully, aid can help create technologies, human capital, and infrastructure that then spark broader development and lead to self-sustaining economic growth. To take specific examples, aid can support research to develop new strains of crops that are hardier and more productive, enabling countries to develop an agricultural base important both for human survival and for economic growth. Aid can help build roads, ports, and other basic infrastructure that can catalyze broad-based economic activity. In the aftermath of war, it can help countries rebuild these types of basic physical foundations for economic development. Foreign aid can extend basic human services to poor people--thereby reducing infant mortality, slowing birthrates, improving access to good water, and teaching basic skills that provide people with the underpinnings for self-reliance.

The progress of some developing countries since World War II has been impressive and provides hope for those poorer countries that have not yet enjoyed extended periods of significant economic growth. For these accomplishments, those countries can be proud, as can the West--which helped build an open global trading and investment system, international financial institutions, and an apparatus for grass-roots development. In words found in the 1993 annual report of the United Nations Children's Fund:

> The necessary task of drawing attention to human needs has unfortunately given rise to the popular impression that the developing world is a stage upon which no light falls and only tragedy is enacted. But the fact is that, for all the set-backs, more progress has been made in the last 50 years than in the previous 2,000. Since the end of the Second World War, average real incomes in the developing world have more than doubled; infant and child death rates have been more than halved; average life expectancy has increased by about a third; the proportion of the developing world's children starting school has risen from less than half to more than three quarters (despite a doubling of population); and the percentage of rural families with access to safe water has risen from less than 10% to almost 60%.[10]

Indeed, in the world today, a number of countries can be accurately labeled "aid graduates" because they have now reached levels of wealth and self-sustaining growth at which foreign assistance is no longer necessary--and, in some cases, they now give aid to others.[11]

Security-Related Assistance. In the realm of security, aid can fund peacekeeping operations that can help quell conflict, as in such places as Cambodia, El Salvador, and Mozambique. It can help countries improve their export controls, as is now being attempted in the former Soviet republics. It can strengthen their militaries, contributing to a self-defense capability--notable success stories here include Israel, Taiwan, and South Korea. Not least, it can provide a political and economic boost to regimes willing to try to resolve conflicts, such as in the Middle East.

Aid can also be of critical importance in monitoring peace accords, encouraging elections, and

10. James P. Grant, *The State of the World's Children 1993* (New York: Oxford University Press, 1992), p. 21.

11. John P. Lewis, *Pro-Poor Aid Conditionality* (Washington, D.C.: Overseas Development Council, 1993), pp. 9-12; World Bank, *World Development Report 1990: Poverty* (New York: Oxford University Press, 1990), pp. 127-130.

generally allowing political reform and democratic governance to germinate--provided that recipients themselves genuinely prefer to take these steps. Given in response to positive reforms in military and security spheres, it can help countries move beyond policies that the United States might find threatening to its security interests--as in Germany and Japan after World War II, or in Israel and Egypt before the signing of the Camp David Accords in 1979.

The Aid Portion of the Foreign Policy Budget Is Relatively Low

The total U.S. foreign policy budget--including both traditional military spending and foreign aid--is high by world standards. In fact, as of 1990 and 1991, the United States devoted a higher fraction of its gross domestic product (GDP) to the sum total of aid and defense than any other Western country (see Table 2). Even though U.S. defense spending is

Table 2.
A Comparison of the Aid Spending of Donor Countries, 1990-1991

	Approximate Foreign Policy Spending as a Percentage of GDP	Aid as a Percentage of GNP	Military Spending as a Percentage of GDP
Australia	2.6	0.36	2.2
Austria	1.3	0.29	1.0
Belgium	2.8	0.44	2.4
Canada	2.5	0.45	2.0
Denmark	3.0	0.95	2.0
Finland	2.5	0.70	1.8
France	4.2	0.61	3.6
Germany	3.2	0.41	2.8
Ireland	1.4	0.18	1.2
Italy	2.0	0.30	1.7
Japan	1.3	0.32	1.0
Netherlands	3.6	0.90	2.7
New Zealand	2.1	0.24	1.9
Norway	4.4	1.15	3.2
Portugal	2.5	0.28	2.2
Saudi Arabia[a]	31.0	2.57	28.5
Spain	2.0	0.21	1.8
Sweden	3.4	0.91	2.5
Switzerland	2.0	0.34	1.7
United Kingdom	4.3	0.32	4.0
United States	5.8	0.20	5.6

SOURCES: Congressional Budget Office, "Assessing Future Trends in the Defense Burdens of Western Nations," CBO Paper (April 1993), p. 7; International Institute for Strategic Studies, *The Military Balance 1993-1994* (London: Brassey's, 1993), pp. 224-225; Alexander R. Love, Chairman, Development Assistance Committee, *Development Cooperation: 1992 Report* (Paris: Organization for Economic Cooperation and Development, 1992).

NOTES: Aid refers here to the Organization for Economic Cooperation and Development's definition of official development assistance, which is different from the definition used elsewhere in this study.

GDP = gross domestic product; GNP = gross national product.

a. The data for Saudi Arabia's military spending include contributions to coalition partners from the Persian Gulf War.

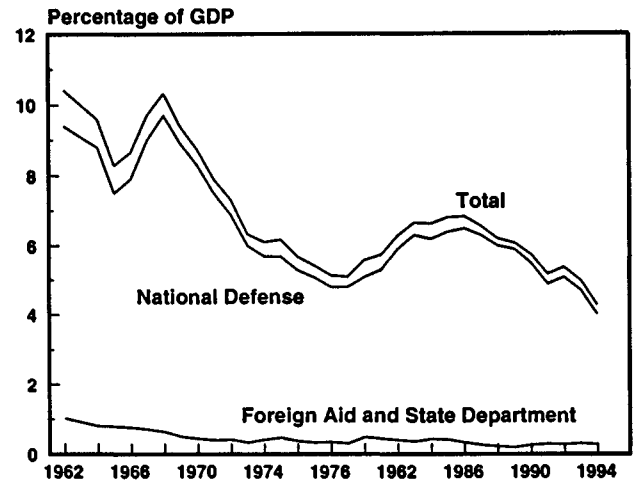
declining, the U.S. foreign policy budget is likely to remain high by world standards as other countries also cut their budgets.

As a fraction of the economy's size, however, the aid budget of the United States has become quite modest in comparison with those of other countries. The United States certainly remains a very important donor: along with Japan, it is one of the world's two largest contributors to overseas development as measured in dollar terms. But by standard definitions of overseas aid used by the Organization for Economic Cooperation and Development, U.S. aid relative to the size of its economy--0.2 percent of GNP--is well below the average among the wealthy Western countries (see Table 2). Indeed, it is the second lowest among them. Even by the somewhat broader definition of U.S. foreign aid used in this study, the United States would lead only Ireland, Spain, and New Zealand. Several donors devote on the order of 0.5 percent or more of their annual output to overseas aid, and some exceed 1 percent. The U.S. aid budget is well under the official U.N. goal of 0.7 percent of GDP--a goal reaffirmed (albeit tepidly) as recently as 1992 during the United Nations Conference on the Environment and Development in Rio de Janeiro.[12]

As a fraction of the nation's economic output, the U.S. aid budget has also declined historically. Having represented about 5 percent of the federal budget and 1 percent of GDP some 30 years ago, foreign aid has declined by both measures (Figure 2 shows U.S. foreign aid as a fraction of GDP over time). It is now about 1 percent of the federal budget and 0.27 percent of GDP, by the broad definition of foreign aid used in this study. Despite the Clinton Administration's concern over global issues and its efforts to reinvigorate foreign aid legislation and institutions, its recent budget request would continue this trend. After a nominal freeze at $19 billion in 1995, budget authority for budget function 150 would decline to $17 billion for fiscal year 1996 and remain essentially at that level through the rest of the decade. Real aid levels, as defined in this study and measured in constant 1994 dollars, would decline from $18 billion today to $14 billion in 1999.

12. Paul Lewis, "Negotiators in Rio Agree to Increase Aid to the Third World," *The New York Times*, June 14, 1992, p. A1.

Figure 2.
U.S. Foreign Policy Budget, 1962-1994
(As a percentage of gross domestic product)



SOURCE: Congressional Budget Office based on data from the Office of Management and Budget.

Caveats and Arguments Against Shifting Priorities

For every lesson about what aid can or should be able to do, one can cite others about its limits and its potential failings. There are also arguments against shifting resources from defense to foreign aid.

Overseas Economic Growth May Not Always Serve U.S. Interests

Some individuals question the basic premise of aid: that global development is advantageous to the United States. They argue that strong, rich countries have little incentive to help others close the economic (and thus, potentially, the military) gap separating them. Or they may question the economic benefits that accrue to the United States when other countries develop (Appendix B discusses some of the problems with this line of argument).

Others are skeptical of the basic presumption often used to argue for increases in development assistance--that economic growth tends to prevent war. The numerous historical counterexamples include much of the history of imperial competition involving the European powers, the United States, and Japan over the last 500 years.[13] Often, when economic and military growth changed prevailing balances of power between countries, the beneficiaries of those changes felt emboldened to initiate hostilities.[14] It is probably impossible for the United States to prevent such shifts in wealth and power. But should U.S. policy contribute to them?[15]

Moreover, as much as most economists feel that international trade has a good record of promoting global growth--including growth in the U.S. economy--further improvements in foreign economies may adversely affect some individuals in the United States. Even if consumers generally would benefit from more expansion in trade, and even if many individuals would gain new jobs in export-oriented industries, other people would lose out.

Aid Does Not Always Work

In some cases, giving foreign aid may even be worse than doing nothing. It can undermine indigenous development by creating dependency. It can prop up corrupt or tyrannical regimes; it also can allow leaders to postpone needed economic reforms that would provide a sounder basis for true development.[16] Aid can go to ill-chosen projects in countries--possibly exacerbating regional, class, or ethnic jealousies, or strengthening the hand of authoritarian regimes--and thus sometimes contribute to anti-U.S. sentiment. By giving only a glimpse of a better life, without providing full access, it can engender resentment and radicalism. Regrettably, evidence suggests that U.S. aid programs in places such as Iran, Somalia, Liberia, the Sudan, and Zaire have had exactly these effects.[17]

With myriad conflicting goals and different players trying to influence the policies of aid recipients, the aid-giving process can be confusing and distracting. Sometimes, if efforts are made to use aid both for developing other countries and for promoting U.S. exports, neither goal winds up being served very well.

Even where aid for development does little harm, it may also do little good. It may flow to countries with only a limited ability to absorb outside money and undertake technical projects efficiently. It can be siphoned off by corruption or simply be wasted on poorly conceived development schemes.

Moreover, the jury remains out on certain kinds of security-related aid. U.N. peacekeeping operations deserve credit for the difficult job of dampening conflict in a number of instances, but it is not yet clear that larger-scale operations will succeed in helping to end conflict. Nor is it yet clear that many of the aid initiatives directed to the former Soviet republics are correctly targeted and sufficiently timely.

Policies Other Than Foreign Aid Are Often More Important

More often than arguing against aid outright, critics of it might question the extent to which aid can help solve other countries' problems.

Economists generally agree that, before aid can be effective, developing countries need to have

13. For a good overview, see Paul Kennedy, *The Rise and Fall of the Great Powers* (New York: Random House, 1987).

14. Geoffrey Blainey, *The Causes of War* (New York: The Free Press, 1973), pp. 246-248.

15. Richard K. Betts, "Wealth, Power, and Instability: East Asia and the United States after the Cold War," *International Security* (Winter 1993/94), pp. 37-41, 55; Aaron L. Friedberg, "Ripe for Rivalry: Prospects for Peace in a Multipolar Asia," *International Security* (Winter 1993/94), p. 16.

16. For a recent example involving Central America, see Douglas Farah, "'Look at Us Now--We Are Worse Off than Ever,'" *The Washington Post*, June 1, 1993, p. A1; Peter Maass, "Congressmen Charge Aid Effort Goes Awry," *The Washington Post*, July 29, 1993, p. A15.

17. Carol J. Lancaster, *United States and Africa: Into the Twenty-First Century* (Washington, D.C.: Overseas Development Council, 1993), pp. 25-26.

sound economic policies. They must avoid spending beyond their means in government payrolls and nonproductive construction projects and subsidies for consumers. They must invest in the infrastructure and human capital needed to promote growth in agricultural and entrepreneurial sectors, avoid discouraging these sectors with artificially low consumer prices, and try to engage actively in the global economy through trade and investment.[18] Countries that the World Bank judges as having appropriate policies have on average grown a full 2.5 percent a year faster than those countries without them--yielding quite impressive improvements in GDP and living standards over a period of several years.[19] Such economic growth in turn creates larger markets for U.S. exports than are found in less wealthy societies. And it ultimately makes aid unnecessary.

Critics may rightly argue that the broad economic policies of the major Western countries--trade policies, budget deficits, growth rates, and the like--generally exert greater influence on the economies of the developing countries than does aid. Foreign aid does represent more than half of the net foreign capital flows to developing countries.[20] But the total global development budget of about $55 billion a year (as of 1991) is less than one-tenth of the combined export earnings of the developing countries, and only about one one-hundredth of their combined GDPs. Thus, in the grand scheme of things, aid--even if significantly increased--cannot rival the importance of the international economic system or the proper workings of developing countries' own economies. Even the relatively large increases in foreign assistance discussed in this study would not change the basic reality that aid, though important for poor countries, cannot be a leading source of revenue for most developing states.

This line of reasoning suggests that what the United States already does--deter major war, promote an open international economic system, work through the United Nations to address other matters of global concern, and give significant if not particularly large amounts of foreign assistance--is sufficient, especially if sustained and built upon. With time, it can lead to significant results, as many past successes in East Asia, Western Europe, and elsewhere attest. And if trade liberalization continues, the developing countries collectively might gain even more export revenues than they would receive in increased aid.[21]

Even if this somewhat hands-off approach to foreign policy is not perfect, one could argue, efforts to tinker unduly with it could cause more harm than good. In fact, new initiatives in foreign aid could be dangerous if they had the political effect of reducing incentives to improve trade policy. Developing countries might gain more from reform of trade policies in agricultural goods and textiles--which protect some farmers and workers in the industrialized countries at the general expense of their consumers and of farmers and laborers in developing countries who otherwise would stand to gain more of these global markets.[22]

Shifts in Priorities Could Weaken U.S. Defenses

If financed by cuts in defense, large increases in aid could weaken U.S. military forces. The deep cutbacks that have already occurred in the defense budget and those planned for the next several years raise questions about whether the United States can countenance further reductions at this time. There are concerns about keeping a high-quality and well-trained military force during a period of rapidly declining defense budgets, maintaining a strong industrial sector for defense, and not giving the

18. Congressional Budget Office, *Agricultural Progess in the Third World and Its Effect on U.S. Farm Exports* (May 1989), pp. xxi, 55.

19. World Bank, *World Development Report 1992: Development and the Environment* (New York: Oxford University Press, 1992), p. 174.

20. Alexander R. Love, Chairman, Development Assistance Committee, *Development Cooperation: 1992 Report* (Paris: Organization for Economic Cooperation and Development, 1992), p. 25.

21. Ibid., p. 45.

22. See, for example, "Fat of the Land," *The Economist*, May 29, 1993, p. 16; World Bank, *World Development Report 1990*, p. 121; John Pomfret, "Poland's Ex-Communists Say West Aided Win," *The Washington Post*, September 26, 1993, p. A44.

appearance of weakness or isolationism to potential aggressors.

Any further defense cuts, and any reductions in existing assistance programs that might help to pay for new programs, should thus be carefully scrutinized to ensure they do not harm U.S. and world interests. Although the defense cuts necessary to make substantial increases in foreign assistance programs would be modest in percentage terms--no more than 6 percent of planned defense spending were all the ideas in this study for increasing aid put in place--they would come on top of a decade's worth of substantial reductions in defense spending.

Even the developing countries themselves might see drawbacks to a United States that cut military spending too quickly or too far. Important benefits accrue to all states when international peace and commerce are maintained. Because trade and overseas investment are so important for growth in the developing countries, the United States is arguably contributing to their well-being by maintaining a capable military establishment--at least to the extent that it uses its military power to ensure the general stability of the international system.[23]

In a more practical sense, further cuts in defense spending--even if rather modest--could make it difficult for the United States to retain its current military doctrine. That doctrine calls for global engagement and military presence, nuclear deterrence, and the capability to wage two large regional wars comparable to Operation Desert Storm nearly simultaneously.[24] The logic of this doctrine is that, without a two-war capability, an aggressor might attack a U.S. ally precisely when U.S. troops were engaged somewhere else--unless it knew that the United States could handle a second war at the same time if necessary. One can obviously argue that a margin of insurance is a wise investment, even though some analysts doubt the need to prepare for two such nearly simultaneous wars at a time when most potential foes of the United States are weaker than Iraq was in 1990 and when the United States does not appear disposed to use its forces unilaterally in most parts of the world.

Limitations on the Scope of This Study

Although it has a rather broad scope, this study also has important limitations. To begin with its focus on the budget, this study excludes a number of other instruments of foreign policy that are arguably at least as important as foreign aid. Trade, the overall federal budget, and general economic policy are key, as they shape many of the economic opportunities available to developing countries. General research and development on health, agriculture, energy, and other fields have great implications for developing countries even if the United States undertakes them primarily for its own purposes. Also very important are the nonbudgetary elements of defense policy, such as alliances and military operations. The way in which the Western world prevailed in the Cold War underscores the importance of all of these tools of policy; economic and military aid were but two of many elements in its success.

Unlike many pundits and policymakers today, this study uses a fairly restrictive definition of national security. It is centered on the traditional principle of preserving the sovereignty and territorial integrity of the United States against foreign attack; it also encompasses the security of U.S. citizens, deployed military forces, and other interests that are located abroad. Notably, though the text does deal with the environmental matters of soil and forest conservation--undoubtedly critical to basic human survival and thus to population growth and long-term sustainable development--it does not treat other global environmental problems. Many of these problems arguably have less to do with long-term sustainable economic growth than with short-term quality of life in the developing countries or with still poorly understood environmental concerns such as global warming. Thus, they do not seem to be part of a core set of initiatives aimed at enhanc-

23. See, for example, Robert Gilpin, *The Political Economy of International Relations* (Princeton, N.J.: Princeton University Press, 1987), pp. 72-80, 85-92.

24. Les Aspin, "The Bottom-Up Review: Forces for a New Era" (Department of Defense, 1993).

ing U.S. security. (Several of them are, however, discussed in Appendix D.)

This study does not represent a specific multilateral program that could be carried out in a step-by-step manner. Generally, the activities in Chapters 2, 3, and 4--aid to the former Soviet republics, U.N. peacekeeping, arms control, peace funds, and so forth--might receive a good deal of money in the short term and less later in the 10-year period. By contrast, most development activities of the type discussed in Chapter 5 (and Appendix D) would need to be phased in over time. What is not offered in these pages is more specificity about timing--or about which potential recipients actually would merit any new funds that might be made available to them. However, it is assumed that any increases in U.S. aid would be one piece of a global effort in which donor countries collectively would provide one-third of the funding for new aid projects and recipient governments would provide two-thirds. The possible increases in U.S. aid are assumed to constitute 25 percent of external funds (consistent with its share of global GDP), with other donors providing the remaining 75 percent. The increases in spending could be made through either multilateral or bilateral channels, or both, provided that they were furnished in the above proportions.

Any increases in certain types of planned U.S. foreign aid would be funded by cuts in other types of foreign aid or by further cuts in the defense budget. In other words, overall funding for foreign policy--consisting of the budgetary account for national defense functions of the Departments of Defense and Energy (function 050), as well as the account for international affairs (150)--would be held constant. The main point of reference is the planned 1999 funding level for this aggregate budget. At that time, the Administration's planned cuts in defense spending will be completed, and budget authority for foreign policy will be $248 billion (as measured in 1994 dollars). Foreign policy spending will represent 3.2 percent of projected GDP, or under half of the Cold War average.

Increases in foreign assistance clearly could be funded in other ways than those considered here--for example, through cuts in domestic spending, deficit financing, or increases in taxes. But given the current budgetary and political climate, none of those is likely. For that reason, and because this study's goal is to examine defense and foreign assistance within a common framework, it is assumed here that any increases in foreign aid would be funded by cuts in other foreign aid programs and in defense. This framework sets up a potential conflict between foreign policy priorities that requires careful attention and scrutiny: the importance of maintaining a strong and capable defense on the one hand, and the importance of dealing with the basic human and economic conditions that so influence the politics of many developing countries on the other. However, the notion of a foreign policy budget does not necessarily imply a new Congressional authorization and appropriation process or cooperative budgeting by the Departments of Defense and State.

Ultimately, a decision about whether or not to increase the emphasis placed on foreign aid should depend on the desirability of specific changes. It is to those specifics that this study now turns.

Chapter Two

Security-Related Assistance for Building Democracy: Aid Programs for the Countries of the Former Soviet Union

Security-related assistance--defined here as funding for activities directly tied to military forces, conflict, or conflict resolution--can take a number of important forms that are potentially beneficial to U.S. security. It can finance efforts by the United Nations to keep in check or end conflicts. Security-related aid can also help countries comply with arms accords and provide an inducement to move beyond conflict into more peaceful and prosperous eras. In these ways, such assistance can serve one of the Administration's chief goals in its proposal for a new foreign aid policy--promoting peace.

In its aid programs to the newly independent states of the former Soviet Union, the United States has determined that the advantages of aid to Russia and other former Soviet republics are worth the money--at least for certain types of programs and in limited amounts. Aid to the former Soviet republics, though currently a contentious issue, may thus be a harbinger of how foreign assistance might be used more ambitiously to further U.S. security goals in the post-Cold War world.

If the average aid level of 1993 and 1994 is sustained--a questionable assumption in light of the Russian government's tepid commitment to economic reform and doubts about the efficacy of the current U.S. aid program--about $3 billion a year will be sent to Russia and the other former republics. Such amounts may be sufficient for most of the types of programs discussed in this chapter. But added funding may still be needed at this time, particularly if the newly independent states adopt policies that are consistent with the new U.S. preference for "more reform, more therapy." Under such circumstances, additional funding would be particularly helpful to provide more social services as governments allow inefficient industries to go out of business and restructure the basic workings of their economies. Greater funding may also be useful for demilitarization and arms control if specific programs can be made to work effectively.

However, as attractive as some of this chapter's ideas might be in the abstract, the reader should bear in mind a number of important cautionary notes and serious obstacles to the effective use of more aid. Some of the ideas presented here are relatively new--such as a major effort to augment the salaries of export control officials throughout the former Soviet republics. Others have been discussed in some detail by government officials of the United States and the former Soviet republics, but have not necessarily been translated into long-term plans of action. Without detailed schedules for implementing all the ideas presented here, which is beyond the scope of this study, it is difficult to be sure that all the programs are equally practical. Even more so, it is difficult to know precisely what they would cost. The calculations presented here are intended to lay out rough orders of magnitude.

Nor does this study include a detailed discussion of "conditionality"--that is, linking aid to the adoption of policies that are consistent with economic reform in the former Soviet republics and other U.S. interests. Especially in regard to economic aid, any help provided by individual Western governments and the international financial institutions might be linked to the adoption of policies that emphasize privatization and are consistent with low inflation rates and a convertible currency. (However, some

demilitarization, arms control, and humanitarian activities might be worth pursuing even in the absence of economic reform.)[1] Without such policies, even aid for grass-roots development may bear little fruit--as the Chairman of the House Committee on Foreign Affairs, Lee Hamilton, has argued recently.[2]

In sum, the same caveats that apply generally in this study apply here. This study's framework assumes that funding for aid initiatives would be derived from further cuts in defense spending. Thus, any new projects or programs for the newly independent states of the former Soviet Union should be considered for additional funding only if they have a higher probability of truly enhancing U.S. security than would the same amount of money spent on U.S. defense forces.

Today's Budget for Security-Related Aid

The 1994 budget of about $10.9 billion for security-related aid consists primarily of economic support funds, foreign military financing, and aid to the newly independent countries of the former Soviet Union (see Table 3).

Economic support funds, to be succeeded by "peace funds" under the Administration's proposal for revamping foreign aid legislation, flow primarily to Israel and Egypt and total $2.1 billion in 1994. They are intended to provide general economic assistance to countries friendly to the United States. Foreign military financing, some $3.1 billion, is focused mostly on the same two recipient countries and generally must be used to purchase arms from the United States. Between them, Egypt and Israel are receiving about $5.1 billion of economic support funds and foreign military financing in 1994--almost the entire aggregate amount in these two programs.

New budget authority to the newly independent countries of the former Soviet Union totals about $3 billion in 1994 (see Table 4). Four hundred million dollars in Nunn-Lugar assistance, named for its Senate cosponsors, is available for demilitarization and arms control activities; the remainder of the funds are intended for humanitarian needs and for economic and political development. (Because the United States contributes capital to multilateral institutions such as the World Bank, it is indirectly providing even more assistance.)

Table 3.
U.S. Funding for Security-Related Assistance, 1994 (In billions of dollars of budget authority)

	Funding
Assistance to Specific States	
Aid to FSU	3.0
SEED funding for Eastern Europe	0.4
Arms aid to major allies (FMF)	3.1
Economic support for major allies (ESF)	2.1
Support for Overseas Broadcasting and Other Political Development Activities of the U.S. Information Agency	0.6
Assistance to the United Nations	
Direct support for United Nations military activities	0.5
Support for other United Nations programs	0.1
DoD role in peacekeeping	1.2
Receipts and Other	0
Total	10.9

SOURCE: Congressional Budget Office.

NOTES: FSU = newly independent states of the former Soviet Union; SEED = Support for East European Democracy Act; FMF = foreign military financing; ESF = economic support funds; DoD = Department of Defense.

1. For a recent endorsement of using the local private sector more in targeting and distributing aid to the newly independent countries, see The Fund for Democracy and Development's Policy Panel, *A New Strategy for United States Assistance to Russia and the Newly Independent States* (Washington, D.C.: The Fund for Democracy and Development, 1994), pp. vi-vii.

2. Thomas L. Friedman, "Russia Policy: A U.S. Riddle," *The New York Times*, January 27, 1994, p. A1.

Table 4.
U.S. Bilateral Assistance and Credits for the States of the Former Soviet Union
(In millions of dollars of budget authority)

	1991	1992	1993	1994	Total
		Grant Assistance			
Technical Assistance					
FSU assistance account	0	0	1,078	1,455	2,533
Economic support funds	5	230	0	0	235
Development assistance funds	0	5	5	0	10
P.L. 480, farmer to farmer	0	10	10	10	30
Other assistance	0	32	69	63	164
Subtotal	5	277	1,162	1,528	2,972
Medical Assistance					
Disaster assistance funds	5	12	0	0	17
DoD excess medical donations	0	100	106	0	206
Subtotal	5	112	106	0	223
Food Assistance					
USDA food aid[a]	0	293	903	251	1,447
DoD excess stock donations	0	62	42	0	104
Subtotal	0	355	945	251	1,551
Other DoD Assistance					
Transportation funds	0	100	46	0	146
Disarmament/nonproliferation	0	187	400	400	987
Subtotal	0	287	446	400	1,133
Total Grants	10	1,031	2,659	2,179	5,879
		Credit Programs (Subsidy value)			
USDA Export Credit Guarantees[b]	363	488	98	152	1,101
USDA Concessional Food Sales	0	0	0	357	357
Eximbank Guarantees	0	11	37	300	348
OPIC Financing[c]	0	0	2	40	42
Total Credits	363	499	138	849	1,849
		Total Assistance and Credits			
Total	373	1,530	2,797	3,028	7,728

SOURCE: Congressional Budget Office based on data from the Department of State, Department of Defense, and Office of Management and Budget.

NOTES: Total does not include U.S. contributions to international financial institutions, including the Currency Stabilization Fund. Department of Defense excess donations are preliminary estimates based on market value.

FSU = newly independent states of the former Soviet Union; P.L. = Public Law; DoD = Department of Defense; USDA = U.S. Department of Agriculture; Eximbank = Export-Import Bank; OPIC = Overseas Private Investment Corporation.

a. As of January 31, 1994.

b. Calculated using an estimated subsidy rate of 19 percent.

c. The Overseas Private Investment Corporation has also provided insurance with a face value of $126 million in 1992 and $396 million in 1993. These amounts are not included in the table because subsidy estimates for OPIC insurance are not available.

Table 5.
U.S. Grant Assistance for the States of the Former Soviet Union
(In millions of dollars of contractual obligations, as of December 1993)

	Humanitarian Aid[a]	Technical Aid	Nunn-Lugar Aid	Total Aid	Aid per Million Citizens
Armenia	305	30	0	335	98
Azerbaijan	34	2	0	36	5
Belarus	140	8	5	153	15
Georgia	268	11	0	279	50
Kazakhstan	55	32	b	87	5
Kyrgyzstan	143	14	0	157	34
Moldova	68	12	0	80	18
Russia	1,564	355	109	2,028	14
Tajikistan	73	4	0	77	14
Turkmenistan	110	3	0	113	29
Ukraine	183	95	b	278	5
Uzbekistan	17	13	0	30	1
Total	2,960	579	114	3,653	13

SOURCE: Congressional Budget Office based on data from the Department of State and the Department of Defense.

NOTE: Contractual obligations to Estonia, Latvia, and Lithuania totaled $13 million, $14 million, and $18 million, respectively, as of December 1993. But these countries are funded by the Support for East European Democracy Act rather than assistance programs focused on the former Soviet Union. Nunn-Lugar aid is as of March 1994.

a. The figures include the value of excess food and medicine from the Department of Defense as well as the transportation costs incurred in their delivery. They also include aid from the Department of Agriculture, the Agency for International Development, and private sources.

b. Less than $500,000.

About $500 million in budget authority for 1994 is provided to fund official peacekeeping costs of the United Nations. In addition, a supplemental appropriation of $1.2 billion provides funds to the Department of Defense for its own activities that support United Nations operations. Some $600 million funds radio broadcasting and related activities of the U.S. Information Agency that are aimed largely at current or former communist countries where the media and other important elements of successful democracies are still developing. A final $100 million or so funds other U.N. activities, including the International Atomic Energy Agency.

Future Aid to the Former Soviet Republics

Although recent funding for U.S. and other Western aid to the states of the former Soviet Union has become substantial, the effectiveness of such aid has been relatively modest.[3] For one thing, only fractions of the sums now available to help those countries have actually been provided to date (see Table 5). Further, the practical difficulties of setting up programs must be overcome before money can be usefully spent.

In addition, some forms of U.S. and other Western aid have characteristics that may limit their effectiveness. Credits for agricultural or other imports, for example, can add to the debt burden of the newly independent states. Nunn-Lugar assistance calls for use of U.S. goods and services whenever possible--potentially limiting the funds available to employ scientists of the former Soviet Union in their current homelands. Similar limitations may

3. Kristin Brady and Michelle Maynard, "Assistance to the Newly Independent States: A Status Report," Staff Report to the Senate Committee on Foreign Relations (February 1994).

also apply to other types of aid, much of which often flows to large numbers of short-term U.S. contractors. Moreover, U.S. aid--even when combined with assistance from other countries--may not be of sufficient magnitude to address the acute needs of the former Soviet republics.[4] Finally, the uncertain path of reforms in those countries has often left the International Monetary Fund and other players wary of providing all the aid that has been authorized.[5]

The types of aid initiatives outlined below cover somewhat different programs than are now in place. Moreover, if fully adopted, they might lead to annual U.S. funding levels of $6 billion over the 10-year period at issue in this study--in contrast to the current level of about $3 billion.

The cost estimates in this chapter are made in the following ways. For sensitive security-related programs in the former Soviet republics, the United States might choose to provide all of the needed external financial support and technical guidance. To contribute their fair share, the other major industrial powers might provide all outside assistance related to the safety of civilian nuclear reactors. For economic and political development, by contrast, the United States is assumed to provide one-third of foreign assistance and other Western donors the remaining two-thirds, roughly in proportion to their financial resources and gross domestic product.

Assistance for Demilitarization and Arms Control

Because of the sheer abundance of weaponry in the former Soviet Union, and nuclear weapons in particular, the United States has an acute interest in helping those countries control their military assets and technologies. To preclude rogue regimes from recruting technicians and scientists with knowledge of specific weapons and weapons technologies, the West should also ensure that these scientists find gainful employment and an acceptable standard of living.

President Clinton and the Congress have agreed on the importance of giving such aid to the countries of the former Soviet Union, as recent high levels of funding indicate. Given the uncertainty over macroeconomic policy and a commitment to structural reform in Russia and the other republics, however, donors could choose to focus some aid funds increasingly on those programs and projects least affected by Russian economic policymakers. These programs could include efforts to ensure the safety of nuclear weapons, improve export controls, and destroy chemical weapons.

Assuming that the United States wished to build on two 1993 aid packages to the former Soviet Union (the Vancouver package and the subsequent Tokyo initiative of the G7 group of major Western economic powers), it could design a further aid initiative to focus primarily on mitigating threats related to weapons of mass destruction from the former Soviet Union. Such a package could address the following priorities:

- Improving the control of exports of militarily sensitive technologies;
- Decontaminating nuclear waste sites and destroying chemical weapons; and
- Monitoring nuclear warheads and fissile materials.

In this illustrative aid package, defense conversion would not be treated explicitly. In an economy as militarily oriented as was the Soviet Union's, where military spending may have represented 15 percent of GDP or more, conversion in general is inseparable from the issue of general economic reform and development.[6] Moreover, the most acute

4. For similar views, see The Fund for Democracy and Development's Policy Panel, *A New Strategy*, p. v.

5. Jeffrey Sachs, "The Reformers' Tragedy," *The New York Times*, January 23, 1994, p. E17.

6. See letters by James E. Steiner and Franklyn D. Holzman, *International Security* (Spring 1990), pp. 185-198.

concern in conversion is to provide alternative employment possibilities for scientists and technicians who otherwise might be inclined to emigrate to countries paying them high salaries to work on nuclear weapons programs. (Several of the programs discussed below directly address this issue; so does an Administration proposal, now pending Congressional support, to "subcontract" roughly $100 million a year in work on the international space station to Russia.)[7]

Legislation providing Nunn-Lugar funding calls for taking advantage of U.S. goods and skills "to the extent feasible."[8] However, to produce maximum effectiveness, this stipulation probably should be balanced by efforts to employ former Soviet weapons scientists and technicians in ways that will discourage their emigration.

Export Controls

An effective system for regulating the export of military and dual-purpose technologies is perhaps second only to the security of nuclear warheads and materials in its importance for the United States. Export controls serve as a last check on the security of nuclear weapons and materials. They also represent the principal check on exports of dual-use technologies and weapons components to potentially hostile developing countries.

Sometimes even official agencies of governments of the former Soviet republics decide to sell technologies and arms to clients that the West would prefer they shun. But in many cases Russia and the other former Soviet republics find it difficult to regulate exports as effectively as they would like. The shortcomings in export controls have arisen, moreover, at a time when risks are acute. As explained last year by an official of the U.S. Defense Intelligence Agency:

> Foreign military sales have become a highly sensitive issue for Russian leaders, who are unlikely to curtail conventional arms exports in current economic conditions. Moscow is expected to attempt to restrain trade with international pariah states--most of whom are short of hard currency anyway--while trying to expand sales with countries such as China, Iran, and India. Government regulation of arms sales is hampered, however, by conflicts in the bureaucracy, the emergence of many independent arms export organizations, and by President Yeltsin's grants of special permission for selected plants to enter arms markets directly.
>
> . . . Poor government export controls and the difficult internal situation in the successor states have raised apprehension in the West about the possible proliferation of materials, technologies, or expertise related to weapons of mass destruction. We have no convincing evidence of significant transfers thus far, but remain concerned that the current environment increases their likelihood.
>
> . . . Even with consistent government commitment and western assistance, law enforcement organizations and new export control bureaucracies will need several years to implement effective licensing and enforcement regimes. The concern is that organizations and individuals--facing enormous pressure to survive financially--will try to evade government controls over export activities.[9]

7. James R. Asker, "U.S., Russia Expand Aerospace Plans," *Aviation Week and Space Technology*, January 3, 1994, p. 22.

8. National Defense Authorization Act for Fiscal Year 1993, Section 1412(c), 106 Stat. 2564, 22 U.S.C. 5902.

9. Statement of William Grundmann, Director for Combat Support, Defense Intelligence Agency, before the Joint Economic Committee of Congress, June 11, 1993, pp. 14-16. See also William C. Potter, "Nuclear Exports from the Former Soviet Union: What's New, What's True," *Arms Control Today* (January/February 1993), pp. 3-10; Statement of R. James Woolsey, Director of Central Intelligence, before the Subcommittee on International Security, International Organizations and Human Rights, House Committee on Foreign Affairs, July 28, 1993, p. 7.

How much might the former Soviet republics lose if they were to put more effective export controls in place? This question is difficult to answer with any precision, but some rough estimates can be hazarded. Take the example of Russia. In 1992, it exported about $20 billion worth of non-oil merchandise to countries outside the former Soviet Union (and another $2.5 billion in conventional armaments).[10] In that same year, U.S. exports of non-oil merchandise were about $400 billion. According to various estimates, they might have been 2 percent to 5 percent larger without any foreign policy and national security restrictions.[11]

In the case of Russia, with a different set of foreign customers and comparative advantages than the United States, export controls might be responsible for the loss of considerably more exports than 2 percent to 5 percent. Conversely, some of these export controls are already in effect today--albeit perhaps imperfectly. So part of the losses from export controls are already being incurred, reducing the magnitude of additional losses that could result from tightening those controls further.

One estimate put total smuggled goods out of Russia in 1992 at 10 percent of total trade, or about $4 billion, with much of the smuggling involving oil and metals.[12] This estimate implies that the illicit trade in sensitive nuclear-related technologies might reach the billion-dollar range, though the nature of the trade clearly does not permit any precise estimate. If it is that high, however, the potential for lost revenues could be large enough that officials in the former Soviet republics might not readily agree to improve export controls without a combination of Western pressure, cajoling, and aid.

If officials in the United States and the former Soviet Union were to mount a new joint effort to improve export controls, how might they go about it, and how much might it cost? Although some efforts to improve controls are already under way, they are limited in scope and financing (see Table 6).[13] Given the tremendous stakes involved in export controls, and the rather poor state of export controls in these countries at present, it might behoove Western policymakers to do more. This section assumes that the United States might pick up the lion's share of the tab for the salaries of customs officers--an attractive option because the currently low salaries throughout this part of the world make it relatively easy to do so.

What might the cost of such an effort be? In the interest of getting a very rough estimate, one can rely on a U.S. analogy.

In the United States, customs and export administration funds total nearly $2 billion a year, though much of the customs work has nothing to do with weapons. To get a rough estimate, scale U.S. costs downward by a factor of 10, to account for the differences in pay scales.[14] Then assume that the overall amount of monitoring and inspecting that needs to be done throughout the former Soviet Union is comparable to, but perhaps slightly greater than, that in the United States (less overall trade but many more kilometers of borders). Under these assumptions, it might be possible to subsidize this type of work throughout the former Soviet Union for about

10. Jan Vanous, ed., *PlanEcon Review and Outlook for the Former Soviet Republics* (Washington, D.C.: PlanEcon, Inc., May 1993), p. 53; personal communication to the Congressional Budget Office by staff members of the International Monetary Fund; Thomas W. Lippman, "Ex-Soviet Arms Exports Plunge," *The Washington Post*, June 13, 1993, p. A28; Richard F. Grimmett, *Conventional Arms Transfers to the Third World*, Report 93-656F (Congressional Research Service, 1993), p. 67.

11. J. David Richardson, *Sizing Up U.S. Export Disincentives* (Washington, D.C.: Institute for International Economics, 1993), pp. 72-74, 96, 120-121; National Academy of Sciences, Committee on Science, Engineering, and Public Policy, Panel on the Future Design and Implementation of U.S. National Security Export Controls, *Finding Common Ground* (Washington, D.C.: National Academy Press, 1991), p. 101.

12. Vanous, *PlanEcon Review and Outlook*, p. 33.

13. Statement of Secretary of Defense Les Aspin before the House Committee on Armed Services on the Clinton Administration's defense plan, March 30, 1993, p. 3.

14. The scaling factor recently may have been more like 50:1, but this figure was more a product of the volatility and weakness of the ruble than parity measures of purchasing power. See, for example, Frank von Hippel, "The Laboratories and the Former Soviet Union" (address given at Congressional Research Service seminar, "The Future of the Nuclear Weapons Laboratories," January 12, 1993), p. 2; Celestine Bohlen, "Amid Nuclear Transition, Russia's Scientific Elite Loses Its Security," *The New York Times*, July 11, 1993, p. A12.

$200 million a year (see Table 7). These funds would be used to hire and train new officers, and to improve the salaries of current officers in the hope that doing so would reduce their vulnerability to bribery.

Funds donated for export controls could, of course, be diverted from their intended purpose. Indeed, such a possibility exists for virtually all of the ideas discussed in this study. But export controls raise a special concern, since money devoted to them would not produce a physically tangible product. The United States and other donors might be able to conduct periodic checks at transshipment points--counting export officers and verifying that they were being appropriately compensated for their efforts--but attempting to do so would clearly be difficult.

Waste from Nuclear and Chemical Weapons

Although perhaps not as pressing from a security viewpoint as export controls or warhead security, waste disposal issues associated with weapons of mass destruction in the former Soviet Union are important.

Two costly agenda items are site contamination from the production of nuclear materials and the large stocks of chemical weapons now slated for eventual destruction as a result of the international Chemical Weapons Convention. Both primarily concern Russia.

Materials located at the nuclear sites remain potentially dangerous as raw material for nuclear weapons and already pose serious environmental hazards. But Russia might deem them secondary in priority and ignore them without inducements to do otherwise. Moreover, cleaning up nuclear waste could offer employment to nuclear scientists and technicians whom the West would like to keep gainfully employed at home.

Excluded from this section are issues relating to the safety of commercial nuclear reactors. Because of their close proximity, these reactors concern the Central and Western European countries more di-

Table 6.
U.S. Pledges of Assistance for Belarus, Kazakhstan, Russia, and Ukraine Under the Cooperative Threat Reduction Program (In millions of dollars of signed bilateral agreements, as of March 22, 1994)

Country	Export Controls	Defense Conversion	Elimination of Weapons	Nuclear Weapons Security	Other	Total
Belarus	16	20	0	0	34	70
Kazakhstan	2	15	70	0	13	100
Russia	0	40	185	165	59	449
Ukraine	7	40	185	0	45	277
Total	25	115	440	165	151	896

SOURCE: Congressional Budget Office based on data from the Department of Defense.

NOTE: Cooperative Threat Reduction assistance is also known as Nunn-Lugar assistance after the Senate sponsors of the original legislation that made Department of Defense funds available for demilitarization and related activities in the former Soviet Union.

Table 7.
U.S. Costs of Illustrative Aid Initiative for the States of the Former Soviet Union (In millions of 1994 dollars)

Category of Aid	Average Annual Increases
Export Controls	200
Nuclear Waste Cleanup	Up to 500
Chemical Weapons and Missile Elimination	Up to 300
Nuclear Warheads and Materials	Up to 600
Privatization and Revamping of Industrial Sectors	Up to 1,000
Social Welfare Net	Up to 1,500
Debt-Service Relief	Up to 2,000
Total, new programs	Up to 6,000
Less current aid level	About 3,000
Net increase	Up to 3,000

SOURCE: Congressional Budget Office.

rectly than they do the United States. In the interest of cooperation and divvying up the aid effort, it is assumed here that Western Europe would fund attempts to address these matters. (The likely bill over a 10-year period would be in the vicinity of $20 billion. The money would go chiefly to six countries: Russia, Ukraine, Armenia, Lithuania, Bulgaria, and Slovakia.)[15]

Cleaning Up Nuclear Waste. Cleaning up nuclear waste involves processing large volumes of soil and water to extract radioactive and other materials. Fissile materials--uranium 235 and plutonium--can then either be transformed into reactor fuel rods and used commercially or disposed of through processes such as vitrification and burial (see discussion below). Carrying out these efforts at Russian production facilities will probably be just as daunting as in the United States.

For nationwide nuclear-site cleanup, an estimate of the costs to Russia can be obtained by scaling them with costs in the United States, where weapons cleanup budgets are expected to remain at least $5 billion a year for decades. Many costs, especially those for personnel, would be considerably less in Russia because of the prevailing salary ratio of more than 10:1, so perhaps $200 million a year might suffice for personnel. Yet certain technologies could be costly wherever they were set up. Take, for example, a glass vitrification facility, which the Department of Energy expects to cost some $4 billion to build in the United States. Were costs in Russia nearly as great, the average annual cost to vitrify the wastes might be $200 million to $300 million over 10 years.[16] Adding personnel and infrastructure costs together, a large-scale U.S. contribution to nuclear cleanup in the former Soviet Union could total as much as $500 million a year (see Table 7).

Eliminating Chemical Weapons. Just as with nuclear cleanup, eliminating chemical weapons requires advanced and environmentally benign technologies. Fortunately, the scale of the problem, though significant, is much less than for nuclear cleanup. The United States Army has estimated the costs of eliminating its chemical weapons at $8 billion through 2000.[17] In addition, the urgency of the problem may be considerably less than for nuclear safety issues, suggesting that the United States might choose to assign it lower budgetary priority if funds are tight.

But if the United States did choose to help--as it already has expressed interest in doing--it probably

15. See Marlise Simons, "West is Warned of High Cost to Fix Risky Soviet A-Plants," *The New York Times*, June 22, 1993, p. A1.

16. Frans Berkhout and others, "Disposition of Separated Plutonium," in *Science and Global Security*, vol. 3 (New York: Gordon and Breach Science Publishers, 1992), pp. 22, 29.

17. See, for example, General Accounting Office, *Chemical Weapons Destruction: Issues Affecting Program Cost, Schedule, and Performance* (1993).

could accomplish a good deal for much less than $8 billion. Research and development would not need to be replicated to help Russia, and personnel costs for Russians assisting with the work would be much less than for U.S. personnel. Designing and constructing facilities, activities in which Western expertise and technology may be most important, may cost a few hundred million to a billion dollars in Russia.[18] Even after adding in some funds for salaries, the average U.S. contribution might be $100 million to $200 million a year.

Destroying Excess Missiles. Because Russia's lack of capacity for missile destruction has become a major constraint on its pace for implementing the Strategic Arms Reduction Talks (START) treaties, the Vancouver Summit slated $130 million for missile destruction. Given previous arms control treaties that required missile destruction, this amount of money is likely to be adequate if sustained at or near that rate over a decade. Precedents for destroying missiles under other arms control accords suggest that these costs are unlikely to total much more than $1 billion during the lifetime of the treaty--and possibly less.[19]

Securing Nuclear Warheads and Materials

Perhaps the most important concern in the former Soviet Union today is whether Russia, and possibly Ukraine and Kazakhstan as well, have adequate means of keeping nuclear warheads and materials secure. In contrast to the above categories, additional U.S. aid money may not be necessary in this area, but current flows may need to be sustained for a period.

Three specific activities are the most likely candidates for further U.S. assistance: constructing storage and possibly dismantlement facilities for fissile materials, particularly plutonium; establishing monitoring systems at warhead and fissile-material storage facilities; and permanently disposing of plutonium.

In another area, warhead and materials security, aid might usefully rise somewhat. Aid might fund additional armored warhead "blankets" and specialized rail cars to enhance the safety and security of weapons during transport, data processing systems as well as tags to facilitate the tracking of warheads, and so forth. But these activities all tend to cost on the order of tens of millions of dollars, as evidenced by measures now under way. Their average costs over 10 years therefore would be small compared with those discussed above.

Providing for Storage and Dismantlement Facilities. If a new Russian plutonium storage facility was built, it would be likely to cost several hundred million dollars--based on the $1 billion estimate for similar facilities in the United States that the Department of Energy has made. Labor costs would be considerably less in Russia, but the costs of many materials might not be.[20]

An additional consideration in this category of costs is Ukraine. Despite possible movement toward denuclearization--as reflected in the January 1994 accord signed by Presidents Kravchuk, Clinton, and Yeltsin--Ukraine still has more than 1,500 warheads. Even if the current accord is not fully implemented, for whatever reason, the United States might still choose to contribute funds for Ukrainian storage and dismantlement facilities. Providing more aid for these purposes may be pref-

18. See "Russia Seeks Western, U.S. Aid to Destroy Chemical Weapons," *Defense News*, November 16-22, 1992, p. 38; "Aspin to Consider Hurrying Efforts to Help Russia Destroy Chemical Arms," *Inside the Pentagon*, January 28, 1993, pp. 15-16; Michael R. Gordon, "Moscow Is Making Little Progress in Disposal of Chemical Weapons," *The New York Times*, December 1, 1993, p. A1.

19. Congressional Budget Office, *U.S. Costs of Verification and Compliance Under Pending Arms Treaties* (September 1990), pp. 28-31.

20. Congressional Budget Office, "Implementing START II," CBO Paper (March 1993), p. 63.

erable to allowing disputes between Ukraine and Russia to derail arms control.[21]

The Department of Energy estimates that the cost of a new U.S. facility for dismantling warheads would be about $2 billion.[22] Adding that to the $1 billion cost of a plutonium storage facility, but adjusting this figure downward to account for lower labor costs, U.S. costs for construction and operation of the Ukrainian facilities might reach $200 million to $300 million a year. All told, the U.S. contribution to facilities in both Russia and Ukraine might total up to $400 million a year.

Monitoring Storage. Given the volatility of politics in the former Soviet republics, as well as traditional concerns about security and arms control, it might be desirable for outside parties to help monitor the storage of nuclear explosive materials in Russia and possibly in Ukraine as well.

Russia and perhaps Ukraine are unlikely to grant such access unless reciprocating access is allowed on the territories of the United States and other countries. In the past, the United States and the other nuclear powers have not shown a willingness to allow such inspections of their own highly secret nuclear weapons complexes.[23] But if political hurdles were overcome, the costs of monitoring storage would probably be relatively modest. Elaborate technologies would be unnecessary. Portal-perimeter monitoring might suffice: such monitoring is similar to the type conducted by the On-Site Inspection Agency under the Intermediate-Range Nuclear Forces (INF) or the START treaties, in which an area is fenced off and surveyed, and access to the site closely controlled through a single entry. If done at two sites in each country, annual aid might average several tens of millions of dollars.[24]

Disposal of Fissile Materials. Since nuclear explosive materials are highly dangerous, it is critical to protect or eliminate any excesses. The process of cleaning up waste sites, discussed above, could also produce materials requiring further attention in order to keep them out of the hands of renegades, terrorists, and other potential aggressors.

The United States is already planning to finance the purchase of some $12 billion worth of excess highly enriched uranium 235, once diluted to a non-explosive (or less enriched) form. The diluted uranium, to be sold at market rates, would then be used as reactor fuel. The sale provides an incentive for Ukraine, and perhaps also Kazakhstan and Belarus, to reach agreement on denuclearization and on how to share the money. If accord is reached, the sale will occur and proceeds will be divvied up.[25] (Were allocation to be proportional to the number of warheads on a country's territory, Ukraine might receive on the order of $1 billion.)[26] Such purchases would not be included under the framework of this study since they would be market transactions rather than aid per se.

Plutonium remains problematic, however. It cannot be diluted to a relatively harmless form in the way that uranium 235 can be. To neutralize it, more extensive measures are required, such as mixing the plutonium with waste, vitrifying it in glass, and then burying it. Russia has a different idea, however; it wishes to use the material as fuel for nuclear reactors.

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21. For discussions of Ukraine's security concerns and situation, see Amy F. Woolf, "Nuclear Weapons in the Former Soviet Union: Issues and Prospects," Issue Brief IB91144 (Congressional Research Service, November 6, 1992), pp. 4-6; Strobe Talbott, "Crisis or Kiosks in the Former Soviet Union?" *Arms Control Today* (December 1992), pp. 16-19.

22. Department of Energy, *Nuclear Weapons Complex Reconfiguration Study* (1991), p. 92.

23. Frank von Hippel, "Plutonium Perils," *Technology Review*, vol. 96, no. 6 (August/September 1993), p. 70.

24. Frank von Hippel and Roald Z. Sagdeev, eds., *Reversing the Arms Race: How to Achieve and Verify Deep Reductions in the Nuclear Arsenals* (New York: Gordon and Breach Science Publishers, 1990); Congressional Budget Office, *U.S. Costs of Verification and Compliance*, p. 18.

25. Bruce Blair, "Lighten Up on Ukraine," *The New York Times*, June 1, 1993, p. A17.

26. Robert S. Norris, "The Soviet Nuclear Archipelago," *Arms Control Today* (January/February 1992), p. 25. Of the 12,000 Soviet strategic nuclear weapons in existence at the end of the Soviet era, about 73 percent were in Russia, 15 percent in Ukraine, 12 percent in Kazakhstan, and 1 percent in Belarus.

The cost of discarding plutonium through the vitrification technique might be $1 billion, according to a recent study by the National Academy of Sciences. The same study found that burning the materials in an existing nuclear reactor might have comparable costs and might be done safely if only a small number of carefully guarded reactors were used in the process.[27] But the risks of diversion must be carefully borne in mind as plutonium-fuel options are considered.[28]

If a U.S. contribution of up to $100 million a year for disposal of plutonium is added to $400 million for other nuclear security measures, and an additional allowance is made for arms control monitoring, annual aid for securing nuclear warheads and materials could reach $600 million.

Economic Assistance

Russia and other former Soviet republics merit particular attention because of the large military forces and nuclear weapons inventories they retain. Those countries also pose a special type of development challenge. They already have heavy industry and extensive infrastructure. Rather than developing "from the ground up," therefore, they are seeking to make their industries and businesses competitive in a global market economy.

What is the proper role of aid in large countries undergoing major economic transformations? Without a massive effort, the outside world cannot finance a rebuilding of their industries. Germany's effort to modernize the former East Germany has cost considerably more than $100 billion for an economy several times smaller than that of the former Soviet Union.[29] Undertaking a comparable effort in Russia and other former republics could cost hundreds of billions of dollars, much more than is likely to be forthcoming from the United States and other Western donors.[30]

It might be more practical to focus aid on particular problems and economic sectors of the Eastern Bloc that could catalyze overall revival. In much of Central Europe, the most important role of the West at this stage in history may have much more to do with expanding trade and opening markets than with aid. But in the case of the newly independent states of the former Soviet Union, three good candidates might be programs to expand the availability of food and health services, particularly for the unemployed and for pensioners; targeted help for critical industries like the oil sector and for smaller grass-roots firms and businesses that are in many cases already privatized; and debt rescheduling to improve the prognosis of near-term balance of payments during the most difficult phases of economic transition.[31]

The Clinton Administration is taking a similar tack in its efforts to help Russia reform and grow economically. To date, it has authorized substantial spending on food aid and agricultural credits. In addition to assistance from the G7 countries and the World Bank, the Administration is also setting up more funding for privatization, credits for entrepreneurs, and aid to the oil industry. The question is, to what degree might the programs be expanded usefully?

The Notion of Conditionality

A critical issue, not fully within the scope of this study but central to any practical effort to help the

27. National Academy of Sciences, Committee on International Security and Arms Control, *Management and Disposition of Excess Weapons Plutonium: Executive Summary* (Washington, D.C.: National Academy Press, 1994), pp. 5, 14-15, 22.

28. Thomas B. Cochran, Christopher E. Paine, and James D. Werner, "Chemical Separation Plants in Russia: Why Further Operations Should Be Deferred" (Natural Resources Defense Council, Inc., Washington, D.C., December 1992); Frank von Hippel and others, "Eliminating Nuclear Warheads," *Scientific American* (August 1993), p. 49.

29. Andras Inotai, "Economic Implications of German Unification for Central and Eastern Europe," in Paul B. Stares, ed., *The New Germany and the New Europe* (Washington, D.C.: Brookings Institution, 1992), p. 286.

30. For support for figures of this magnitude, see Henry Bienen and Mansur Sunyaev, "Adjustment and Reform in Russia" (working paper, Center of International Studies, Princeton University, 1992), p. 19.

31. The Fund for Democracy and Development's Policy Panel, *A New Strategy*, p. 7.

newly independent countries of the former Soviet Union, is whether or not Western aid should hinge on further free-market reforms--including providing fewer subsidies to industry and privatizing more, eliminating price controls on commodities such as oil, further reducing inflation, and continuing demilitarization. Perhaps some of the possible increases in aid discussed below should be held in abeyance pending such reforms.[32]

Most of these matters are being addressed as Western governments and the International Monetary Fund and World Bank determine how much added support to provide to Russia and the other newly independent states. But three questions within the broad topic of conditionality loom especially large in 1994.

Two of the questions have gained particular importance in light of the strong showing of Russian nationalists and communists in the elections of December 1993 and the correspondingly poor showing of pro-reform politicians. Should the prospect of even more Western aid be used as an inducement to even stronger commitment to reform by the Russian government? And should any such aid focus directly on the basic needs of unemployed and underemployed Russians who are bearing the brunt of reforms? Similar considerations apply to some of the other former republics as well. Aid programs structured along such lines would combine a number of desirable characteristics. They would provide direct help to the poor (and the voter). In addition, they would support the types of economic reforms that are yielding results in several countries of Central Europe and in a number of developing countries that have worked with the World Bank to carry out "structural adjustment" in their economies.

The other question concerns the degree to which Western aid to Ukraine should be predicated on that country's agreement to relinquish all of its nuclear weapons. In the interest of buttressing Ukraine's confidence in its own sovereignty and the West's commitment to it, should larger amounts of aid be offered to the Kiev government even before that country decides to turn over all of its nuclear weapons to Russia (as it agreed to in a legally binding letter to President Bush following the 1992 Lisbon protocol to the START treaty)? Arguably, a country that has been dominated by a larger neighbor historically and that feels isolated and without allies in the international community is bound to abandon any part of its defenses only grudgingly. Rather than pressure Ukraine to surrender its arms as a precondition for many types of aid, the West may choose to provide more generous economic assistance sooner--provided that Kiev puts in place economic policies that would make it likely for such assistance to be effective.

A number of policymakers and analysts are answering yes to the above questions, suggesting that further increases in certain types of aid to the newly independent states may be appropriate.[33] Others, however--such as the Chairman of the Senate Armed Services Committee, Sam Nunn--remain reluctant to provide more aid to Ukraine and other republics unless they first adopt military policies that are in the interest of the Western world.[34] Vigorous debate will undoubtedly continue in the United States and other Western countries about the proper role for Western aid to the newly independent states.

In this section, unlike the preceding one on security assistance, U.S. aid is assumed to represent only one-third of the total donor contribution to the programs at issue. Other wealthy Western countries, which share a special interest in the stability of the newly independent states, are assumed to provide the remaining two-thirds of funds.

32. For an expression of this view by a well-known advocate of large aid packages for the former Soviet states, see Sachs, "The Reformers' Tragedy."

33. Blair, "Lighten Up on Ukraine," p. A17; Brent Scowcroft and Richard Haass, "Foreign Policy Nears a Peril Point," *The New York Times*, January 5, 1994, p. A15; Steven Greenhouse, "I.M.F. May Loosen Conditions for Aid to Russia Economy," *The New York Times*, December 22, 1993, p. A1; The Fund for Democracy and Development's Policy Panel, *A New Strategy*, p. 9.

34. Sam Nunn, "Will Ukraine Save Itself?" *The Washington Post*, January 3, 1994, p. A19.

Specific Types of Economic Assistance

A number of specific programs intended to promote economic reform and development in the former Soviet republics may be worthwhile. Those outlined below focus on encouraging and aiding the private sector, easing the plight of those most afflicted by the process of economic restructuring, or lightening the balance-of-payments burden faced by the governments of those countries.

Key Industries. Economic stability in Russia and other Eastern Bloc countries would surely enhance Western security. That stability is likely to be achieved only when critical industries are revitalized so that they are competitive in world markets.

As argued by a Citibank financier, critical economic sectors in the former Soviet republics might best be helped by giving investment and loan guarantees to U.S. businesses to encourage them to invest in those countries.[35] The goal of this approach would be to encourage firms to try certain types of high-risk, but potentially high-payoff, ventures that they otherwise might shun during an uncertain period.

The functioning of some existing industries could also be modernized with several simple steps. For example, by building on the recently devised Environmental Action Program for Central and Eastern Europe but expanding it to all the territory of the former Soviet Union, more funds could be made available to introduce certain simple technological improvements that would reduce air and water pollution. (Significant reductions in pollution can sometimes be achieved rather simply--by passing effluents through better filters or changing fuels.) Technical exchange programs, patterned after parts of the Marshall Plan, could help educate Russian industrialists about modern manufacturing techniques and management practices. Tens of millions of dollars a year could suffice for both of these purposes.[36]

Perhaps $50 million to $100 million of annual U.S. funding could help support a creative idea of the Foundation for International Cooperation and Development, in which aircraft turbine plants--now largely idle--would be converted to a facility for producing gas turbines usable for creating power.

Providing some additional seed money for entrepreneurs may also be sensible. Indeed, the Russian government has recently requested assistance to do just that. It would build on very positive trends that have been put in motion--albeit primarily in simple enterprises to date--by the loosening of heavy-handed central control in Russia and most other former republics.

Russia's oil production is an important example of a major industry in which foreign capital might help the process of reform. Today, production is down considerably, largely as a result of imprudent exploitation of reserves by the Soviet regime that damaged oil reserves and equipment and made future extraction more difficult. Despite the economic recession and downturn in industrial production, oil consumption in Russia remains at past levels--largely because of huge price subsidies that also have the unfortunate consequence of producing a black market and profiteering in oil.[37] In 1992, for example, Russian oil exports were only about one-third of their previous high of 4 million barrels per day, and downturns in overall production were continuing into 1993.[38] Restoring oil exports to their previous level, if possible, might generate added revenue of $20 billion a year at current prices.

35. Steven Halliwell, "Aid to Russia Can Pay for Itself," *The New York Times*, July 3, 1993, p. A19.

36. James M. Silberman and Charles Weiss, Jr., *Restructuring for Productivity: The Technical Assistance Program of the Marshall Plan as a Precedent for the Former Soviet Union* (Washington, D.C.: World Bank, 1992), p. 39.

37. Michael Dobbs, "Siberian Oil: A Dream in Ruins," *The Washington Post*, April 28, 1993, p. A1.

38. Jan Vanous, ed., "PlanEcon Report," no. 44-45 (PlanEcon, Inc., Washington, D.C., December 19, 1993), p. 17; Fred Hiatt, "Historic Chance to Aid Ailing Russia Said to Be Slipping Away," *The Washington Post*, March 1, 1993, p. A1.

Eventually, according to the World Bank, some $50 billion may be needed to restore Russia's oil production to its past levels.[39] Foreign firms may provide much of this money, if and when the regulatory, economic, and tariff thicket in Russia thins out.

In the short term, however, direct foreign aid in the form of loans or grants could help restore some oil production quickly. And it could do so in a manner permitting continued Russian control and ownership of wells, thus reducing the potential for a nationalist backlash that private and foreign-run operations could engender. The World Bank is now pursuing projects in this area, but has more ideas than available dollars.[40]

Aware of resource requirements such as these, President Clinton earlier this year advocated a new multilateral fund to spend up to $4 billion in the former Soviet republics to promote a viable private industrial sector. One billion dollars would have come from the United States. But other Western donors were unwilling to provide their share of this funding level because of doubts about the feasibility of making productive investments in the current economic environment in those countries. As a result, the package was scaled back sharply. Restoring the fund to the originally intended size--if it is determined that the money could be used effectively--might entail an annual U.S. contribution toward privatization in oil and other sectors of $1 billion.

Acute Needs: A Social Welfare Net? Russia's economy is progressing in some ways, as privatization continues to take place in small entrepreneurial activities and agriculture. But providing food and medical aid to pensioners, workers left unemployed by reductions in subsidies to state industries, and impoverished youth might greatly help President Yeltsin's efforts to maintain political support during a period of difficult economic transformation.[41] Similar conclusions apply to other economies of the former Soviet Union and have been endorsed by a number of influential policymakers.[42]

How large might aid for such purposes be in the future? Russian Deputy Prime Minister Boris Fyodorov as well as Western investors have backed plans that would provide $5 billion to $10 billion in foreign assistance annually. The U.S. contribution, assuming a one-third share, would then be up to $3 billion a year. If the safety-net approach lasted for half of the 10-year period, the United States might average paying out as much as $1.5 billion a year.[43]

Debt-Service Relief. Carefully conditioned debt relief could be used to encourage ongoing political and economic reform in Russia, the likely inheritor of all of the former Soviet Union's external debt.[44] Similar economic assistance on a smaller scale might be offered to Ukraine and perhaps other former Soviet republics. These types of funds might help reformist governments maintain support while carrying out policies likely to meet serious domestic opposition, and they could be disbursed on an annual basis to provide a constant inducement to desirable economic policies. They might thereby help embed democracy more firmly in the heartland of Eurasia--reducing the chances for a hard-line takeover and a possible return to geopolitical confrontation with the West. Russia, not surprisingly, has asked for such assistance, and a number of economists, including Jeffrey Sachs of Harvard University and Stanley Fischer of the Massachusetts Institute of Technology, have lent their weight to such an idea.

In 1994, the former Soviet Union's foreign debt of $109 billion requires $25.5 billion in servicing payments.[45] The United States might find it sensible to take part in a multilateral effort to help Russia service its debt on a year-by-year basis--

39. Steven Greenhouse, "World Bank to Help Russia Increase Its Oil Output," *The New York Times*, April 24, 1993, p. A4.

40. Ibid.

41. General Accounting Office, *Former Soviet Union: Agricultural Reform and Food Situation in Its Successor States* (November 1993), p. 6.

42. The Fund for Democracy and Development's Policy Panel, *A New Strategy*, p. v.

43. Don Oberdorfer, "U.S. Weighs Safety Net for Russia," *The Washington Post*, March 5, 1993, p. A26.

44. World Bank, *World Debt Tables 1992-1993*, vol. 1 (Washington, D.C.: World Bank, 1992), pp. 29-39.

45. International Monetary Fund, *World Economic Outlook* (Washington, D.C.: IMF, October 1993), p. 185.

provided that its policies are sufficiently reformist. But helping Russia service debt owed primarily to other countries and institutions is bound to be a contentious issue in the United States.

If this policy was carried out for perhaps two to four years, Western donors might wind up contributing on the order of $50 billion, primarily or entirely to Russia. If the U.S. share was 33 percent of total donor funds, the United States might make a total contribution of somewhat more than $15 billion. If some balance-of-payments assistance was also offered to Ukraine and other former Soviet republics in order to induce their cooperation with arms accords and to help them on the path to reform, the United States might give an additional several billion dollars. In all, U.S. contributions to those countries over several years might approach $20 billion. Over 10 years, U.S. expenses might approach an average of $2 billion a year, though they could be larger early in the 10-year period and then diminish.

Any such measures must be carried out very carefully. Donors probably should not provide funds unless confident that the types of economic reforms being made will lead to real economic improvement and growth within a few years, as recent reforms have in Central Europe. Thus, annual help with existing debts or with needs for revenue--which maintains accountability and real leverage for the West--probably makes more sense than one-time forgiveness of a certain amount of Russia's debt or a one-time lump-sum payment to one of the other republics.

In conclusion, it is difficult to subject the process of giving aid to Russia and other former Soviet republics to long-range planning. Particularly for financial assistance, Western policy is likely to require flexibility and an ability to react to political and economic developments in Moscow and elsewhere. But the above programs and policies give an indication of how much money might, under certain conditions, be a useful investment for U.S. and global security. Were the programs discussed here fully funded, the U.S. bilateral contribution might approach $6 billion a year--or on the order of $3 billion more than the current annual level.

Chapter Three

Security-Related Assistance for Promoting Peace: U.N. Peacekeeping and Related Activities

Despite the wariness over United Nations operations that has developed recently, addressing conflict through multilateral approaches can, in some cases, make the unilateral introduction of U.S. military forces less likely. U.N. peacekeeping remains a way of ensuring that other countries will share in the financial, political, and human costs of efforts to keep the peace.

More broadly, trying to keep the peace and promoting international law and order may have important implications for the type of world in which the United States finds itself in the 21st century. Political volatility and armed conflict in other regions of the world could have serious consequences for U.S. interests, especially given the growing prevalence of terrorism and the increasing abilities of extremists to gain access to highly destructive weaponry. Even though the United States is unlikely to be vulnerable to invasion or large-scale attacks from smaller powers, extensive harm could be caused to U.S. citizens and interests at home and abroad. U.N. peacekeeping and peace enforcement activities--if sufficiently funded and otherwise supported by the international community--may provide a mechanism by which the United States can influence the course of such conflicts without making the extensive commitments implied by unilateral intervention.

U.N. peacekeeping operations, dating back to the first years of the United Nations, are authorized by resolutions of the Security Council and administered through the office of the Secretary General. They are financed on a mission-by-mission basis by the United Nations' member states, according to a special scale of assessments. But they often also depend on direct assistance from the militaries of certain member states including the United States.

Historically, U.N. peacekeepers have acted as deterrents against renewed conflict, as a reassuring presence to help build confidence while institutions are repaired and elections held, and as symbols of international commitment. They have generally played the role of monitors more than of soldiers, manning border outposts, conducting aerial reconnaissance, arranging cease-fires, and the like. Through the 1980s their numbers were generally modest, averaging several thousand at a time worldwide.

Peacekeepers, also known as "blue berets" or "blue helmets," have operated under strict constraints on how they may use force. They generally have been allowed to fire weapons only in self-defense, and in some cases have not even been armed. Their equipment has generally been fairly light and simple, though it has included reconnaissance aircraft as well.[1]

More than 30 "blue helmet" peacekeeping operations have been instituted over the lifetime of the United Nations. About 1,000 U.N. personnel have died in the line of service over this period, including more than 200 in the past two years, and about $10 billion has been spent--roughly half of it in the past two years. As of February 1994, 16 U.N.

1. Michael Krepon and Peter D. Constable, *Confidence-Building, Peace-Making and Aerial Inspections in the Middle East* (Washington, D.C.: Henry L. Stimson Center, 1992).

peacekeeping operations of varying size and scope were in effect. They involved a total of more than 70,000 troops from many countries.[2]

A fairly clear distinction can be made between large and small current missions. Four--in Bosnia, Somalia, Mozambique, and Lebanon--each involve from 5,000 to 31,000 U.N. personnel and have average annual costs ranging from $150 million to $1.2 billion. With the exception of an intermediate-size mission authorized in October 1993 for Rwanda, each of the others has no more than 1,200 personnel and costs $75 million or less a year. The smaller operations include long-standing monitoring activities along the Indo-Pakistani border, on several Arab-Israeli borders, and in Cyprus. They also include new and relatively small missions along the Iraqi-Kuwaiti border and in the Western Sahara, El Salvador, and Angola.[3] (Table 8 shows the location, duration, and personnel associated with each of these missions.)

U.N. peacekeeping missions increasingly entail combat--as witnessed especially in Somalia, but also in Bosnia and, until recently, in Cambodia. In addition, these missions involve a growing number of individuals in civilian or police roles.[4] Other new activities have included running or monitoring elections (for example, in Namibia, Angola, and Cambodia), monitoring the disarmament of combatants (El Salvador, Namibia, and Somalia), eliminating land mines (Somalia and Cambodia), acting as temporary administrators of government functions in extreme cases (Cambodia), and helping to build up basic institutions such as police forces (El Salvador and Cambodia).[5]

Indeed, in the important case of Somalia, a U.N. military mission took on such an active role in trying to impose a certain type of peace that the terms peace enforcement and civil reconstruction better capture the reality of the operation. In the past, force was used only for a different class of multilateral security operations--those collective actions taking place with U.N. approval but outside the control of the Secretary General, notably the U.S.-led operations to defend South Korea and to liberate Kuwait.

Although the United Nations generally has avoided participation in combat activities in Bosnia, the U.N. presence there has been doing something other than monitoring a peace. It has participated in an armed humanitarian relief operation.

Both Bosnia and Somalia illustrate the complexity of new approaches to U.N. security operations. Although not as notably successful as the operation in Cambodia appears to have been, the humanitarian missions in those countries--made possible by the presence of troops--have mitigated the human suffering considerably. But despite large expenditures of human and financial resources, the U.N. missions might be seen as having failed in important ways. As discussed below, the ultimate verdict on them undoubtedly will color future U.N. operations.

Budgeting for Peacekeeping

Peacekeeping operations have become costly by comparison with historical averages and consume a growing fraction of the total U.N. budget. The world community spent about $1.4 billion on peacekeeping in 1992 and about $3 billion in the course of 1993.[6]

Over the past three years, the United States has budgeted an average of nearly half a billion dollars a year for U.N. peacekeeping assessments. That level significantly exceeds the typical U.S. contribution of about $150 million a year in the 1980s (see Figure 3). The 1994 appropriation of about $500

2. United Nations Department of Public Information, "United Nations Peacekeeping Operations, March 1994," Background Note (UNDPI, New York, March 1994).

3. William J. Durch and Barry M. Blechman, *Keeping the Peace: The United Nations in the Emerging World Order* (Washington, D.C.: Henry L. Stimson Center, 1992), pp. 11, 14.

4. Independent Advisory Group on U.N. Financing, *Financing an Effective United Nations* (New York: Ford Foundation, 1993), p. 14.

5. For a discussion of the severity of this problem, see Senator Patrick Leahy, "Landmine Moratorium: A Strategy for Stronger International Limits," *Arms Control Today* (January/February 1993), pp. 11-14.

6. Independent Advisory Group, *Financing an Effective United Nations*, p. 14.

million was enough to pay most of the outstanding U.S. obligations, since fiscal year 1994 funds were used to pay bills that came due in 1993. But a number of assessments early in calendar year 1994 could put the United States nearly $1 billion in arrears unless more money is appropriated for peacekeeping. (See Appendix C for one idea on how to solve this problem.)

Table 8.
Current Peacekeeping Operations of the United Nations

Abbreviation	Name	Inception	Approximate Annual Cost (Millions of dollars)	Strength as of February 1994	Fatalities
UNTSO	U.N. Truce Supervision Organization	June 1948	30	221	28
UNMOGIP	U.N. Military Observer Group in India and Pakistan	January 1949	8	39	6
UNFICYP	U.N. Peacekeeping Force in Cyprus	March 1964	47	1,235	163
UNDOF	U.N. Disengagement Observer Force	June 1974	32	1,048	35
UNIFIL	U.N. Interim Force in Lebanon	March 1978	145	5,216	195
UNIKOM	U.N. Iraq-Kuwait Observation Mission	April 1991	73	1,187	1
UNAVEM II	U.N. Angola Verification Mission II	June 1991	25	81	3
ONUSAL	U.N. Observer Mission in El Salvador	July 1991	24	310	2
MINURSO	U.N. Mission for the Referendum in Western Sahara	September 1991	40	336	3
UNPROFOR	U.N. Protection Force (former Yugoslavia)	March 1992	1,245	30,500	77
ONUMOZ	U.N. Operation in Mozambique	December 1992	329	6,754	10
UNOSOM II	U.N. Operation in Somalia II	May 1993	1,000	22,289	100
UNOMUR	U.N. Observer Mission in Uganda-Rwanda	June 1993	a	75	0
UNOMIG	U.N. Observer Mission in Georgia	August 1993	7	20	0
UNOMIL	U.N. Observer Mission in Liberia	September 1993	70	374	0
UNAMIR	U.N. Assistance Mission for Rwanda	October 1993	98	2,131	0

SOURCE: Congressional Budget Office based on data from the United Nations.

NOTES: Although a U.N. mission in Haiti was authorized in September 1993, it is not included in this table because it has not been sent.

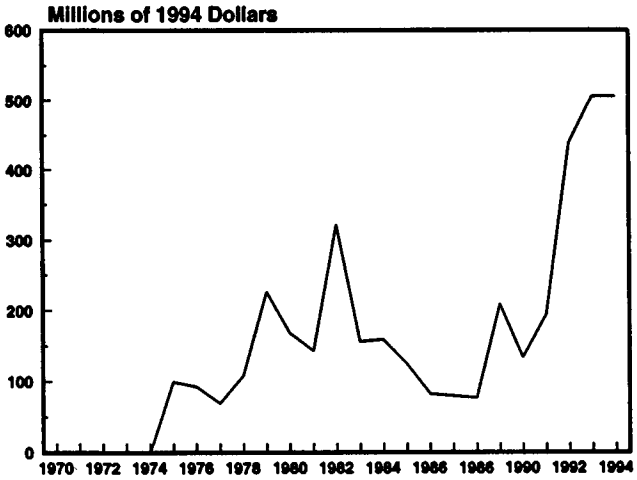
The estimates of annual costs are valid as of January 31, 1994, and fatality figures are valid as of March 9, 1994.

a. Costs related to the operation of UNOMUR are included in the annual cost of UNAMIR.

The United States has paid other costs related to U.N. peacekeeping that are not reflected in the above figure. The U.S. contribution to the U.N. operation in Somalia is a telling example. Before the U.N. operation officially began, costly U.S. unilateral activities led the Pentagon to seek and receive a $700 million supplemental appropriation from the Congress for 1993. After the operation in Somalia was shifted to the United Nations, the United States contributed troops and logistics support paid by the Department of Defense out of its normal accounts and was only partially reimbursed by U.N. peacekeeping funds. (The standard U.N. rate averaging roughly $1,000 per soldier per month is not nearly sufficient to cover all costs because U.S. troops are expensive by comparison with the global average.)

Some U.N. peacekeeping operations may have room for economies. But trying to skimp on resources can be dangerous. Seven thousand U.N. personnel helped put in place a peace agreement and oversaw elections in the small country of Namibia. However, when the United Nations tried to make do with a more limited mandate of simply observing elections in Angola with only 400 observers, its mission failed and combatants were able to flout election results and world opinion.[7] The recent success of the United Nations in promoting peace and democratic elections in Cambodia was in part the result of the large U.N. contingent overseeing the details of a plan approved in advance by all major political and military elements in Cambodia and supported by the U.N. Security Council throughout its duration.[8]

Figure 3.
U.S. Spending for U.N. Peacekeeping Assessments, 1970-1994



SOURCE: Congressional Budget Office based on data from the Office of Management and Budget.

NOTE: This figure includes only payments from the U.S. government to the United Nations; it does not include the costs of Department of Defense support for official U.N. peacekeeping operations.

Illustrative Costs of Additional U.S. Support

After considering the advantages and disadvantages of peacekeeping, and evaluating the success of operations that remain under way today, the United States may decide that it is in its security interests to become more supportive of this instrument of policy. Along with other donors, it may also decide to assist countries that are harmed by U.N.-imposed sanctions that might be part of an overall U.N. security operation against their neighbors.

Support for Traditional U.N. Peacekeeping

Divining future U.N. peacekeeping costs with much certainty is quite simply impossible. Such costs depend on the number of future conflicts and the frequency with which the world community determines that it should play a role in trying to end those conflicts. Nevertheless, recent budgetary his-

7. Independent Advisory Group, *Financing an Effective United Nations*, p. 15.

8. This accomplishment is noteworthy given the ruthlessness of the Khmer Rouge and other parties to those elections. For a discussion of how the United Nations kept the Hun Sen government honest during and after elections, see Mary Kay Magistad, "Cambodian Rulers Cited in Anti-Voting Violence," *The Washington Post*, June 10, 1993, p. A29; General Accounting Office, *U.N. Peacekeeping: Lessons Learned in Managing Recent Missions* (December 1993), pp. 58-59.

tory provides some benchmarks. In 1993, the United Nations spent about $3 billion on peacekeeping operations. Sustaining this level of funding would permit the current tempo and scale of operations to continue, provided that unreimbursed help from the militaries of countries contributing troops and supplies remains forthcoming.

Nevertheless, annual funding would have to be even higher for the tempo of mid-1993, when large operations in Bosnia, Somalia, and Cambodia were under way simultaneously. Indeed, the average annual cost of active U.N. missions at that time was $4.2 billion. This figure corresponds to the hypothetical cost for a given 12-month period if the missions that were going on at that time continued throughout the period.

An Estimate of Future U.N. Peacekeeping Costs. Thus, for illustrative purposes, this study assumes that future annual U.N. peacekeeping costs are likely to be between $3 billion and $4.2 billion. The study also assumes that the U.S. financial contribution to official U.N. peacekeeping costs remains at the recent level of about 30 percent of total funding (though a later section of this chapter discusses the idea of reducing the U.S. assessment to 25 percent). Under these assumptions, the United States' contribution would be about $900 million to $1.3 billion a year--some $400 million to $800 million a year more than it budgeted for 1994. If the Congress chooses to appropriate even more the first couple of years in order to eliminate arrears, a 10-year average annual increase might reach $500 million to $900 million over the 1994 level (see Table 9).

Actual U.N. peacekeeping and associated U.S. costs could of course be substantially higher or lower. But the illustrative level of $3 billion to $4.2 billion is not inconsistent with recent history and the current status of world conflicts. In the past, U.N. peacekeeping costs have been much smaller--typically hundreds of millions of dollars a year or less. But those lower costs reflect the Cold War paralysis that prevented U.N. involvement.

Further Rationale for the Estimate. Today, a number of conflicts, given their potential for creating flows of refugees and otherwise causing international concern, remain possible subjects of future U.N. attention.[9] Serious conflicts are being waged in Angola, Afghanistan, Azerbaijan, Sri Lanka, Liberia, Rwanda, and Sudan; smaller wars or civil unrest can be found in a number of countries including Georgia, Peru, Zaire, Burundi, and Burma. Others could erupt, too. As Secretary General Boutros Boutros-Ghali points out, some 100 significant conflicts around the world have caused 20 million deaths since 1945, but political polarization on the Security Council led to 279 vetoes of proposals for multilateral action to deal with many of them.[10] If one simply extrapolates from the above figure of 100 conflicts since 1945, some 20 might well be expected to break out over the next 10 years and cause several million deaths.

Table 9.
U.S. Costs of Illustrative Aid Initiative for U.N. Peacekeeping and Related Activities (In millions of 1994 dollars)

Category of Aid	Average Annual Increases
Traditional Peacekeeping Operations	500 to 900
Sanctions Relief Fund	Up to a few hundred
Total	Up to 1,500

SOURCE: Congressional Budget Office.

NOTE: These numbers assume that the United States would continue to pay about 30 percent of U.N. peacekeeping costs.

9. Independent Advisory Group, *Financing an Effective United Nations*, p. 15; Department of State, *Country Reports on Human Rights Practices for 1992: Report Submitted to the Committee on Foreign Relations, U.S. Senate, and the Committee on Foreign Affairs, U.S. House of Representatives* (February 1993).

10. Boutros Boutros-Ghali, *An Agenda for Peace* (New York: United Nations, 1992), p. 7.

How frequently, and under what circumstances, will the United Nations become involved in such operations? Presumably, its list of criteria for deciding will include the magnitude of the stakes at issue in a given conflict as measured in political or humanitarian terms, the feasibility of getting major U.N. Security Council members to work cooperatively in search of a solution, and the willingness of the United States and other countries to risk the lives of their troops in any mission. Finally, criteria for intervention must include what might be termed the "Clausewitz test"--the question of whether the actual military tools at the United Nations' disposal can succeed in accomplishing desired political objectives and in a reasonably short time. President Clinton voiced similar criteria for decisionmaking in a major speech at the United Nations in September 1993.[11]

If the United Nations responds to even half of the conflicts likely to be taking place during the remainder of this decade, 10 new substantial missions could conceivably evolve over that period. Such a number, though large, would hardly be surprising considering the fact that the United Nations started five missions in 1992 and again in 1993.[12]

Although today's more than 70,000 peacekeepers are numerous by historical standards, their forces pale in comparison with the more than 20 million individuals under arms in national armies worldwide and are not unreasonably large for an organization with serious security responsibilities.

Cushioning the Effects of Sanctions on Innocent Countries

Peacekeeping costs might also rise if the United Nations undertook to cushion the economic effects of actions such as sanctions and blockades on certain countries. Compensation could enhance the prospects for cooperation from countries that would be significantly hurt economically if they lost a major trading partner and that might need technical assistance of some type to be capable of stopping illicit flows of goods across their borders.

Recognizing these realities, the Secretary General has called on member states to investigate ways of aiding countries that through no fault of their own are hurt by sanctions.[13] The United Nations might not use the official peacekeeping budget to mitigate such economic disruptions, but the costs clearly would be related to peacekeeping.

That type of cost is not theoretical. For example, according to the small countries bordering Yugoslavia, U.N. sanctions against Serbia--including a blockade by European and U.S. navies--have caused them significant economic harm.[14]

To induce compliance with sanctions--often a preferred alternative to war--the United Nations may therefore decide to mitigate the pain caused to particular countries by officially imposed sanctions. How much might such relief cost?

Take a medium-sized, middle-income country with a gross domestic product on the order of $100 billion, of which $25 billion involves foreign trade. The costs of sanctions are not this full amount, though, but rather the substitution costs and transition costs of finding alternative markets. These markets are not always easily found; many times, barter arrangements cannot be easily replaced, informal distribution networks cannot adapt quickly, and transportation costs for alternative routes can be quite large. Although it is difficult to be specific, net costs to the neighbors of a country under sanctions could reach several billion dollars a year--especially if these neighboring countries are also being asked to tighten up their customs enforcement at borders.

If the United Nations was to cushion these types of losses substantially--without alleviating them

11. Address of President Bill Clinton before the United Nations General Assembly, September 27, 1993.

12. Independent Advisory Group, *Financing an Effective United Nations*, p. 16.

13. Boutros-Ghali, *An Agenda for Peace*, p. 24.

14. General Accounting Office, *Serbia-Montenegro: Implementation of U.N. Economic Sanctions* (April 1993), p. 9.

entirely--annual funding on the order of hundreds of millions or even more than a billion dollars might be needed. Assuming that the United States would pay 30 percent of these costs and that one to two such operations might be conducted at a time, Washington might wind up contributing as much as several hundred million dollars a year.

Why U.S. Costs of U.N. Peacekeeping Might Be Less

This study's range of $3 billion to $4.2 billion for annual U.N. peacekeeping costs, and the associated U.S. contributions, illustrate levels of future funding consistent with sustaining current levels of operations. Actual requirements for funds could be smaller because of a variety of military and political factors and policy decisions.

U.S. Share of Costs Could Be Reduced

Currently, the United States is committed to paying 31.7 percent of U.N. peacekeeping costs but only 25 percent of other U.N. costs. The other four permanent members of the U.N. Security Council also pay shares of total costs that are somewhat higher than their shares of aggregate world GDP. Because U.N. missions have sometimes been seen as serving their purposes, and because of the veto right they enjoy as permanent members of the Security Council, it seemed appropriate that they make disproportionately large contributions. But as the attentions of the Security Council have shifted toward other parts of the world, some people argue that all countries should make proportionate contributions to activities that benefit all of them. In addition, because the United States already does a great deal for international security as the international law enforcer of last resort, it arguably owes the world no disproportionate contributions to U.N. security activities (see Table 2 on page 8).

Thus, Washington could lobby the United Nations to reduce the scale of assessments for U.N. peacekeeping. President Clinton made such a proposal in his September 1993 U.N. speech, and the Congress included language in its 1994 funding for U.N. peacekeeping suggesting a rate of 25 percent.

Peacekeeping Operations Could Be Undertaken More Selectively

The jury remains out on the circumstances under which U.N. peacekeeping operations can work effectively. If those operations are ineffective, or seem thus, peacekeeping activities may be authorized less frequently than in 1993, and costs could decline.

The recent record of U.N. operations contains a good deal of encouraging news, but achievements are still notably mixed. Success in Namibia is countered by failure in Angola; a generally positive movement in El Salvador stands in contrast to the aborted mission in Haiti. The recently completed Cambodia mission, despite its various problems and shortcomings, contributed to what seems a monumental event in the history of the Cambodian people--the apparently effective ostracizing of the Khmer Rouge, and the reconciliation of political groups and armies that had been at odds for decades. However, success in Cambodia stands in stark contrast to what became a frustrating and bloody search for warlord General Aidid in Somalia, and an inability to end conflicts both there and in Bosnia--though the scale of human suffering probably has been mitigated by U.N.-protected food distribution in both cases.

In addition, peacekeeping missions can suffer from disputed military chains of command, as in the case of the mission in Somalia. Perhaps even more important, they can suffer from a lack of political decisiveness and accountability.

The future of U.N. military operations seems especially open to debate and doubt in situations for which a credible truce does not yet exist--and thus the term "peacekeeping" is probably a misnomer--as in the cases of Somalia and Bosnia. Member states have not yet decided when, or whether, they are willing to spill their citizens' blood to settle ethnic, nationalist, or personal wars that they may poorly

understand and have little immediate stake in.[15] These problems may prove the undoing of serious efforts at collective security.

Reflecting such concerns, the Congress recently mandated the withdrawal of all U.S. troops from Somalia by the end of March 1994. The U.S. representative to the United Nations, Madeleine Albright, called for better advance estimates of the costs of peacekeeping operations, and automatic termination dates for certain types of missions. On September 27, 1993, President Clinton gave a major speech to the U.N. General Assembly in which he reaffirmed the U.S. commitment to peacekeeping but also called for more discrimination in how missions are authorized and carried out. Shortly thereafter, the other four permanent members of the Security Council joined the United States in issuing a statement to the same effect.

Some discretion in initiating and conducting U.N. security missions is undoubtedly prudent, especially as the potential scope for U.N. missions expands dramatically. As former National Security Advisor Brent Scowcroft recently said, "When the international community acts, especially these days when its enhanced authority is getting established, it is critical that each test of strength be successful. Success will breed success and deter aggression that might otherwise take place."[16]

Yet how does the world community draw a clear line? Deploying forces only when their missions would be sure to succeed without substantial casualties, or placing strict time limits on the durations of missions, could weaken the effectiveness of deterrence. Former Secretary of State Lawrence Eagleburger voiced this concern not long ago in reaction to President Clinton's newly unveiled policy toward peacekeeping.[17] In Eagleburger's view, a policy that attempted to set precise limits on missions could embolden aggressors. They might try to intimidate the world community into inaction or military withdrawal. Arguably, the Serbs in Bosnia and General Aidid in Somalia have operated on such premises. Should their approach prove successful, peacekeeping may become less common.

U.N. Diplomacy Could Become More Effective

A more activist and prevention-minded United Nations may prevent some conflicts and thus reduce peacekeeping costs. It could monitor regional trouble spots and try to mediate conflicts--through the offices of the Secretary General or the World Court or a similar organization--before they enter cycles of violence. For example, under such an approach, the World Court might consider contested borders--even those in places such as the former Yugoslavia and Ukraine--with the world community committed to supporting the Court's verdicts through appropriate types of carrots and sticks. In certain special cases, such as Macedonia, military forces might be deployed preventively as political tensions mounted rather than after they had exploded.

Consider the former Yugoslavia. It might have been easier to keep a lid on that conflict had a framework for redrawing borders been set up in an official manner early, with U.N. forces pledged to support it. Insisting on guarantees of minority rights as a precondition for diplomatic recognition, or a willingness to change borders that never had real legitimacy, were two such possibilities. Such an idea was discussed among Muslims, Croats, and Serbs but did not receive the active backing of the international community.[18]

These approaches could reduce the incidence and intensity of conflict. However, where mediation failed, multilateral military responses might be more likely than they are today. Once the world community had made serious efforts to prevent conflict, and had reached conclusions about what a

15. See Bob Dole, "Peacekeepers and Politics," *The New York Times*, January 24, 1994, p. A15.

16. Brent Scowcroft, "Who Can Harness History? Only the U.S.," *The New York Times*, July 2, 1993, p. A15.

17. Thomas L. Friedman, "Theory vs. Practice," *The New York Times*, October 1, 1993, p. A2.

18. Don Oberdorfer, "A Bloody Failure in the Balkans," *The Washington Post*, February 8, 1993, p. A1; David Binder, "U.S. Policymakers on Bosnia Admit Errors in Opposing Partition in 1992," *The New York Times*, August 29, 1993, p. A10.

fair settlement might be, it might feel committed to "do something" even if the parties to a conflict proved unable to negotiate peace. More aggressive use of diplomacy would stand in contrast to the current system, in which countries such as Sudan and Liberia have not received consistent high-level political attention and the goal of a fair peace in Bosnia has often been pursued rather weakly. Thus, on balance it is not clear that a more activist diplomacy ultimately would have the effect of reducing the scale of U.N. military intervention globally.

War Could Become Less Common

Today's high incidence of war stems in part from the breakup of the Soviet empire and Yugoslavia, as well as the enduring effects of the Cold War. Such conflicts could decline on their own, thereby diminishing the need for added U.S. financial contributions and frequent U.S. military roles in U.N. missions.

However, again there are caveats. Many foreign policy analysts are not sanguine on this point and consider war endemic to today's world.[19] In support of their argument, they can point to much of the history of the 20th century, in which conflict has continued even as empires were created and then lost, and world wars waged and ended.

Why Costs Might Be Higher

Costs associated with U.N. peacekeeping could also be higher than the range of $3 billion to $4.2 billion a year estimated above. Missions simply could be longer or more numerous than expected, and one or two individual missions might also be of a larger scale and of a militarily much more challenging nature than expected.

19. See Zbigniew Brzezinski, "Post-Communist Nationalism," *Foreign Affairs* (Winter 1989/90), pp. 1-25; see also John J. Mearsheimer, "Back to the Future: Instability in Europe After the Cold War," *International Security* (Summer 1990), pp. 5-56.

Greater Confidence About Peacekeeping Missions

If the United Nations becomes more effective at peacekeeping operations, it may be turned to even more frequently. The success rate of initial large-scale operations, whatever it may prove to be, probably can be improved by learning lessons from past successes and mistakes.

Indeed, lessons are being learned already. For example, in contrast to the small and apparently failed U.N. role in building a peace in Angola, the U.N. operation in Mozambique will not proceed to elections directly. First, it will focus on demobilizing and disarming soldiers, as well as forming and training a new "national unity" military and police.

Tragic events in Somalia underscore that the United Nations and its member states have yet to learn a number of important lessons. But the successful mission in Cambodia may provide a model for improvement. The key ingredients of success in Cambodia--a clear and commonly accepted timetable for disarmament and elections, and political figures of national stature--were not present in Somalia. If they figure more prominently in future operations, the prospects for success could improve substantially.

More Large Missions?

U.N. peacekeeping costs could rise quickly if one or two missions of a militarily more demanding nature were undertaken. Indeed, the large and ambitious missions in Cambodia, Bosnia, and Somalia drove annual peacekeeping costs to their record level in 1993. Should even more such operations take place in the future, or should their magnitude increase further, one could expect costs to rise.

A large-scale Bosnian effort could substantially increase the global number of U.N. peacekeepers and associated costs. During his confirmation hearings for the position of Chairman of the Joint Chiefs of Staff, General John Shalikashvili estimated that 50,000 troops from the North Atlantic Treaty

Organization and $4 billion in expenditures for the first year might be needed to monitor a comprehensive peace accord there.[20] The United States might provide up to half of those troops.

With large and more assertive operations being undertaken, moreover, even larger forces than expected might be needed. When hostilities occur or seem likely to occur, military planners generally prefer an extra margin of insurance, and initial estimates are often revised upward.

More Reimbursement by the United Nations to Member States?

The member states of the United Nations may also decide at some point to cover all the costs of countries participating in U.N. operations. This idea has been proposed by William Durch and Barry Blechman of the Henry Stimson Center.[21]

Currently, the United Nations provides only a fixed amount per person per month to countries contributing peacekeeping troops--whether or not that amount suffices for the troops and operation at issue. For the United States, it generally does not. For example, the Congress recently provided the Department of Defense with a 1994 supplemental appropriation of $1.2 billion to cover costs associated with U.N.-sponsored operations in Somalia, Bosnia, Iraq, and Haiti.

Using this type of accounting scheme would not directly change the true costs of peacekeeping. But it would have the effects of distributing the burdens now often placed on countries contributing troops and of substantially increasing the official U.N. costs of its peacekeeping operations. On balance, it could either increase or decrease net costs to the United States.

Such a scheme could also allow for a fuller and more timely reimbursement to countries providing equipment and logistics support. For example, the Department of Defense has submitted bills for several tens of millions of dollars of equipment and logistics services provided in Somalia and Cambodia, of which a substantial share had not been reimbursed by the United Nations as of February 1994.

In sum, the official costs of U.N. peacekeeping operations could exceed those assumed in this study for a number of plausible reasons. But there are also reasons to believe the spending could be lower. The range of $3 billion to $4.2 billion provides one illustration of possible future peacekeeping costs and their effects on the U.S. budget.

20. Eric Schmitt, "President's Nominee As Head of Military Backs Bosnia Force," *The New York Times*, September 23, 1993, p. A1.

21. Durch and Blechman, *Keeping the Peace*, p. 94.

Chapter Four

Security-Related Assistance and the Longer-Term Foundations of Peace: Arms Control and Peace Funds

Much of the current debate over U.S. foreign aid focuses on ways to address specific international problems or conflicts once they have become acute crises. But the United States might also consider it wise to provide more resources for preventive arms control and means of avoiding conflict--especially if there are promising ways to do so that might reduce the likelihood of future crises and wars.

U.S. policymakers might thus decide to improve nuclear and chemical arms control where possible, and help defuse regional tensions by assisting in measures to build confidence that military attacks are not imminent. The United States might also consider offering funds to help certain countries move beyond conflict to more peaceful stages in their relations with each other. The United States provided such "peace funds" during and after the 1970s negotiations process between Israel and Egypt that culminated in the Camp David Accords. A number of donors including the United States are now holding out the prospect of similar help to the Palestine Liberation Organization (PLO) in light of its mutual recognition with Israel. Although such aid is not appropriate in all situations and cannot substitute for a genuine desire for peace on the part of adversaries, it might help induce leaders in some of the world's hot spots to take difficult steps toward resolving conflicts. By providing tangible economic benefits, it also can help such leaders show their populations the rewards of peace.[1] If successful in reducing the chances of war, peace funds can in turn lessen the chance of future threats to U.S. security interests.

The annual costs to the United States of assisting with new international arms control measures are likely to be relatively modest when compared with the costs of maintaining armed forces--perhaps a few hundred million dollars. A peace fund that provided aid to a few selected nations might involve added funding approximating a billion dollars a year, or perhaps somewhat more.

Promoting Effective Arms Control

The potential benefits of further arms control efforts are considerable. Stemming the proliferation of nuclear weapons, for example, can reduce the chance that nuclear weapons will wind up in the hands of rogue leaders or terrorists. Eliminating chemical weapons could lower casualties should U.S. troops become actively involved in hostilities.

Nuclear Nonproliferation

The international agency most directly responsible for deterring nuclear proliferation is the International Atomic Energy Agency (IAEA). In 1993, its total annual budget was some $200 million. Of this amount, about $65 million was devoted to "safeguards"--that is, to monitoring nuclear reactors and fuel fabrication or storage facilities to ensure

1. For another discussion of the concept of peace funds, see John W. Sewell and Peter M. Storm, *Challenges and Priorities in the 1990s: An Alternative U.S. International Affairs Budget, FY 1993* (Washington, D.C.: Overseas Development Council, 1992), pp. 31-33.

Table 10.
Number of Nuclear Sites Under IAEA Safeguards or Containing Safeguarded Material on December 31, 1991

Site	Number of Sites
Power Reactors	155
Research Reactors and Critical Assemblies	158
Conversion Plants	9
Fuel Fabrication Plants	44
Reprocessing Plants	5
Enrichment Plants	7
Separate Storage Facilities	45
Other Facilities	357
Total	780

SOURCE: Congressional Budget Office using data from International Atomic Energy Agency, *The Annual Report for 1991* (Vienna, Austria: IAEA, 1992), p. 124.

that materials were not diverted from their proper purposes. The monitoring activities involve three main procedures: placing tags and seals on the fuel associated with nuclear reactors; carrying out periodic inspections--perhaps two or three per major site each year--to ensure that tagged and sealed materials were not tampered with when inspectors were absent; and sampling materials so that they can be subjected to laboratory analysis by the IAEA, to confirm that no nuclear materials have been extracted.

In 1991, for example, nearly 800 sites were under IAEA safeguards, and more than 2,000 inspections conducted (see Tables 10 and 11). Nearly 60 countries having "significant nuclear activities" were under safeguards, as well as another 50 or so countries with more modest nuclear research and energy operations.[2]

2. International Atomic Energy Agency, *The Annual Report for 1991* (Vienna, Austria: IAEA, 1992), pp. 111-113.

IAEA inspections represent an important means of deterring the manufacture of nuclear weapons. In the event that this deterrence fails, they can provide timely warning that a country may be embarking on a nuclear weapons program--especially when used in conjunction with the national intelligence communities of member states.

Improving Inspections. IAEA inspections could be improved in various ways. Increasing the quality of controls at sites already monitored by the IAEA is one such approach that has been discussed by the agency's director, Hans Blix. In particular, the IAEA could expand and tighten its measurement activities, reducing the amount of fissile material that could otherwise "slip through the cracks" of its measurement procedures without being noticed. As a result, its confidence that materials were not being

Table 11.
Verification Activities Under International Atomic Energy Agency Safeguard Agreements, 1991

Activity	Number of Activities
Inspections Performed	2,145
Individual Working Days Devoted to Inspection	9,442
Seals Applied to Nuclear Material or Agency Safeguards Equipment Detached and Subsequently Verified (Including seals applied jointly with a group of states)	24,300
Surveillance Films Reviewed	3,300
Video Tapes Reviewed	1,065
Plutonium and Uranium Samples Analyzed	1,090
Analytic Results Reported	2,830

SOURCE: Congressional Budget Office using data from International Atomic Energy Agency, *The Annual Report for 1991* (Vienna, Austria: IAEA, 1992), p. 123.

diverted might increase--for a relatively modest cost.[3]

The IAEA could also increase its ability to monitor--and, it is hoped, deter--nuclear nonproliferation by expanding its inspections to a broader array of sites. It has attempted to do so recently in the difficult and well-known case of North Korea. For example, it might increase the types of nuclear materials subject to inspection and perhaps even inspect certain dual-use nonnuclear equipment.[4] Currently, inspections focus primarily on nuclear material in fuel form. Such stipulations could be extended to signatories to the Nuclear Non-Proliferation Treaty (NPT) and nonsignatories alike. For the latter, such a broader range of inspection requirements would become the new precondition for importing nuclear-related technologies.

Can the IAEA really improve its effectiveness in the event that countries are determined to acquire nuclear weapons? Recent efforts to expand IAEA activities in North Korea may not be improving the efficacy of nonproliferation efforts. It is unclear whether nonnuclear countries will accept more rigorous inspections. They are often irritated by what they see as heavy-handed and self-serving behavior on the part of states with nuclear weapons and may not choose to grant them greater powers to perpetuate what is sometimes seen as an inherently discriminatory Nuclear Non-Proliferation Treaty. Some may simply want nuclear weapons.

In addition, tightening export controls is possible only if suppliers are willing to make a stricter cartel arrangement work. Moreover, in these cases the United States would need to balance its desire to stanch proliferation with its wish not to allow embarrassment or penalty to friends such as Israel that may have nuclear weapons but are not recognized as nuclear powers by the NPT. Such considerations may, for example, call into doubt any unrestricted use of challenge inspections.

Estimating Costs. If broader IAEA inspection procedures can be put in place, though, what might they cost? It is difficult to know without a detailed analysis that goes beyond the scope of this study. But some rough estimates can be made. Assume that thousands of additional sites might be added to the IAEA's inspection rolls in this way. If each one was visited once a year on average, costs for conducting such a broader array of inspections probably would add several tens of millions of dollars to the current IAEA safeguards budget.

In addition, signatories to the NPT as well as nonsignatories could be made subject to challenge inspections of sites suspected of harboring illicit activity. Under this approach, if the IAEA--perhaps acting on tips from a national intelligence source--believed that undisclosed facilities harbored prohibited activity, it could request prompt access to them. Although countries could always refuse access to any facilities that were discovered, as North Korea has recently done, they might then lose the legal right to purchase dual-use technologies in certain cases. Such sanctions could harm not only the nuclear sectors but the general economies of countries against which they were applied. In several existing arms control treaties, the costs to inspect sites suspected of harboring illicit activity can constitute up to 25 percent of total costs; comparable results could be expected for the IAEA.[5]

More inspections would also produce more data to manage and analyze. Hiring more analysts and inspectors and upgrading computer support could cost the United States modest additional sums in its own intelligence budget. But these costs would probably be small, since many of the functions could be carried out by existing intelligence officers

3. "Interview with IAEA Director Hans Blix: Keeping an Eye on a Nuclear World," *Arms Control Today* (November 1991), pp. 3-6; Statement of Daniel Horner, on behalf of the Nuclear Control Institute and the Committee to Bridge the Gap, before the Senate Committee on Energy and Natural Resources, August 5, 1993.

4. J. Jennekens, R. Parsick, and A. von Baeckmann, "Strengthening the International Safeguards System," *IAEA Bulletin*, vol. 34, no. 1 (1992), p. 9.

5. For estimates of the costs of arms control monitoring, see Congressional Budget Office, *U.S. Costs of Verification and Compliance Under Pending Arms Treaties* (September 1990), pp. 28-42; Jeffrey H. Grotte and Julia L. Klare, *Balancing Cost and Effectiveness in Arms Control Monitoring* (Alexandria, Va.: Institute for Defense Analyses, 1992), pp. III-27 through III-30, IV-2.

Table 12.
U.S. Costs of Illustrative Aid Initiative for Arms Control (In millions of 1994 dollars)

Category of Aid	Average Annual Increases
Arms Control	
Inspecting nuclear sites and carrying out other IAEA monitoring	Up to 50
Monitoring and assisting in compliance with Chemical Weapons Convention	Up to a few hundred
Confidence-building measures	Several tens
Peace Funds	
Conflict zones	Up to a few hundred
Other regions	Up to a few hundred
Total	Up to 2,000

SOURCE: Congressional Budget Office.

NOTE: IAEA = International Atomic Energy Agency.

in the member countries.[6] Indeed, in some cases having better IAEA data might simplify the ongoing task of monitoring proliferation trends.

The added IAEA costs discussed in this section should be rather modest in comparison with other policy changes discussed in this study. Even if the United States made a disproportionately large contribution, its additional payments probably would not exceed $50 million a year (see Table 12).

6. Patricia Bliss McFate and others, *Constraining Proliferation: The Contribution of Verification Synergies* (Ottawa: Department of External Affairs and International Trade Canada, 1993), p. 17.

The Chemical Weapons Convention

Chemical weapons are relatively cheap and simple technologically, which makes them appealing to many smaller or less advanced powers. But using chemical weapons can be devastating to unprepared troops or civilians; even the threat of use can have important psychological and political effects.

Fortunately, these weapons will be largely eliminated over the next 10 years or so. Most countries are expected to sign and ratify the Chemical Weapons Convention (CWC) in the next several years, the only major set of possible holdouts being Israel and the Arab countries. The CWC calls for eliminating all chemical weapons within a decade of the date on which it will become legally binding, probably in 1995 (though in certain special cases, countries may be granted an extra five years to come into full treaty compliance).[7]

Given the many sites to inspect, the CWC will be relatively expensive as arms control treaties go. The inspection scheme is challenging because of the large number of legitimate chemical-related factories that could be inspected--estimated to number as many as 1,000 or more worldwide--the various classes of facilities, and the need to protect proprietary rights during inspections.[8] The United States is expected to pay perhaps $200 million a year over the first 15 years of the treaty, including 25 percent of the central inspection office's budget.

Other costs related to destroying chemical weapons are considerably larger. According to estimates, the United States, which has a sizable fraction of the world's supply of chemical weapons, may spend up to $8 billion to eliminate its own stockpiles through automated processes involving the separa-

7. Charles C. Flowerree, "The Chemical Weapons Convention: A Milestone in International Security," *Arms Control Today* (October 1992), p. 6.

8. Grotte and Klare, *Balancing Cost and Effectiveness in Arms Control Monitoring*, pp. III-26 through III-27; Michael Krepon, "Verifying the Chemical Weapons Convention," *Arms Control Today* (October 1992), pp. 19-24.

tion of weapons components and incineration.[9] But these stocks were slated for destruction well before the CWC became a near-term likelihood and are being eliminated first and foremost for safety reasons. Thus, these are not truly treaty-related costs.

Private firms that will wish to protect proprietary information when inspected are likely to experience some disruptions and costs. But the Chemical Manufacturers' Association believes that these costs will be modest. They will be incurred not by the government but by firms.[10]

None of the above expenditures represent foreign aid as it is defined in this study. Most of the costs will be incurred on U.S. soil, and the remainder will be the obligatory results of arms control that the United States has chosen to pursue for its own national purposes.

However, in addition to these treaty-mandated costs, the United States may also elect--voluntarily--to help other countries destroy their stockpiles of chemical weapons. It has already begun to help Russia do so, as discussed in Chapter 2, and it could expand assistance to other countries in the future.

With a number of years' experience in developing technologies to destroy chemical weapons, the United States is gaining considerable technological expertise in this difficult area. Given their interest in expediting elimination of all chemical weapons, U.S. policymakers may decide that contributing money to these activities would enhance national security.

It is impossible to calculate the precise costs of destroying chemical weapons without detailed information about the stocks and characteristics of those weapons as well as the techniques that would be used to destroy them. Costs could be considerably lower in other countries than in the United States. To begin with, other countries' combined chemical weapons inventories are substantially smaller than U.S. holdings.[11] In addition, depending on the necessary scale of operations and the strictness of environmental standards, simpler approaches to destroying weapons could be used in some cases. (Much of the destruction of Iraq's chemical arsenal, for example, is being conducted by simply blowing up chemicals in remote locations.) In situations in which advanced technologies may be preferred, other countries may be able to benefit from those the United States has already developed, thereby avoiding research and development costs.

Still, the chemical weapons holdings of other countries are substantial, and they are dispersed throughout a number of geographic areas. They vary in type and in state of repair. Even if eliminating their stocks cost less than the $8 billion that the United States plans to spend to destroy its own stockpiles, the process would not be cheap. Billions of dollars in total expenditures would probably be involved. Any U.S. decision to help other countries (besides Russia) in this process therefore could cost as much as a few hundred million dollars a year.

Confidence-Building Measures

The United States may also promote steps to defuse risks in theaters characterized by tension and the close proximity of potentially adversarial military forces. These measures, some of which might be undertaken without U.N. involvement, include aerial reconnaissance, military "hotlines" for rapid and reliable communications, early-warning radars, and simple monitoring technologies. Such measures can help assure countries that they are not going to be attacked by their adversaries--reducing the chances that fear of surprise attack or low-level skirmishing might contribute to an outbreak of war.

Once again, precise costs are hard to project at this stage since no specific treaty proposals are available for consideration. But the Open Skies Treaty,

9. General Accounting Office, *Chemical Weapons Destruction: Issues Affecting Program Cost, Schedule, and Performance* (January 1993).

10. Grotte and Klare, *Balancing Cost and Effectiveness in Arms Control Monitoring*, p. III-27.

11. Paul Doty, "The Challenge of Destroying Chemical Weapons," *Arms Control Today* (October 1992), p. 25.

involving most of the countries of North America and Europe, is likely to cost the United States several tens of millions of dollars a year on average. Helping several other countries with confidence-building initiatives might require comparable funding levels.

The Concept of Peace Funds

A strong argument also exists for contributing substantial sums of money to countries that have entered into politically courageous and difficult accords with former adversaries. The United States has already chosen to provide large amounts of bilateral aid of this type to Egypt and Israel, as an outgrowth of the 1970s peace process that culminated in the 1979 Camp David Accords normalizing relations between those countries. Such funds can help governments that must often take considerable political risks to choose peace over war shore up their popular support at home through better economic conditions and opportunities.

Clearly, applying this approach across the board would be inappropriate. Warring parties should not come to take U.S. aid for granted and insist upon it before entering into peace accords. Moreover, some groups--the Khmer Rouge, the Shining Path, Andean drug lords, and governments like those of Iraq, Sudan, and North Korea--may simply be seen as unworthy of assistance or untrustworthy in terms of how they would use it. Finally, such funds can be temptations to corruption in some countries, and in those cases might best be given only if tied to certain projects or programs. But the concept of untied assistance--perhaps dubbed peace accounts or peace funds, as suggested by the Overseas Development Council for the Mideast region in particular--might well be usefully extended beyond Israel and Egypt.[12]

12. Sewell and Storm, *Challenges and Priorities in the 1990s*, pp. 31-33.

War Injuries and Damages

About 10 countries--including Cambodia, Afghanistan, Somalia, Ethiopia, Angola, Mozambique, El Salvador, and Nicaragua--were recently ravaged by wars that in some cases were exacerbated by the superpower rivalry. In such cases, the United States might arguably have a particular humanitarian interest in the future well-being of those countries. Concerns may be heightened because Russia is in no position to assist those countries, except perhaps by forgiving their debts. Beyond humanitarian motives, helping these countries now could reduce the future likelihood of a more difficult and costly relief operation--and perhaps a future U.N. military intervention in a place such as Angola, Afghanistan, or elsewhere.

These countries would already receive help under various initiatives discussed elsewhere in this study--through U.N. peacekeeping when necessary, as well as through programs in primary health care, nutrition, education, and agriculture that the United States would be supporting globally. But the United States might also elect to help these countries by meeting special war-related needs they may have, such as medical care and mine clearing. It also may provide assistance with their roads, bridges, and other infrastructure to repair and stimulate their economies. Because of the link between such initiatives and conflict resolution, funding for them is placed under this study's general category of peace funds.

Most of the countries in special need of such services have small populations and gross domestic product. Some of them are already on the way to recovery. But because of the damage they have suffered, the costs to help them could be significant, as pointed out by National Security Advisor Anthony Lake and coauthors in a 1990 book.[13]

13. Anthony Lake and others, *After the Wars* (Washington, D.C.: Overseas Development Council, 1990), pp. 14-41; see also John Burgess, "U.N. Urges Revision of Somali Aid: $167 Million Sought for Reconstruction," *The Washington Post*, March 11, 1993, p. A25.

Although Lake and his colleagues did not present detailed budgetary estimates for all of the countries they examined, they did suggest that the larger of those countries--in particular, Sudan and Ethiopia--might each be able to absorb as much as another billion dollars a year in aid if and when political conditions are appropriate. Assuming that some of the smaller countries would require less and that other donors would contribute aid as well, U.S. contributions to all of the countries mentioned above might reach a billion dollars a year. More realistically, since some of those states are unlikely in the next decade to resolve internal conflicts and adopt the types of policies that make aid appropriate, actual U.S. contributions might be half as great.

Additional foreign assistance aimed at repairing war damage would, of course, be subject to the limitations associated with all project-related aid. The aid can be misdirected or misused and so fail to accomplish its goals. Thus, any decisions to forge what would amount to mini-Marshall Plan packages for these countries would require seriousness of purpose on the part of recipient governments as well as strong institutions capable of productively using large amounts of aid.

Regional Conflicts Elsewhere

Also worthy of attention are certain other areas where peace-fund dollars might reduce the chance of serious conflicts that could in some way involve the United States. Chief candidates may include new participants in Mideast peace agreements. Perhaps Jordan, Lebanon, and even Syria could be included should they join their neighbors and sign a comprehensive peace accord with Israel. Other candidates for future consideration could be India and Pakistan, perhaps to give them incentives to find a solution to the problem of Kashmir.[14]

The United States might hold out the hope of a peace fund as a way to provide political momentum to regional leaders willing to take the courageous step of making peace in these areas. How much might that cost? If the diplomatic engagement of the United States plays a key role in solving one of the world's major regional conflicts and perhaps a couple of smaller ones over the next decade, costs might be in the range of a few hundred million dollars a year--though this estimate is conjectural and very rough.

Sums on the order of $100 million a year can provide substantial leverage in addressing the problems of small countries. For example, after the September 1993 signing of the peace accord between the PLO and Israel, Western and Middle Eastern donors met to put together an aid package for the PLO. In loans, grants, and credits, the total value of the U.S. contribution to the roughly $2 billion package that resulted was $500 million over five years. An aid package of comparable size was discussed at an international conference on Somalia's political reconstruction in the fall of 1993.

The Palestinians living in the Israeli-occupied territories, however, number less than 2 million, and Somalis number only about 8 million. Aid to larger populations clearly would have to be greater in order to achieve comparable results. For larger countries--but excluding the special cases of Israel and Egypt--substantial U.S. economic aid in recent decades has sometimes reached into the range of hundreds of millions of dollars a year. This amount of funding would be politically significant for most larger developing countries and as such could carry considerable leverage in the pursuit of peace.

14. See John J. Schulz, "Riding the Nuclear Tiger: The Search for Security in South Asia," *Arms Control Today* (June 1993), p. 7.

Chapter Five

Development Assistance to Improve Demographic Trends, Employment, and Political Stability

Poverty, overpopulation, and a lack of hope for the future are serious problems in much of the developing world. They can leave populations vulnerable to catastrophe in the event of drought, flood, or other natural disasters. They can also contribute to a societal tension that, though not necessarily representing a direct threat to the United States or its citizens, can erupt into extreme civil conflict that may move Americans to consider intervention. These conditions may provide breeding grounds for extremist movements, as are evident today in the Middle East. Certain types of aid--notably, those that the Administration describes as promoting sustainable development and providing humanitarian relief--might mitigate some of the raw materials for radicalism and politically motivated violence.

Foreign aid already addresses such needs extensively and has contributed to important historical successes in places such as South Korea, Taiwan, Thailand, and India.[1] But a number of studies suggest that by expanding certain current programs, it could accomplish considerably more. With aid, donor nations can also play constructive roles as allies to domestic political forces favoring sound economic policies in developing countries.[2] New initiatives might include the following projects and programmatic activities:

- Limit population growth through family planning;
- Improve child and maternal health;
- Provide more general access to quality education, including improved access to education for girls and women;
- Address acute concerns for the general population, including war injuries, refugee needs, and disaster relief;
- Promote efficient agriculture that conserves soils and is therefore sustainable; and
- Provide debt relief for poor countries that otherwise might be too fiscally strapped to pursue the above goals effectively.

Such a targeted approach to a new aid initiative is consistent with the situations of the developing countries today--not all are in need of new help from abroad (see Box 3). A targeted set of aid initiatives is also consistent with the commonly accepted need to refocus the Foreign Assistance Act and improve the management and functioning of the U.S. Agency for International Development.[3]

Although extensive, the agenda laid out above does not extend to many other goals that, though potentially important, may have less direct relevance to U.S. security as traditionally defined. It excludes debt forgiveness for large middle-income countries,

1. See John P. Lewis, *Pro-Poor Aid Conditionality* (Washington, D.C.: Overseas Development Council, 1993), pp. 9-12; World Bank, *World Development Report 1991: The Challenge of Development* (New York: Oxford University Press, 1991), p. 48.

2. Jeffrey Herbst, *U.S. Economic Policy Toward Africa* (New York: Council on Foreign Relations, 1992), pp. 60-62; Robert S. McNamara, *The Post-Cold War World and Its Implications for Military Expenditures in the Developing Countries* (Washington, D.C.: World Bank, 1991), p. 23.

3. For a description of some of the troubles afflicting certain parts of the aid bureaucracy, see *Report of the Task Force on Foreign Assistance to the Committee on Foreign Affairs, U.S. House of Representatives*, House Document 101-32 (February 1989).

initiatives for higher education, large infrastructure projects, and major efforts to combat global warming or address localized water and air pollution.

The ideas that follow are illustrative, and the budgetary details are rough. Even when workable programs and projects are identified, ways in which they could be expanded--as well as the proper pace for doing so--vary. For such reasons, some of the estimates of increased aid in this chapter are probably best viewed as upper bounds on what could be usefully employed.

Many countries are likely to have ample use for assistance for at least a decade. Thus, all annual programs envisioned here are assumed to continue for at least the 10-year time frame of the study, and in most cases probably longer. Any one-time costs are annualized over a 10-year period, partly because it is not known when they would be incurred.

Box 3.
The "Third World"

For several reasons, it makes little sense to think of all developing countries collectively. Indeed, the expression "Third World," originally coined to denote a geopolitical reality rather than an economic one, probably should be dropped for most usages. Although most of the world's countries still can be thought of as "developing," in comparison with the Western industrial economies, they differ considerably in their typical levels of economic well-being. To the extent that any groupings are meaningful, it is probably more helpful to think in terms of four categories:

- The very poor countries, including most of Sub-Saharan Africa and some countries in Central America and the Caribbean, which have typical per capita incomes of $100 to $1,000. Together, they include slightly over 10 percent of the world's population but generate less than 1 percent of global gross domestic product (GDP). Typically, they rely heavily on foreign aid.

- The poor countries of Central and South Asia and the Middle East, which have per capita incomes generally around $350 to $1,000 or slightly more a year. Together, they represent nearly half of the world's population and 5 percent of its GDP. In some cases, notably India and China, countries in this category may seem little better off than those in the first category. But they appear significantly richer when evaluated by the so-called purchasing-power parity measure, a better indicator of local buying power.

- The former command economies of the Warsaw Pact--where economies are quite unstable but per capita incomes tend to fall in the $1,000 to $4,000 range. Together, they represent about 7 percent of the world's population and are responsible for almost 5 percent of its GDP.

- The reasonably prosperous countries of East Asia and South America, where per capita incomes tend to range from $1,000 to about $10,000. Together, they constitute over 15 percent of global population and produce about 10 percent of GDP.

Over 75 percent of global GDP accrues to the 15 percent of the world's population found in the wealthy countries of North America and Western Europe, as well as in Japan, Australia, and New Zealand.

Some of these generalizations break down in specific instances--for example, oil-producing states in the Middle East, Africa, and Latin America can be considerably better off than their immediate neighbors. A few countries in the East Asia and South America category, such as Singapore, Taiwan, and South Korea, are now considered newly industrialized countries rather than developing countries. More important yet, measures of per capita GDP obscure vast disparities in income within many countries. But categories such as these probably represent more meaningful ways to think of developing countries than what is implied by a single designation such as the Third World.

Today's Budget

By the definitions used in this study, the United States is providing about $6.8 billion in budget authority in 1994 aimed at promoting development (see Table 13).

Unlike the security assistance budget, which has only a few key elements and several chief foreign beneficiaries, the U.S. budget for overseas development is fairly complex. In the realm of aid to multilateral organizations, two main elements total more than $2.5 billion in 1993: $1.2 billion to the United Nations and other international organizations for general functions and development activities; and about $1.4 billion to multilateral development banks, particularly the International Development Association, which focuses on the poorest countries. In addition, U.S. aid for refugees, totaling about $700 million in 1994, flows partly through the U.N. High Commissioner for Refugees.

Table 13.
U.S. Funding for Development Assistance, 1994
(In billions of dollars of budget authority)

	Funding
Bilateral Project Aid	2.5
P.L. 480 Food Aid[a]	1.4
Refugee Support	0.7
Peace Corps	0.2
Drug War	0.1
Multilateral Banks (IBRD, IDA, other)	1.4
United Nations, Nonsecurity; Other International Organizations	1.2
Receipts and Other	-0.8
Total	6.8

SOURCE: Congressional Budget Office.

NOTE: P.L. = Public Law; IBRD = International Bank for Reconstruction and Development, more commonly known as the World Bank; IDA = International Development Association.

a. Excludes agricultural credits to the former Soviet Union that are included under security-related assistance (see Table 3).

Remaining funds mainly support programs of bilateral aid run by the United States and intended to assist specific countries. The Agency for International Development receives about $2.5 billion for its full panoply of programs relating to health, agriculture, infrastructure, education, energy, and other matters, excluding those in the former Eastern Bloc. About $1.4 billion is spent on the various titles of the P.L. 480 food program (excluding aid for the former Soviet republics). The remaining funds are slated for the Peace Corps ($200 million), bilateral aid to help specific countries combat narcotics producers and traffickers ($100 million), and other small programs, partly balanced out by receipts from old loans.

Foreign donors generally contribute a substantial fraction of funding for development programs, and host governments pay the rest. The United States provides on average about 20 percent of total donor funds to various development programs (see Box 4). This figure is somewhat less than the 25 percent rate at which Washington pays the United Nations for so-called mandatory assessments, based on the U.S. share of the global economy.[4] This study assumes that the United States would pay 25 percent of the additional donor costs associated with any new aid initiatives of the type discussed in this chapter.

Family Planning

Population continues to grow rapidly and alarmingly in many parts of the developing world--particularly in much of South Asia, the Middle East, Sub-Saha-

4. World Bank, *World Development Report 1993: Investing in Health* (New York: Oxford University Press, 1993), p. 243; International Monetary Fund, *World Economic Outlook: October 1993* (Washington, D.C.: IMF, 1993), p. 124.

Box 4.
The Donor and Recipient Communities

The international aid community is multifaceted and can be confusing. The many different arms of foreign aid include a number of official multilateral organizations, beginning with the World Bank; its affiliated International Development Association for the poorest countries; the Asian, African, and Inter-American Development Banks; and the International Monetary Fund--which plays an important, albeit indirect, role in the development process. Multilateral groups involved more at the project level include the United Nations Development Programme, the United Nations Children's Fund (UNICEF), the United Nations Environment Programme, the World Health Organization, the United Nations Educational, Scientific, and Cultural Organization (UNESCO), and the United Nations Food and Agricultural Organization.

A wide array of private voluntary organizations are involved in development, such as CARE, Catholic Relief Services, Save the Children, Oxfam, and many others. On top of these come various national organizations. Examples in the United States include the Agency for International Development, the Peace Corps, and departments within the Centers for Disease Control and Prevention, the Department of Energy, and the National Science Foundation.

Generally, donors have a choice: they can channel funding through bilateral organizations, private voluntary organizations, or multilateral organizations such as the development banks and the International Development Association. Today, more than three-quarters of the roughly $55 billion in annual official development assistance from the Organization for Economic Cooperation and Development (OECD) is given bilaterally, and the remaining one-quarter is dispensed multilaterally through United Nations organizations or development banks.

Who are the major donors? By the definition of development assistance used by the OECD, the United States and Japan provided the most dollars in 1991. (As shown in Table 2 on page 8, of the OECD member countries, Denmark, the Netherlands, Norway, and Sweden give the highest shares of their national product.) The United States provided about $11 billion, or some 20 percent of the global total, and Japan provided 17 percent. France gave 13 percent of the total, Germany 12 percent, Italy 6 percent, the United Kingdom 5 percent, and Canada, the Netherlands, and Sweden 4 percent each. A number of other countries--Australia, Denmark, Norway, Finland, Spain, Austria, Belgium, and Switzerland provided about 1 percent to 2 percent each. Countries outside the OECD, most notably Saudi Arabia, provided some $5 billion of additional funds.

Where are the major recipients found? Out of the roughly $55 billion given by OECD countries to developing countries in 1991, the Sub-Saharan Africa region received the most funds--some $19 billion. About $13 billion went to the small and medium-sized countries of Asia, about $10 billion to the Middle East and North Africa, $7 billion to the Western Hemisphere, and a total of $5 billion to India and China.[1]

1. Alexander R. Love, Chairman, Development Assistance Committee, *Development Cooperation* (Paris: Organization for Economic Cooperation and Development, 1992), pp. 112-115, A-8, A-23, and A-24.

ran Africa, and Central America. When economies are anemic, high rates of population growth can turn slight growth in gross domestic product to zero or even negative growth in per capita income. When environmental and resource bases are eroded by overfarming and overgrazing, growing populations may face massive disaster in the future. The World Bank put it concisely in its annual development report for 1992:

> Rapid population growth can exacerbate the mutually reinforcing effects of poverty and environmental damage. The poor are both victims and agents of environmental damage. Because they lack resources and technology, land-hungry farmers resort to cultivating erosion-prone hillsides and moving into tropical forest areas where crop yields on cleared fields usually drop sharply after

> just a few years. Poor families often have to meet urgent short-term needs, prompting them to "mine" natural capital through, for example, excessive cutting of trees for firewood and failure to replace soil nutrients.[5]

With growing populations still very common around the world, there is a danger that famine will worsen in the next century. These concerns are serious: even though the global population growth rate has declined to 1.7 percent a year from its peak of 2.1 percent in the late 1960s, the absolute level of population increase remains at a historic high. Today's 5.5 billion people on the Earth could more than double in number by the mid-21st century.[6] Because most arable land is already being farmed, moreover, substantially higher yields will be necessary to provide adequate food for all people--even if global population is kept near the lower end of the range of plausible projections.

But what, if anything, can be done that is not already being attempted? Fertility rates are still in excess of six children per woman in Africa, and more than four on the Indian subcontinent (see Table 14). Might women with such high birthrates be responding as much to economic incentives as to the absence of convenient and affordable contraceptives or knowledge about viable family planning practices? In situations that characterize many of the poorest parts of the developing world today--where child survival rates remain low, social welfare nets absent, subsistence agriculture prevalent, and other educational and employment opportunities largely lacking--parents may rationally choose to have larger families as a response to economic incentives. Empirical data also cast doubt on the belief that the availability of contraceptives can be a panacea for rapid population growth. The simple fact of the matter is that, in many cases, people have large families because they want to.

Thus, one can question the enthusiasm with which scarce financial and human resources should be aimed at expanding access to family planning services. It might be more prudent, at least in some countries, to work on changing people's basic incentives to have large families. In this regard, improving agricultural extension services or child health care or educational opportunities may yield as good results for the dollar.

But the fact remains that 320 million couples in the developing world still do not have access to modern birth control.[7] Moreover, virtually all analyses from the World Bank and elsewhere suggest that a greater availability of birth control would have at least some effect on fertility rates. As a recent World Bank document reviewing 49 studies of the link between contraceptive availability and changes in fertility rates put it:

> Conclusions vary about whether people use contraceptives more when they are more accessible--partly because of differences in case studies and partly because of differences in methodologies and measures of access. Generally analysts conclude that access is important, which is important for policy, since increasing access to contraception is the most direct intervention available for increasing the use of contraceptives.[8]

Expanding family planning efforts may also provide indirect benefits. Greater use of condoms can reduce transmission of acquired immune deficiency syndrome (AIDS), which is especially important in Africa where AIDS is decimating some populations.

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5. World Bank, *World Development Report 1992: Development and the Environment* (New York: Oxford University Press, 1992), p. 7.

6. World Bank, *World Development Report 1992*, p. 7; John W. Sewell and Peter M. Storm, *Challenges and Priorities in the 1990s: An Alternative U.S. International Affairs Budget, FY 1993* (Washington, D.C.: Overseas Development Council, 1992), p. 20; Sharon L. Camp, "Slowing Population Growth," in Sewell and Storm, *Challenges and Priorities in the 1990s*, p. 48; United Nations Population Fund, *The State of World Population 1990* (New York: UNFPA, 1990), pp. 1-2.

7. Camp, "Slowing Population Growth," p. 50; Shanti R. Conly, J. Joseph Speidel, and Sharon L. Camp, *U.S. Population Assistance: Issues for the 1990s* (Washington, D.C.: Population Crisis Committee, 1991), pp. 4, 34-37.

8. Susan Cochrane and Laura Gibney, "Does Better Access to Contraceptives Increase their Use?" Working Paper Series 728 (World Bank, July 1991).

Illustrating Possible Costs

The United States may decide that its security and other interests would be well served by increasing development assistance aimed at holding down population growth through the expansion of family planning efforts. Illustrating the magnitude of added resources that might be devoted to the problem is fairly straightforward if one uses a supply-oriented analysis. One realistic goal may be to

Table 14.
Population Indicators for Selected Countries

	Population in 1992 (Millions)	Infant Mortality per 1,000	Fertility Rate	Percentage of Adult Literacy in 1990		Percentage of Population Using Family Planning
				Male	Female	
Algeria	26.3	61	4.9	70	46	36
Bangladesh	119.3	108	4.7	47	22	40
Brazil	154.1	57	2.7	83	80	66
Cameroon	12.2	63	5.7	66	43	16
China	1,188.0	27	2.2	84	62	72
Costa Rica	3.2	14	3.1	93	93	70
Cuba	10.8	14	1.9	95	93	70
Egypt	54.8	57	4.1	63	34	48
Ethiopia	53.0	122	7.0	n.a.	n.a.	4
Ghana	16.0	81	6.0	70	51	13
Guatemala	9.7	49	5.4	63	47	23
India	879.5	88	3.9	62	34	43
Indonesia	191.2	65	3.1	84	62	50
Iran	61.6	40	6.0	65	43	n.a.
Japan	124.5	5	1.7	n.a.	n.a.	58
Kenya	25.2	66	6.3	80	59	27
Mali	9.8	159	7.1	41	24	5
Mexico	88.2	35	3.2	90	85	53
Nicaragua	4.0	52	5.0	n.a.	n.a.	27
Nigeria	115.7	96	6.4	62	40	6
Pakistan	124.8	98	6.2	47	21	12
Philippines	65.2	40	3.9	90	90	36
Saudi Arabia	15.9	31	6.4	73	48	n.a.
Somalia	9.2	122	7.0	36	14	n.a.
Sudan	26.7	99	6.0	43	12	9
Syria	13.3	39	6.1	78	51	20
Tanzania	27.8	102	6.8	93	88	10
Thailand	56.1	26	2.2	96	90	66
Turkey	58.4	56	3.5	90	71	63
United States	255.2	8	2.1	n.a.	n.a.	74
Vietnam	69.5	36	3.9	92	84	53

SOURCE: Congressional Budget Office using data from United Nations Population Fund, "The State of World Population 1993" (New York: UNFPA, 1993), pp. 48-53.

NOTE: n.a. = UNFPA data not available.

Table 15.
U.S. Costs of Illustrative Aid Initiative for Health, Basic Human Needs, and Family Planning (In millions of 1994 dollars)

Category of Aid	Average Annual Increases
Family Planning	500 to 600
Child and Maternal Health	1,400
Education	200 to 500
Refugee Support	300
Agriculture	2,000
Bilateral Debt Relief	250 to 450
Commercial Debt Buyback	100 to 200
Multilateral Debt Relief	400 to 750
Total	5,000 to 6,000

SOURCE: Congressional Budget Office.

increase the number of couples using contraceptives from about 50 percent of the developing world's total to at least 60 percent. Using this assumption, demographers estimate that the global population might stabilize below 10 billion around the middle of the next century.

Accomplishing this goal could require $6 billion to $7 billion in total additional global funding per year, according to a number of estimates including those of the World Bank and several nongovernmental organizations working on family planning issues. If aid donors paid one-third of the total costs and the United States in turn provided a 25 percent share of the foreign contribution, the added U.S. annual spending would be roughly $500 million to $600 million (see Table 15).[9]

9. Carnegie Endowment National Commission, *Changing Our Ways* (Washington, D.C.: Carnegie Endowment, 1992), pp. 41-42; World Bank, *World Development Report 1992*, pp. 26, 173; Camp, "Slowing Population Growth," p. 48.

Who should run family planning programs? There are pros and cons to emphasizing bilateral aid versus multilateral aid. U.S. bilateral programs, with the Agency for International Development's well-developed field offices, help countries that do not have sufficient technical ability or experience. Bilateral programs also give the United States greater influence over how development programs are carried out. But the independence that bilateral programs afford can be a drawback if taken too far. A plethora of independent advice can prove bewildering to recipient governments trying a host of programs. Another potential drawback of the bilateral approach is the common requirement that funds be spent on goods or services from the donor country, whether in regard to contraceptives or to other goods. This common practice, in many cases affecting at least half of a donor's total aid, reduces a program's flexibility and cost-effectiveness.[10]

Apart from these broad problems with bilateral aid, there have been serious concerns about AID's focus, management efficiency, and basic competence. Indeed, two reputable organizations, the Overseas Development Council and the Carnegie Endowment, recently published papers highly critical of AID. Thus, for family planning and other types of development work as well, the World Bank, the U.N. Population Fund, and related multilateral programs may be preferable except in situations in which recipient governments need help setting up field offices and other infrastructure.[11]

Child and Maternal Health

To achieve slower population growth--and thus, it is hoped, economic betterment and political stability--parents must have high confidence that their chil-

10. Alexander R. Love, *Development Cooperation: 1992 Report* (Paris: Organization for Economic Cooperation and Development, 1992), pp. 10-11, 48, A-15.

11. See Sewell and Storm, *Challenges and Priorities in the 1990s*, pp. 43-46; Independent Group on the Future of U.S. Development Cooperation, "Reinventing Foreign Aid" (Overseas Development Council, Washington, D.C., December 1992), p. 20; Carnegie Endowment National Commission, *Changing Our Ways*, p. 31; InterAction, "Steps to Revitalize U.S. Foreign Aid" (InterAction, Washington, D.C., 1993), p. 3; Conly, Speidel, and Camp, *U.S. Population Assistance*, pp. 9-14, 33-45.

dren will survive. Children are often the only source of retirement income for the elderly in developing countries, which generally do not have social security systems. Without good child health and survival rates, parents can be expected to continue having large families as a rational response to the economic incentives they face.

Population indicators corroborate this argument. Among countries that have infant mortality rates exceeding 90 per 1,000 live births, fertility rates exceed 5 births per woman in all cases but one (see Table 14). No perfect correlation exists between lower infant mortality rates and birth rates. But the important examples of China, Egypt, and Mexico show that large countries with reasonably high infant survival rates have also begun to get a handle on their population growth. (The infant survival rate is defined as the fraction of those babies born alive who reach their first birthday.)

The good news is that programs to promote better health can be quite effective. Child health has improved in many parts of the developing world in recent decades. In the words of the 1993 annual report of the United Nations Children's Fund (UNICEF):

> Amid all the problems of a world bleeding from continuing wars and environmental wounds, it is nonetheless becoming clear that one of the greatest of all human aspirations is now within reach. Within a decade, it should be possible to bring to an end the age-old evils of child malnutrition, preventable disease, and widespread illiteracy.[12]

The emphasis of new programs to improve health would be on primary care, including outreach programs for remote rural areas through schools and clinics.[13] The expansion of immunizations over the last decade has been quite substantial and has shown that programs can add substantial numbers of employees and expand quickly and effectively. Significant improvements are also occurring in eradicating guinea worm, expanding the availability of vitamin A and iodine, and reducing the prevalence of bottlefeeding instead of breastfeeding.[14] But outreach has not yet been as successful in other health-related activities.

There is no guarantee that all governments would go along with pleas that they devote more funding to basic human needs such as those considered here. Donors and a recipient may have legitimate disagreement over development priorities; alternatively, corruption could be so severe that a government might prefer to use funding to pad pockets or solidify its power by buying off potential rivals. In such situations, outside donors may have to limit their activities to the support of nongovernmental organizations working on basic human needs in those countries, in which case total costs could be less than indicated below.

Illustrating Possible Cost Increases

At the 1990 World Summit for Children, UNICEF estimated that the costs of moving toward the goals of immunizing at least 90 percent of children against the six major preventable diseases, reducing widespread illiteracy to negligible proportions, and lowering the rate of child malnutrition by half might be about $20 billion a year worldwide. If donors provide about one-third of the necessary money, their combined annual contribution would be about $7 billion. A 1993 conference indicated that progress toward these goals is being made in a number of countries, but that progress is slow in others and that financing is generally insufficient.[15]

What would be the costs to the United States if it decided that these programs deserved high priority and made financing available in commensurate fashion? Taking 25 percent of the $7 billion figure corresponds to about a $1.75 billion share for the

12. James P. Grant, *The State of the World's Children 1993* (New York: Oxford University Press, 1992), p. 1.

13. For an explanation of the importance of this approach, see World Bank, *World Development Report 1993*, pp. 72-107, 156-160.

14. World Bank, *World Development Report 1990: Poverty* (New York: Oxford University Press, 1990), p. 75; Grant, *The State of the World's Children 1993*, pp. 3-5, 17; James P. Grant, *The State of the World's Children 1994* (New York: Oxford University Press, 1993), pp. 13-19.

15. Grant, *The State of the World's Children 1994*, pp. 11-19.

United States. But of this figure, a certain contribution (roughly $300 million) would be for education, leaving about $1.4 billion a year in added U.S. funding for activities focused on improving the health of children in developing countries (see Table 15). A rough breakdown of this total figure is $800 million to $900 million a year for water and sanitation, $250 for immunizations and primary care, and $200 million for nutrition.[16] The efforts to improve water and sanitation, though undertaken first and foremost for children, would have the salutary effect of improving the health and well-being of many adults as well.

Education

Education is a critical ingredient in economic progress. The World Bank considers insufficient education to be among the chief constraints on industrialization in many developing countries, as well as a major obstacle to sound family planning.[17] According to the World Bank, primary education is particularly important in this regard.

Although considerable strides have been made in improving access to primary education throughout the developing world, problems remain. Large parts of Africa, South Asia, and certain other regions of the world still have sizable numbers of illiterate individuals without access to rudimentary schooling. And even in countries where basic schooling is generally available for men, it may not be available for women to the same degree. As a result, female literacy rates in many developing countries are lower than the rates for men, sometimes by substantial amounts (see Table 14). Without education, women are less apt to understand and use proper family planning techniques, less able to provide good care to their children (and thus to keep them alive and healthy), and less likely to have other opportunities that might be viewed as alternatives to raising large families. Indeed, for all these reasons, economists at the World Bank have argued that improving the education of women is among the most cost-effective ways to reduce global birth-rates.[18]

To be sure, these things are easier to calculate budgetarily than to do. In many if not most cultures, the discrepancy between female and male literacy rates reflects the subordination of women's needs in general. Although it may be appropriate for outside countries to use their influence to try to change such discriminatory practices, results will be produced only gradually. In the interim, making more money available may or may not tend to equalize literacy rates.

The same type of argument applies to education in general. Do most developing countries believe that improving education, and especially primary education, is a high priority? If not, they may be unwilling to contribute substantial additional resources to such endeavors. Indeed, as their populations continue to grow quickly, many developing countries need to spend increasingly large fractions of government budgets on schools to maintain the same enrollment rate. Unless they can find sources of funding that make it unnecessary to choose between the basic human needs of their populations and other government programs, they may turn a cold shoulder to outside suggestions for new education initiatives.

Illustrating Possible Cost Increases

According to estimates by Lawrence Summers when he was at the World Bank, redressing these shortcomings--that is, equalizing each country's education rates for boys and girls at primary and secondary levels--might require $2.4 billion a year. To accomplish the more ambitious goal of improving enrollment rates in poor countries to levels typical of higher-income countries, at least $5 billion a year

16. United Nations Children's Fund, *Children and Development in the 1990s: A UNICEF Sourcebook on the Occasion of the World Summit for Children* (New York: United Nations, 1990).

17. World Bank, *World Development Report 1987* (New York: Oxford University Press, 1987), p. 7.

18. World Bank, *World Development Report 1990*, pp. 75-82; World Bank, *World Development Report 1991*, pp. 55-58; World Bank, *World Development Report 1993*, pp. 156-160; Lawrence H. Summers, "Investing in All the People," Working Paper Series 905 (World Bank, 1992), pp. 6-7.

might be needed.[19] In all, assuming donors would pay for one-third of total costs and the U.S. share of donor funds would be 25 percent, annual costs to the United States would be at least $200 million to $500 million (see Table 15).

Acute Crises

In addition to the general need to improve economic conditions, health, and family planning, in a number of specific crises the scale of human suffering and disruption could be sufficient to have implications for political stability. This stability, in turn, could have bearing on U.S. security in some cases. Strong humanitarian arguments also exist to aid individuals afflicted with these problems. Particularly notable are two specific concerns that might be successfully addressed with new aid initiatives: aiding refugees and displaced persons, and conducting emergency relief operations.[20] In the former case, current U.S. funding may not be sufficient for the problems at hand; in the latter, the way in which funding is provided can be highly disruptive to the Department of Defense and thereby slow the aid process.

Refugees and Funding for the U.N. High Commissioner for Refugees

In many cases, the most obvious international consequence of localized war is to create large refugee populations, sometimes reaching several million in size during intense and protracted regional conflicts. In the last decade, civil wars in places such as Afghanistan, Angola, Mozambique, and Cambodia created huge refugee populations--now totaling some 20 million globally, in contrast to 2.5 million in 1970 and 8.2 million in 1980. In addition, about 24 million people are displaced within their own countries. The numbers have continued to grow even in the 1990s.[21]

The international community has not always found enough resources to help these individuals, especially recently. In Bosnia and the Kurdish areas of Iraq, for example, aid has come perilously close to drying up even as the need for it has continued. With the explosion in the number of refugees worldwide, budgets of the major donors have not kept up. In the case of the United States, which is indicative of what other donors have done as well, the average real funding level per refugee slipped by the early 1990s to only about half the annual amount of $25 given in 1980. Similar declines have occurred in other countries, meaning that combined global funding for refugees has recently been around $50 per person a year, in contrast to previous levels of around $100 a person in the period of the mid-1970s through the early 1980s.[22]

Without adequate financing for their basic needs, refugees may become unmanageable burdens on countries accepting them. They could then cause disruptions as they sought safety elsewhere. In extreme cases, refugee problems could lead to war between states if countries unwilling to provide temporary haven to displaced persons undertook military operations to eliminate the cause of the exodus.

As long as refugee populations remain at their current large sizes, U.S. funding would need to increase for the United States to support individual refugees at the 1980 real level. The level of increase, assuming that the United States provides 25 percent of needed funds, would be about $300 million a year.

19. World Bank, *World Development Report 1990*, pp. 77, 87; Summers, "Investing in All the People," pp. 9, 18.

20. Other types of health problems, such as a growing use of tobacco in developing countries, may be amenable to aid initiatives but may be more readily influenced by regulating advertising and taking other legal measures. See World Bank, *World Development Report 1993*, pp. 86-90.

21. Data supplied to CBO by the Office of the U.N. High Commissioner for Refugees in October 1993; Paul Lewis, "Stoked by Ethnic Conflict, Refugee Numbers Swell," *The New York Times*, November 10, 1993, p. A6; Sewell and Storm, *Challenges and Priorities in the 1990s*, p. 32.

22. Data supplied to CBO by the Office of the U.N. High Commissioner for Refugees in October 1993.

Disaster Relief

Sustaining funding levels for emergency relief operations at their new, higher levels may also serve U.S. interests. Humanitarian considerations make it likely that the U.S. government will continue to find some mechanism for alleviating acute suffering caused by war and other tragic events. Aid to refugees can, in some cases, accomplish this goal without necessitating the use of force to change underlying conditions contributing to the tragedy in the first place.

Providing such humanitarian relief may also help to foster goodwill toward the United States by those otherwise inclined to see U.S. foreign policy as self-serving. The better its international image, the less persuasive will be the rallying cries of radicals seeking to stoke anti-U.S. passions in their countries.

In the 1990s, funding for such operations has been quite substantial. Although precise accounting is difficult, large operations have helped the Kurds in Iraq, the Bangladeshis, and recently the Somalis. Some help was also provided to India in the aftermath of its tragic earthquake. Thus, no increase in funding for such operations is discussed in this study.

Agriculture and Grass-Roots Development

Economic progress in developing countries, though not immediately relevant to U.S. security in most cases, can improve the prospects for stable and democratic governments. Such governments, in turn, are more likely to accept and promote the types of peaceful domestic and international environments that can serve U.S. national security interests as well.

What other factors are key ingredients to successful economic development? Clearly, reliable sources of sustenance and income at the rural level are essential to economic well-being and development. The first building block in this process is agriculture. The past several hundred years of human development attest to the strong correlation between agricultural progress and development. Increases in agricultural productivity are correlated strongly with increases in national wealth and can help a country exploit whatever comparative advantages it may have in this arena. Increased productivity also reduces pressure to clear land and thereby helps preserve forests, soils, and biological diversity.

Not coincidentally, Africa--the only major continent where agricultural efficiency has not improved considerably in the past few decades--is also the only continent that has not displayed general economic progress.[23] Partly because of malnutrition--which contributes to higher child mortality rates--it also has the highest birthrates in the world.[24] Thus, there is a natural synergism between efforts aimed directly at promoting economic growth and reducing birthrates on the one hand, and efforts intended to improve the production of food on the other.

Consistent with this view, the Agency for International Development traditionally has devoted about half of its resources to agriculture, and private groups such as the Ford and Rockefeller Foundations have made food production a high priority as well. Together, these groups contributed importantly to the research and agricultural extension efforts that produced improved farming practices and crop strains in Asia in the 1960s--the so-called Green Revolution.

As with most other types of economic activity, the agricultural sector benefits greatly from good macroeconomic and political conditions. According to the World Bank:

> An extensive empirical literature confirms that farmers respond very significantly to government policies: when the prospects for farm profits are good, they innovate,

23. Congressional Budget Office, *Agricultural Progress in the Third World and Its Effect on U.S. Farm Exports* (May 1989), pp. xxi-xxvii, 9, 44-45, 53; W. Arthur Lewis, *The Evolution of the International Economic Order* (Princeton, N.J.: Princeton University Press, 1978), pp. 14-20.

24. World Bank, *World Development Report 1991*, p. 61.

adapt technologies, improve existing practices, and increase production.[25]

Once agriculture gets off and running, broader national economic growth tends to begin--countries no longer rely so much on aid, but more on trade and private capital markets. In addition, they tend to export more and also to import more. Indeed, they even tend to import more food, since they become rich enough to diversify their diets and purchase grains and other goods from the United States and other major agricultural countries. Thus, improving agricultural productivity not only improves global food security but can also help U.S. agricultural interests. Substantial amounts of the recent increases in U.S. food exports have gone to the developing countries. There may also be progress in the drug war--to date a very difficult undertaking--if profitable agricultural market systems can be developed in the Andean countries and elsewhere and provide farmers with better alternatives to narcotics production than they may have now.

Although in the last few decades important improvements in agriculture have taken place in most parts of the world, major challenges remain--especially given the continued rapid growth of the world's population. Perhaps the most glaring is the lack of improvement in African agriculture, together with that continent's loss of arable land and rapid growth in population.[26] Similar problems exist, albeit to a lesser extent, in other parts of the world; in addition, problems such as seepage of salt into soils (salinization) have occurred in some parts of Asia and elsewhere where irrigation has been employed widely. As one analyst put it:

> Future global food needs are staggering. Under the most optimistic population projections, world population growth will stabilize during the first half of the next century at somewhat less than double the current population. If people in developing countries consume 50 percent more calories and have a healthier fat and protein intake than currently, food production will need to increase to three times the present per capita level. With some 20 percent less arable land available because of environmental degradation, productivity on the remaining land will have to increase nearly four-fold. This will require major scientific advances and highly intensive agriculture where it is suitable.[27]

New Initiatives to Promote Agricultural Development

A several-pronged effort to promote grass-roots economic development could include the following elements. These are activities in which aid has been effective in the past and seems capable of further successes:

- Increased agricultural research and development, focused largely on Africa;
- Technical training for more agricultural technicians and bureaucrats;
- Increased irrigation and fertilization for areas not yet benefiting from them (except where this would exacerbate water shortages);
- Measures to address salinization and other problems in already-irrigated areas, through better drainage and hardier plant varieties and other steps;
- Efforts to stem erosion caused by deforestation and overcultivation;
- Better roads, especially in rural areas; and
- Help to small firms or "microenterprises."

25. Ibid., p. 72.

26. Per Pinstrup-Andersen, "World Food Trends and How They May Be Monitored" (paper prepared for the CGIAR International Centers Week, Washington, D.C., October 25-29, 1993), pp. 39-41.

27. John W. Mellor, "Increasing Developing-Country Agricultural Productivity," in Sewell and Storm, *Challenges and Priorities in the 1990s*, p. 59.

Illustrating Possible Cost Increases

What might be reasonable goals for a major new agricultural initiative, and what would be the corresponding costs to the United States? An estimate by the World Bank in its 1992 annual report carries a price tag of $20 billion to $25 billion a year. This range implies a contribution of some $2 billion from the United States if donors provided roughly one-third of total funding and the United States 25 percent of the donor pool. The World Bank proposal might allocate the money as follows: roads, soil conservation, and afforestation measures would require $15 billion to $20 billion; some $5 billion in additional funding would go toward agricultural and forestry research, surveys intended to map resources and patterns of resource use, and improved agricultural extension services.[28]

The emphasis on research is consistent with the fact that yield per hectare--and not just the amount of land under cultivation--simply must increase, since potential additions to cropland probably will not be able to provide more than perhaps 25 percent of the expected 100 percent increase in food demands of the globe's population over the next 40 years.[29] (And efforts to bring marginal land into cultivation can be dangerous, as witnessed over the past two decades in the Sahel where drought decimated a number of populations.)

This approach might also include modest increases in funding for small business--venture capital and other support for small firms trying to start out or to expand operations. This type of development effort, increased in recent years by the United States, can yield important benefits to small entrepreneurs in rural and urban settings alike and complement the effects of an agricultural initiative. On the order of $100 million to $200 million a year might be an appropriate increase in funding levels.[30]

No discussion of new agricultural initiatives would be balanced, however, without mentioning the very real obstacles and constraints facing development projects in general and agricultural projects in particular. There are, of course, the usual caveats about the need to limit or even sometimes deny funding to corrupt, inefficient, shorthanded, or otherwise preoccupied regimes and bureaucracies. Also, governments may have other ideas about what to do with scarce fiscal resources and foreign exchange, sometimes preferring to develop certain industries rather than simply agriculture.

In addition, the issue of agriculture raises specific concerns. Take, for example, road projects in developing countries. There is little point in putting down gravel or macadam without a long-term commitment to finish a road and then maintain it when necessary, often a challenging job in the types of climates that characterize many developing countries. Thus, funding that might be interrupted at any point, whether by virtue of a change in donor policy or a change in local government policy, is not particularly helpful.

Of course, road building does not guarantee increased production, foreign sales, or anything else. Easier access to markets will lead to economic progress only where farmers have enough land or access to improved technologies and fertilizers that they can expand output--or, more likely, when they can switch to alternative crops that may fetch a good return. To do these things, they must have a certain level of knowledge, as well as confidence that markets will work and provide them with fair prices for their goods. Merchants and others generally will be cautious about investing large sums in trucks and other capital goods until they see that farmers will increase output reliably.

In short, a host of technical and human factors must stay in sync--but keeping them in sync can be

28. World Bank, *World Development Report 1992*, pp. 172-174.

29. Pierre Crosson and Jock R. Anderson, "Resources and Global Food Prospects: Supply and Demand for Cereals to 2030," Technical Paper Number 184 (World Bank, 1992), pp. 15-27, 90, 111.

30. Statement of Edward L. Saiers, Acting Director, Policy Directorate, U.S. Agency for International Development, before the Subcommittee on Economic Policy, Trade and Environment, House Committee on Foreign Affairs, May 4, 1993, p. 9; John P. Lewis, "Overcoming Poverty Through Rural Nonagricultural Employment," in Sewell and Storm, *Challenges and Priorities in the 1990s*, pp. 55-58; Statement of Lawrence Yanovitch, The Microenterprise Foundation, before the Subcommittee on Economic Policy, Trade, and the Environment, House Committee on Foreign Affairs, May 4, 1993.

difficult unless projects are chosen and developed very carefully. Thus, in agriculture as in other realms of development work, even where needs may be great, gradual progress may be preferable to a frenzy of new, well-intentioned programs.

Debt Forgiveness and Debt Payment Relief

In addition to aid programs focused on specific structural needs of developing countries, there are situations in which aid has a role in easing a difficult economic transition. Without it, moreover, some poor and financially strapped countries may simply be incapable of contributing to development projects in their countries. The aid could ease servicing of foreign debts for a period of time or help provide a temporary social welfare net as countries undertake difficult economic reforms involving austerity measures.

These cases arise most frequently in countries that recently have experienced changes of government or fundamental changes of policy the outside world wishes to support. In large measure, this type of assistance would constitute an inducement to undertake and sustain reforms; it also could ease the difficulties of some of the poorest countries in carrying out reforms. The reforms would include reduced government expenditures for the military and for large construction projects that do not promise substantial economic benefits; they might also lead to reductions in tariffs and lower subsidies to state-supported industry and urban consumers.[31] Countries undertaking such reforms are more likely to embark on economic growth and political development, and as such may be worthy of support from a Western world that sees such policies in its long-term security and economic interest.

The donor countries must be discriminate in how they use these instruments of policy; otherwise, demands for resources could snowball. For example, even if debt relief to some poor countries is sensible today, applying broad-based debt forgiveness to the large Latin debtors in ways sometimes envisioned in the 1980s could have cost tens of billions of dollars. As things have turned out, many of those countries moved toward democracy even as they struggled under large debts and now have returned to economic growth. Thus, this type of tool must be used carefully. The following approach is an attempt to balance the need for fiscal prudence with a recognition that some countries truly border on insolvency today.

The Debt Picture in Sub-Saharan Africa. A group of poor countries located primarily in Sub-Saharan Africa bear onerous foreign debts. For the Sub-Saharan region of Africa as a whole, the collective debt of more than $140 billion (as of 1992) is nearly as large as those countries' combined GDPs. Servicing these debts commonly requires over 20 percent of annual export earnings--sometimes much more. When coupled with low domestic saving rates, these conditions make the prospects for most of Africa's economies quite poor. Under such circumstances, little hope exists for their economies--generally the world's poorest and slowest growing. Debt forgiveness or debt-servicing relief can be very important for countries in such dire economic straits. It is especially critical for poor African countries, which receive little in the way of private capital flows today and are unlikely to anytime soon. By contrast, many medium-income debtors can induce private inflows of capital fairly quickly by adopting certain types of economic policies.

To help these countries finance debt payments, additional loans have been made available by the International Development Association as well as the International Monetary Fund under its Structural Adjustment Facility and Enhanced Structural Adjustment Facility. But without improved economic growth, even concessional loans may do little to ease the basic debt burdens of countries in Sub-Saharan Africa and a few other parts of the world.

More ambitious efforts to reduce the burden of debt probably make sense only when combined with economic reform. One approach showing considerable promise in a number of countries is the World

31. See Joan M. Nelson with Stephanie J. Eglinton, *Encouraging Democracy: What Role for Conditioned Aid?* (Washington, D.C.: Overseas Development Council, 1992), pp. 1-4; Nicole Ball, "Levers for Plowshares: Using Aid to Encourage Military Reform, *Arms Control Today* (November 1992), pp. 11-17; Herbst, *U.S. Economic Policy Toward Africa*, pp. 49-50.

Table 16.
Long-Term Credits of U.S. Government Agencies to Sub-Saharan African Countries (In millions of dollars)

	Loans Forgiven to Date	Outstanding Loans					
		Exim	AID	FMF	P.L. 480	CCC	Total
Angola	n.a.	32.4	n.a.	n.a.	n.a.	n.a.	32.4
Benin	38.2	n.a.	n.a.	n.a.	n.a.	n.a.	0
Botswana	n.a.	n.a.	19.7	3.3	n.a.	n.a.	23.0
Burkina Faso	2.4	n.a.	n.a.	n.a.	n.a.	n.a.	0
Cameroon	73.5	31.0	n.a.	6.9	n.a.	n.a.	37.9
Central African Republic	n.a.	6.0	n.a.	n.a.	n.a.	n.a.	6.0
Congo	n.a.	11.8	n.a.	n.a.	9.1	n.a.	20.9
Cote d'Ivoire	18.8	137.3	26.4	n.a.	41.3	n.a.	
205.0							
Ethiopia	n.a.	n.a.	77.4	n.a.	1.1	n.a.	78.5
Gabon	n.a.	55.0	n.a.	6.3	n.a.	n.a.	61.3
Ghana	209.7	n.a.	n.a.	n.a.	n.a.	n.a.	0
Guinea	5.4	8.8	n.a.	n.a.	107.4	n.a.	116.2
Kenya	220.5	57.7	38.7	9.3	n.a.	n.a.	105.7
Liberia	n.a.	6.0	86.0	11.3	91.9	n.a.	
195.2							
Madagascar	60.6	24.4	n.a.	n.a.	n.a.	n.a.	24.4
Malawi	42.6	n.a.	n.a.	n.a.	n.a.	n.a.	0
Mali	6.8	n.a.	n.a.	n.a.	0.1	n.a.	0.1
Mauritania	n.a.	5.4	n.a.	n.a.	n.a.	n.a.	5.4
Mauritius	n.a.	3.5	n.a.	n.a.	7.2	n.a.	10.7
Mozambique	52.9	43.3	n.a.	n.a.	n.a.	n.a.	43.3
Niger	7.5	6.7	n.a.	4.8	n.a.	n.a.	11.5
Nigeria	79.3	655.4	n.a.		n.a.	n.a.	655.4
Senegal	34.5	1.4	4.1	8.6	8.6	n.a.	22.7
Sierra Leone	n.a.	18.5	n.a.	n.a.	62.1	n.a.	80.6
Somalia	n.a.	n.a.	12.1	77.4	146.8	n.a.	236.3
Sudan	n.a.	28.2	10.5	140.4	438.8	61.2	679.1
Swaziland	n.a.	n.a.	9.9	n.a.	n.a.	n.a.	9.9
Tanzania	166.7	24.0	n.a.	n.a.	n.a.	n.a.	24.0
Togo	7.4	n.a.	n.a.	n.a.	n.a.	n.a.	0
Uganda	26.7	1.5	n.a.	n.a.	n.a.	n.a.	1.5
Zaire	59.2	921.8	118.2	168.6	283.7	12.4	1,504.7
Zambia	91.0	130.2	2.8	n.a.	124.1	n.a.	257.1
Zimbabwe	n.a.	n.a.	4.1	n.a.	46.7	n.a.	50.8
Total	1,203.7	2,210.3	409.9	436.9	1,368.9	73.6	4,499.6

SOURCES: Congressional Budget Office based on data from the Agency for International Development, and the Department of Treasury, "Status of Active Foreign Credits" (December 31, 1992), Table VII-1.

NOTE: Exim = Export-Import Bank; AID = Agency for International Development; FMF = foreign military financing; P.L. 480 = Public Law 480 (food assistance programs); CCC = Commodity Credit Corporation; n.a. = not applicable.

Bank's concept of structural adjustment. Structural adjustment programs require curtailing many consumer and industrial subsidies, shrinking most government sectors, and setting realistic exchange rates. Although painful to carry out, these measures can help improve government efficiency and restore healthy incentives to the private sectors in those countries where they are adopted. New U.S. aid initiatives might minimize waste if targeted toward countries that are serious about reform in this way and also might help those countries ease the hardship that such reforms can cause to the poorer strata of society as they are put in place.[32]

Bilateral Debt. The debts owed by African countries to other governments have been reduced in recent years by Western governments operating as the Paris Club of creditors. They produced the so-called "Toronto terms" for debt relief that led to the reduction and rescheduling of debt and were followed by the even more concessionary "Trinidad terms" in December 1991. As shown in Table 16, African countries owed about $4.5 billion to the United States at the end of 1992. If applied to those countries adopting the best economic policies, a policy of reducing this debt further might cost the United States $250 million to $450 million a year when averaged over a 10-year period.

Commercial and Multilateral Debt. Were the United States and other donors also to work together to help reformist African governments with their private and multilateral debt, several tens of billions of dollars would be at issue. As of 1992, Sub-Saharan Africa owed a total of about $28 billion to private creditors (with a market value considerably less than its face value), and about $45 billion to multilateral institutions such as the International Development Association and World Bank.

Since the private debt has declined substantially in face value, it might be reduced through an approach similar to that devised by President Bush's Treasury Secretary, Nicholas Brady, and applied to several Latin American countries during the previous Administration. Under that plan, commercial banks sold debt back to debtor countries at a discount, using money provided by the international financial institutions. Alternatively, debtors could exchange their former debt obligations for securities that reduced aggregate debt or debt-service burdens.

A similar approach to buying back this debt at its market value, therefore, could reduce private debt by 60 percent or more. If the United States was to participate in such a debt-buyback scheme and contribute one-quarter of the total funding, it might provide a total of some $1 billion to $2 billion in one-time payments to banks.[33] The average annual disbursement, spread over a 10-year period, would be $100 million to $200 million.

For African countries, the remaining debt burden of nearly $45 billion in multilateral debt--requiring annual servicing of nearly $3 billion a year--could still be onerous. Western governments therefore might choose to provide funds to certain reformist African governments to help them with their annual payments. Each year's debt relief could be contingent on ongoing commitment to economic reform. If the United States was to make a 25 percent contribution, its additional payment over a 10-year period might average $400 million to $750 million a year.[34]

This type of program could include several conditions that the donor countries would expect recipients to meet. It would be important to avoid unrealistic expectations, since these countries face significant economic and political constraints and cannot be expected to work miracles. But it may be desirable to try to employ what leverage is available. Donors might choose to lobby most heavily for a macroeconomic framework that encourages private agriculture and industry without undue protectionism or subsidies for consumers. (It probably would not be wise to focus only on producing the veneer of a democratic election, since that does not ensure good economic policy.) To help do so, donors might require recipients to create, in their own currencies, accounts that would address such needs as infrastructure, fertilizer and irrigation, and basic health care services.

32. See Herbst, *U.S. Economic Policy Toward Africa.*

33. See Paul R. Krugman, "Debt Relief Is Cheap," *Foreign Policy* (Fall 1990), pp. 141-152.

34. For a similar idea, see Carol Lancaster, *African Economic Reform: The External Dimension* (Washington, D.C.: Institute for International Economics, 1991), pp. 20-31, 55-63.

Chapter Six

Reallocating Within the Foreign Policy Budget: Paying the Bill for New Aid Initiatives

If the budget for foreign assistance is to increase, a source of financing will be necessary. One possible approach, considered here, is to cut some defense programs and existing foreign aid programs to free up the necessary dollars for a new aid initiative. In this way, total budget authority for foreign policy activities--defense, foreign assistance, and diplomacy--would remain at the planned 1999 level of $248 billion (in 1994 dollars) even if the allocation of those funds is changed.

There is a certain logic to this approach. Despite their fundamentally different characteristics, military spending and foreign aid may serve many of the same U.S. security goals. In truth, neither foreign aid nor defense spending is as much about directly protecting U.S. territory as about shaping the international environment in which the United States finds itself. Both are reflections of "enlightened self-interest," and the question is not whether to choose one or the other but how best to balance these complementary tools of U.S. foreign policy.

Moreover, from a pragmatic perspective any increase in aid must fit within the limits on total discretionary spending mandated by the current budget law. (Discretionary spending includes funding for defense and international affairs as well as money for a variety of nondefense programs ranging from transportation to space to veterans programs.) Given the tightness of these budget limits, any substantial increases in foreign assistance would have to be offset by cuts in other discretionary programs.

One can argue that those cuts should be made in nondefense spending rather than in foreign policy programs. Foreign policy spending has already been declining substantially and is scheduled to decline considerably further--to some 3.2 percent of gross domestic product in the late 1990s, down from about 4.5 percent today, nearly 7 percent at the peak of the Reagan Administration's military buildup, and an average of nearly 10 percent in the 1950s and 1960s. Even if all the aid increases discussed in this study were adopted without further cuts in defense, the foreign policy budget would decline to less than 3.4 percent of GDP.

However, a number of domestic programs have also been strained for funds in recent years. And some of them contribute to foreign policy. By cushioning unemployment and helping workers prepare for new work, they undergird an element of current U.S. foreign policy critical to the economic prospects of developing countries--relatively unrestricted international trade. Even from a foreign policy perspective, there could be drawbacks to cutting domestic programs in order to pay for foreign aid.

Summary of Possible Foreign Aid Initiatives

What would be required to finance the new initiatives? Different aid packages could be constructed from the ideas presented in previous chapters, costing from a few billion dollars to as much as $12.5 billion annually (see Table 17). This amount of money, though not large compared with the total federal budget, is nevertheless clearly substantial.

In light of limited budgetary resources, policymakers could of course choose to spend less than $12.5 billion. They could target aid initiatives

toward particular areas--say, those most directly linked to security, including aid to the newly independent states of the former Soviet Union, U.N. peacekeeping, arms control, and peace funds. Corresponding levels of additional aid might reach $6 billion a year. Or U.N. peacekeeping, arms control, and population policy--focused on family planning, child health, and female education--might be emphasized, with annual costs to the United States also up to $6 billion or so.

Another approach to limiting the amount of added spending would be to fund each project or program near the lower end of the budgetary ranges (see Chapters 2 through 5). In some cases, the funds might prove insufficient for the objectives of the proposals. If over time these funds proved insufficient in one or two important areas, another round of aid increases might be considered.

Table 17.
Summary of Possible Increases in U.S. Foreign Assistance (In millions of 1994 dollars)

Category of Aid	Average Annual Increases
Security-Related Aid	
Additional aid to FSU	Up to 3,000
U.N. peacekeeping budget	500 to 900
Sanctions relief fund	Up to a few hundred
Arms control and peace funds	Up to 2,000
Subtotal	Up to 6,500
Aid for Health, Basic Human Needs, and Family Planning	
Family planning	500 to 600
Child and maternal health	1,400
Education	200 to 500
Refugee support	300
Agriculture	2,000
Debt forgiveness and relief	750 to 1,400
Subtotal	5,000 to 6,000
Total	Up to 12,500

SOURCE: Congressional Budget Office.

NOTES: The numbers in this table are approximate and are intended to be illustrative.

FSU = newly independent states of the former Soviet Union.

Reducing Certain International Affairs Programs to Help Fund Others

Cuts in existing aid programs might finance some of the added cost associated with new initiatives. Doing so would be consistent with the widely accepted goal of focusing foreign aid on a narrower set of objectives.

Some reductions in assistance are already occurring. For example, 21 field offices of the Agency for International Development serving a total of 35 countries are being eliminated as a cost-limiting measure. Most of those countries are considered middle income and no longer in acute need of foreign support for their development efforts; others have been deemed simply too corrupt to work with.

Reduce Aid to Middle-Income Developing Countries

Although many developing countries continue to have acute human needs--just as the United States does--one may argue that some have reached a point where the United States should offer only specific technical consulting rather than large amounts of cash aid. Several of the middle-income developing countries of Latin America and Southeast Asia now have per capita incomes comparable with those in the United States early this century. In many ways, they probably should no longer be called poor. Yet they often receive just as much if not more aid per capita as do poorer countries.[1] It may be time for

1. World Bank, *World Development Report 1990: Poverty* (New York: Oxford University Press, 1990), pp. 127-128.

them to graduate from the ranks of recipients, as a few already have done, in keeping with the idea that aid is not a permanent entitlement but a type of policy useful for modest lengths of time at specific stages in the development process.

With the right policies, such countries should be able to address their most pressing human needs. Although they do not have the resources of the donor community, they may have sufficient funds to take care of their own poor. Since donors have limited resources, they might better target them toward the poorest countries. In any case, their trade, budget, and economic policies probably matter more than their aid for the middle-income developing countries.

In response to these arguments, the United States could limit the number of countries in which the Agency for International Development operates. The United States could, for example, phase out development assistance to about 30 middle-income countries. Compared with 1994 spending, that policy eventually could save $400 million a year. It would also be consistent with the Clinton Administration's preference for narrowing AID's geographic focus.[2]

However, middle-income countries may not always address the needs of their poor--just as, particularly at earlier times in their histories, the industrial powers tolerated human welfare standards that can look callous to the contemporary eye. In such circumstances, the donor community may prefer not to cut off all aid but to target it more toward those programs addressing the basic human needs of the poor.

Reduce Security Assistance to Egypt and Israel

A number of factors suggest that reductions in aid to Israel and Egypt would not be unreasonable at this point. The end of the Cold War and corresponding cessation of Soviet loans to Mideast arms purchasers, as well as the effects of the Iran-Iraq War and the Persian Gulf War, together have reduced the military threats to Israel substantially. And if aid to Israel can be cut, funds going to Egypt--a country with only modest external threats--probably can be, too.

Most budget authority for bilateral security-related aid is devoted to Israel and Egypt. Yet together these countries represent only about 1 percent of the developing world's population. At a time when around 30 major armed conflicts are being waged around the world, it is not clear that the Middle East deserves such a disproportionate share of available funding. Important members of the Congress, including Senate Minority Leader Robert Dole and Chairman David Obey of the House Committee on Appropriation's Subcommittee on Foreign Operations, have made these arguments of late.[3]

As such, one may argue that the combined total of $5 billion might be safely reduced. Indeed, were aid reduced by 25 percent, Israel and Egypt would still receive about as much grant aid from the United States, in constant dollars, as they did in the years following the 1979 Camp David Accords (see Figures 4 and 5). Cuts of this magnitude, especially if phased in over several years, would not amount to a breach of faith with these two close U.S. allies.

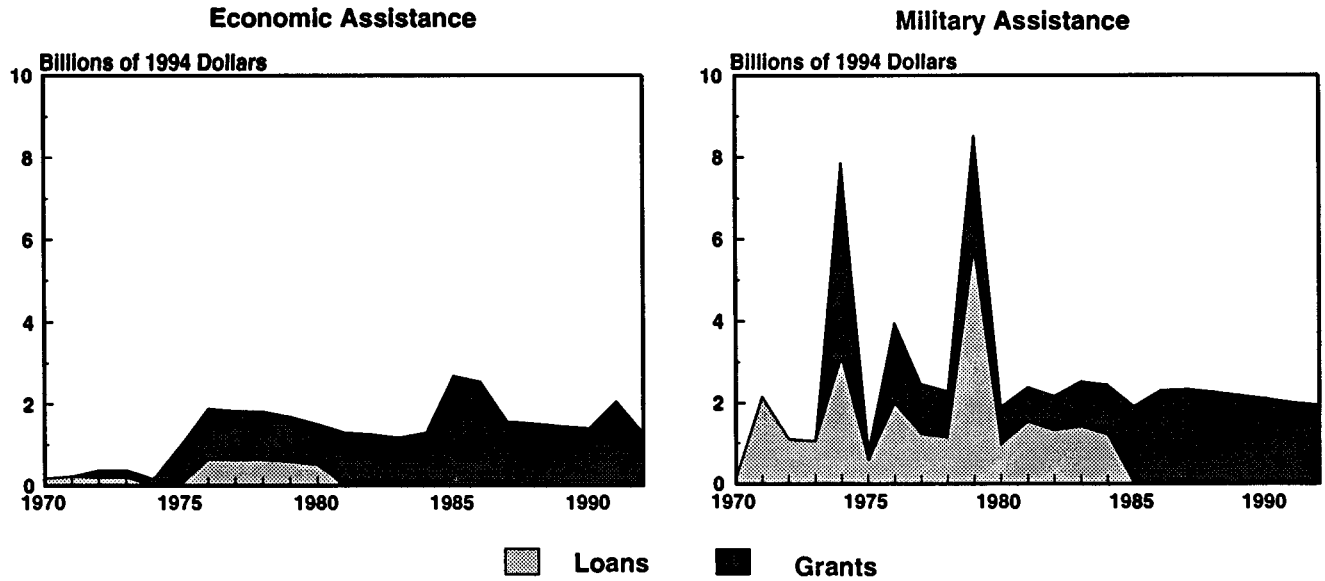
Larger cuts in aid could well be imprudent. Israel and Egypt remain very important U.S. allies in a region still fundamentally unstable and dangerous. Moreover, Egypt's political stability--a linchpin of the prospects for lasting Mideast peace--is hardly assured at this time, and its prognosis might worsen if economic conditions deteriorated further.[4] And Israel continues to face a difficult political and security situation in its efforts to establish a peace accord with the PLO. Still, even without a fundamental change in the nature of U.S. relations with

2. See "Reduce Development Assistance," in Congressional Budget Office, *Reducing the Deficit: Spending and Revenue Options* (March 1994), pp. 97-98; "U.S. Agency for Development Plans to Cut Aid to 35 Nations," *The New York Times*, November 20, 1993, p. A5.

3. Elaine Sciolino, "Clinton Challenged on Share of U.S. Aid Going to Israel and Egypt," *The New York Times*, March 9, 1993, p. A9.

4. Gerald F. Seib, "As Peace Calls, Egypt's Meaning to Clinton Grows," *The Wall Street Journal*, September 8, 1993, p. A14.

Figure 4.
U.S. Aid to Israel, 1970-1992



SOURCE: Congressional Budget Office based on data from the Agency for International Development.

key allies, cuts in security assistance as laid out here might save more than $1 billion a year.

Reduce Funding for P.L. 480 Titles I and III

When enacted, the Agricultural Trade and Development Act (P.L. 480) had several goals. Title II of the act was intended to provide food to foreign countries suffering from the effects of disasters. Titles I and III, which provide loans and grants, respectively, to help other countries acquire U.S. agricultural products, were intended to help develop markets for U.S. goods and to reduce U.S. production surpluses. U.S. agricultural export policies also include measures to enhance commercial sales by providing credit through the Commodity Credit Corporation and subsidizing purchases through the Export Enhancement Program.

By lowering food prices in recipient countries, however, Titles I and III can actually hurt the development of agricultural sectors in those countries by making it harder for farmers to earn a profit. In addition, these programs have become economically rather insignificant to U.S. producers in comparison with total U.S. agricultural exports. They now fund less than 2 percent of total U.S. shipments of food abroad, in contrast to 30 percent at the program's inception.[5] They also represent no more than about 10 percent of all government help given to U.S. farmers under various programs.[6] Nor do they have much bearing on the country's means of disposing of agricultural surpluses: the government no longer holds stocks of most of the commodities shipped under P.L. 480, and the Acreage Reduction Program could be used to limit surpluses if needed.

In their defense, Title I and especially Title III can help countries that are in temporary need of food, but need that falls short of acute crisis qualifying them for Title II assistance. Short-term help may be all they require before they achieve a greater measure of self-sufficiency. If sold by recipient countries, food given under Title III in particular can also provide a boost of cash that may be

5. "Eliminate P.L. 480 Title I Sales and Title III Grants," in Congressional Budget Office, *Reducing the Deficit*, pp. 99-100; Congressional Budget Office, *Agricultural Progress in the Third World and its Effect on U.S. Farm Exports* (May 1989), pp. 1-27.

6. Congressional Budget Office, *The Outlook for Farm Commodity Program Spending, Fiscal Years 1992-1997* (June 1992), p. 2.

particularly useful at certain points, as long as it does not disrupt indigenous agriculture unduly. Nevertheless, other types of aid may be more likely to meet the needs of developing countries in a timely and flexible fashion, while running fewer risks of slowing their agricultural progress. The United States might therefore consider eliminating transfers of food under Titles I and III of P.L. 480. This action would reduce U.S. costs by nearly $500 million a year; cutting just Title I would save roughly half as much.

By combining the cuts in aid outlined above, the United States could save more than $2 billion a year. Although substantial, the changes would not be sufficient to finance all or even most of the foreign aid initiatives identified in this study (see Table 17). Further cuts in the defense budget would also be needed if overall foreign policy spending were to remain unchanged.

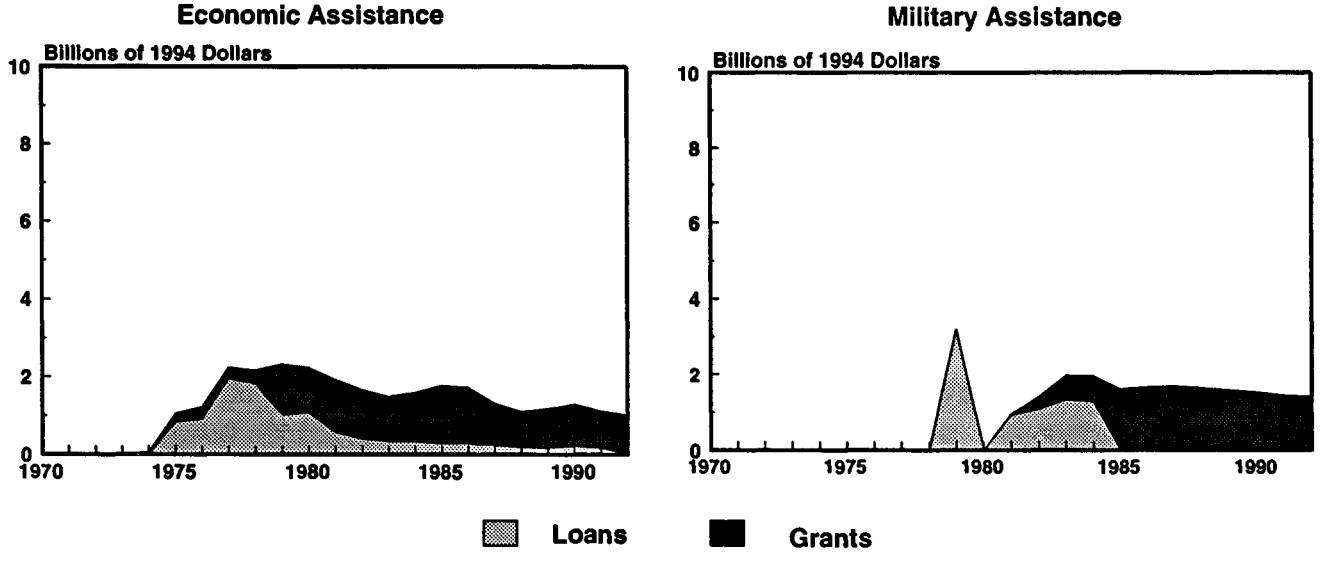
Reducing Military Spending Beyond the Administration's Plan

By 1999, currently planned reductions in military forces and weapons acquisition programs will reduce real funding levels for national defense by another $28 billion a year relative to the 1994 level (see Table 1 on page 5). The savings that would be needed for this study's aid initiatives would have to come on top of those planned cuts.

Current Plans for Defense

The Administration has announced its broad plans for the defense budget, major forces, and selected weapon systems. These plans reflect the outcome of a major review (dubbed the Bottom-Up Review) recently completed by the Department of Defense (DoD).

Figure 5.
U.S. Aid to Egypt, 1970-1992



SOURCE: Congressional Budget Office based on data from the Agency for International Development.

The Administration has stated that it believes these planned forces would be capable of fighting two regional wars that occurred nearly simultaneously. In certain scenarios the planned capability may be adequate for two conflicts, though critics have raised significant doubts (see Box 5).

Under the new plan, budget authority in the national defense function would decline to about $231 billion by 1999 (in 1994 dollars), a reduction of $113 billion below the 1990 level. DoD would maintain 10 active Army divisions, with associated equipment characterized as either heavy or light, 20 Air Force tactical fighter wings (each typically with 72 readily deployable aircraft), and 11 aircraft carriers plus another carrier manned partly with reserves (see Table 18). About 1.45 million personnel would be on active duty to man these and many other active forces. In addition, part-time reserves would constitute a number of forces.

Compared with plans put forth by the Bush Administration, the Clinton plan would cut defense spending by about 8 percent by 1999. It would maintain 2 fewer active Army divisions, 6 fewer Air Force wings, and about 25 to 35 fewer attack submarines. It also would scale back missile defense programs drastically, focusing remaining work against theater missiles, and change and slow programs to modernize tactical combat aircraft.

Table 18.
U.S. Military Forces

	1990	Base Force Plan for 1995	Administration's Plan for Late 1990s
Army Divisions	28 (18 Active)	18 (12 Active)[a]	15 (10 Active)
MEFs	3	3	3
Aircraft Carriers	15 + 1 Training	12 + 1 Training	11 + 1 Reserve
Carrier Air Wings	15 (13 Active)	13 (11 Active)	10 + 1 Reserve
Battle Force Ships	546	451	346
Fighter Wings	36 (24 Active)	26 (15 Active)	20 (13 Active)
Strategic Bombers (PAA)	301	180	Up to 184
Active-Duty Manpower	2,069,000	1,644,200	1,453,000
Reserve Manpower	1,128,000	921,800	About 900,000

SOURCE: Congressional Budget Office based on data from the Department of Defense.

NOTES: The Base Force Plan, the official policy of the Bush Administration, would have been almost fully in place by 1995.

MEF = Marine Expeditionary Force; PAA = primary authorized aircraft.

a. Does not include two cadre divisions.

Box 5.
Strategy, Force Planning, and Simultaneous Regional Wars

The Bush Administration's defense plan known as the "base force" envisioned keeping enough combat force to be capable of engaging in two major regional wars simultaneously--or at least nearly so. In practice, capabilities might have been taxed in several areas: logistics, highly effective special-purpose combat equipment such as stealth aircraft and aircraft with laser-guided bombing capability, and support systems including reconnaissance, electronic warfare, and command/control aircraft and satellites.[1] But combat forces might have been up to the task, at least in terms of overall size, and they might have done a good job of at least deterring a second war.

Under the Clinton Administration's plan, active-duty defense personnel would number about 10 percent less than in the base force. Nevertheless, the Clinton plan would retain a two-war doctrine. As with the Bush Administration's plan, it uses the generic concept of a war against a foe such as Iraq in Desert Storm as its assumed benchmark.[2] But it is not clear just how well the Clinton Administration's planned forces could fulfill this two-war mission. If faced with such a demanding situation, the military might succeed only if one of the wars turned out to be smaller in size, to be conducted with a more effective U.S. military doctrine and force structure, to benefit from more combat-ready Army reserves than were believed available in Desert Storm, or to receive greater allied participation than was anticipated under the base-force approach.

Former Secretary of Defense Les Aspin advocated a plan similar to the Administration's in 1992 as Chairman of the House Committee on Armed Services. But at that time he portrayed his force posture as suitable for one full-fledged regional war on the Desert Storm scale, plus a second lesser contingency requiring only U.S. airpower, as well as some of the more routine tasks conducted by the U.S. military elsewhere.[3] Press reports indicate that in early discussions during the Bottom-Up Review, many officials viewed the Administration's planned forces as more akin to those suitable for one and a half regional wars than for two at a time.[4] Considering that some U.S. forces are generally involved in maintaining a continual presence around the world or in participating in small and lower-intensity engagements, it is doubtful the United States would ever make all of its forces available for combat.

Moreover, when involved in war, the United States usually finds that it has higher-than-anticipated demands on certain parts of its force posture. In the Gulf War, for example, the services of stealth aircraft, other aircraft carrying laser-guided bombs, reconnaissance platforms, airlift and sealift, heavy tank divisions, and attack helicopters were greatly in need. Even though the war involved only about one-quarter of all U.S. military personnel, it required about half and in some cases most of these types of units.[5]

Arguing in support of the Administration's plan and its doctrinal underpinnings, however, are a number of other considerations. First, no potential regional foe highly inimical to U.S. interests is now armed as well as Iraq was before the Gulf War. Second, new weapons now being acquired by the United States may allow a more efficient and effective prosecution of any future engagements. Third, South Korea continues to grow economically, and its forces look more and more capable of holding their own against those of the North--unlike the situation in the Persian Gulf, where it is commonly accepted that in the event of war the Gulf sheikdoms would require U.S. military help regardless of their past levels of arms acquisitions. Thus, if a two-war planning benchmark is viewed as being focused specifically on Korea and the Persian Gulf, the Clinton Administration's force posture may well be capable of meeting its goals.

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1. See, for example, Joint Chiefs of Staff, *Joint Military Net Assessment 1991* (March 1991), Chapter 9.

2. Secretary of Defense Les Aspin, "The Bottom-Up Review: Forces for a New Era" (Department of Defense, September 1, 1993), pp. 5, 10.

3. Les Aspin, "An Approach to Sizing American Conventional Forces for the Post-Soviet Era" (House Committee on Armed Services, February 25, 1992), p. 21, Chart VI.

4. Michael R. Gordon, "Cuts Force Review of War Strategies," *The New York Times*, May 30, 1993, p. A16; Barton Gellman and John Lancaster, "U.S. May Drop 2-War Capability," *The Washington Post*, June 17, 1993, p. A1.

5. Department of Defense, *Conduct of the Persian Gulf War* (1992), Appendix T; Thomas A. Keaney and Eliot A. Cohen, *Gulf War Airpower Survey Summary Report* (1993), pp. 14, 192, 204.

Further Cuts in Military Forces

Defense savings would be difficult to achieve without further cuts in forces or modernization programs. The Department of Defense is presently attempting to achieve efficiencies in management and functioning through the Defense Management Review, the recently completed National Performance Review, and Secretary William Perry's efforts to achieve reform of the Pentagon acquisition process. But many of these efficiencies are already being assumed in the preparation of future budgets.

Moreover, there are doubts about the ability of the Pentagon to achieve those savings already on the books. These doubts are among the factors leading Secretary Perry to state that the Department of Defense, in its plans to maintain the forces specified in the Bottom-Up Review, is short some $20 billion over the period from 1996 through 1999. Thus, any effort to reduce the planned Pentagon budget further will probably need to make difficult choices about where--if anywhere--U.S. military power could be further cut without undue risk to the nation's security interests.

Naval Forces. First, consider the possibility of changing the basic U.S. approach to naval forward presence. As then Secretary of Defense Les Aspin argued when presenting the results of his Bottom-Up Review, probably the single most important reason why the Navy plans to retain 12 aircraft carriers (including one manned partly by reserves) is to maintain a peacetime presence in several parts of the world at once for deterrence. If the United States were to reduce the number of carriers to 10, and correspondingly cut aircraft for those carriers, it might reduce the defense budget by about $1 billion a year. A fleet of 10 carriers would be within the range laid out in 1992 by the Chairman of the Senate Armed Services Committee and advocated by President Clinton during the last Presidential campaign.

With a smaller number of carriers, the Navy would have to alter the way it operates these vessels in peacetime. Several choices would face U.S. officials. One approach would change the presence mission, perhaps by using smaller surface ships, as well as land-based units in some cases. Another would develop at least one new overseas base where a carrier and its crew could be based permanently, allowing the carrier to be on continuous forward deployment without the need for long stints in U.S. waters and in transit.

Finding an acceptable overseas homeport is difficult, especially without a major unifying threat like that provided by Moscow, which tended to cement U.S. alliances during the Cold War. Thus, changing the presence mission might be more practical. Occasional carrier tours, together with a presence supplied by smaller vessels, may convey as much U.S. resolve and commitment as current deployment schemes do--though it must be acknowledged that risks could increase.

At a time when the United States is often not inclined to become involved in regional conflict unilaterally, there are reasons to doubt that the mere presence of aircraft carriers steaming about will reliably deter hostile actions--witness the impotence of the U.S. carrier in the Adriatic during most of the war in Bosnia. Moreover, one or two carriers--all that are generally available in a given region of the world under current operating conditions--do not have enough firepower for significant regional combat. From this perspective, having 8 to 10 carriers may be sufficient for a suitably revised carrier mission. Were even as few as six to eight carriers available for rapid deployment in the event of serious crisis or war, moreover, their combined airpower would exceed the capability of virtually any major regional air force.[7]

Consolidation of Roles and Missions in the Marine Corps and Army. The above approach to reducing carrier fleets--facilitated by using other types of ships, or even other types of military assets, for the presence mission--is one example of a possible change in military roles and missions. The roles and missions approach to consolidating

7. Congressional Budget Office, *Limiting Conventional Arms Exports to the Middle East* (September 1992), p. 82; Michael E. O'Hanlon, *The Art of War in the Age of Peace* (Westport, Conn.: Praeger, 1992), pp. 33-40; also see statement of Robert F. Hale, Assistant Director, National Security Division, Congressional Budget Office, before the Subcommittee on Military Acquisition and the Subcommittee on Research and Technology, House Committee on Armed Services, April 28, 1993, p. 43.

forces asks whether different types of units have such similar capabilities that their redundancy might surpass the conservative dictates of cautious military planning.

No strong common accord exists on where excessive duplication takes place. Indeed, in a 1993 Congressionally mandated study on roles and missions of the Department of Defense, then Chairman of the Joint Chiefs of Staff Colin Powell suggested only modest cuts--notably, in several squadrons of interceptor aircraft for continental air defense, some Navy and Air Force command and control aircraft, training aircraft, and certain depot functions.[8] The Chairman argued that duplication is often appropriate in an undertaking as important and uncertain as fighting a war.

However, other analysts and policymakers have challenged DoD's contention that more fundamental and far-reaching consolidation is not prudent, and argue that several types of units might be candidates for pruning. The Army's light divisions are a frequently mentioned example. Eliminating or sharply curtailing them could save up to about $3.5 billion a year.

Army light divisions perform roles similar to those of the Marines. If two simultaneous wars were to occur, and at least one had extended supply lines or involved mountain or urban warfare, Army light divisions--especially if equipped with better weaponry than they now possess--might be important. But as things stand now they overlap substantially with Marine functions--and without even the small amounts of armor, mobility, and tank-destroying capability that Marines possess. General Powell's roles and missions study, while opposing additional cuts in these forces, did indicate that further examination of this issue might be warranted.[9] Moreover, as a recent CBO study put it:

> Perhaps the strongest statement about the utility of the LIDs [light infantry divisions] in combat was made by the Department of Defense when it failed to use any light infantry forces during Operation Desert Storm. That conflict was initiated by a relatively unsophisticated foe and occurred halfway around the world with very little warning. The need to establish some military presence in theater very rapidly would seemingly have argued for the use of light infantry forces. Nevertheless, none of the LIDs were deployed.[10]

Ground and Air Forces. A more ambitious approach to reducing land-based forces might involve additional cuts in Army and Marine divisions and Air Force wings. For example, the United States might consider eliminating another active Army heavy division and three Air Force wings. These reductions in combat forces, once completed, could save more than $2.5 billion a year--$1.7 billion in Army accounts and $0.9 billion in the Air Force. If a Marine Expeditionary Force was also eliminated, $1.8 billion a year in further savings might be achieved.

Such reductions in ground and air forces would increase risks or hamper U.S. flexibility if two major regional wars occurred simultaneously. Although this capability is already in doubt with the Administration's planned force, the cuts laid out above would make it very difficult or impossible to prevail decisively in two such conflicts at once in the unexpected event that they did both occur--especially if both approached the scale of Desert Storm (see Box 5).

Not having such a capability may be acceptable. The chances of two simultaneous wars could be considered so low--and largely independent of the U.S. force posture--that preparing for both at once would amount to an unwise use of scarce U.S. resources. An advocate of this approach might disagree with the Administration and argue that smaller forces would not harm deterrence. To the extent that U.S. policy affects the chances of war, foreign leaders are much more likely to doubt

8. Chairman of the Joint Chiefs of Staff, *Report on the Roles, Missions, and Functions of the Armed Forces of the United States* (Department of Defense, 1993), pp. xxii-xxx.

9. Ibid., p. xxviii.

10. Congressional Budget Office, *Reducing the Deficit: Spending and Revenue Options* (February 1993), p. 63.

America's *willingness* to become involved in peripheral conflicts--and pay the blood price of doing so--than its capabilities for actually winning militarily, should it become involved. By this line of reasoning, the size of the U.S. force structure may not affect America's willingness to fight nearly as much as domestic political constraints on the use of force overseas.

Thinking in more specific terms, advocates of a single-war strategy also might argue that the world is not particularly dangerous to U.S. interests at this point in history. Basing military planning on the possibility of even a single major war on the scale of Desert Storm already seems cautious and prudent given that: (1) a land war against China or Russia strains credulity, (2) Israel's military strength in comparison with that of its neighbors is substantial, (3) Iran and Iraq are much weaker now than Iraq was in 1990, and (4) South Korea continues to outdistance North Korea in economic and technological prowess, trends that are likely to work to Seoul's long-term military advantage as well. With enough capability to conduct a single Desert Storm, as well as simultaneously participate in one or two significant U.N. peacekeeping or peace enforcement operations, maintain forward presence in Korea and on the seas, and of course maintain an effective nuclear force plus the world's best military technology and best-trained military personnel, the United States would retain a much stronger military than any other country.

Further cuts in ground and air forces would, however, present drawbacks. Although Iran and Iraq are relatively weak at present, and Syria much more willing to work with the United States than in the past, the Middle East continues to merit concern. Arms sales to the region, and especially its wealthy Persian Gulf countries, may well again encourage major military buildups by Iran or Iraq or both--ironic as such an outcome might be in the aftermath of the 1991 Gulf War. If peace talks in the Arab-Israeli theater do not succeed, or if Egypt's political stability and moderate stance do not prove sustainable, Israel's security may also be put in greater jeopardy than it now appears to be. Under any of these assumptions, another Mideast war that would involve the United States on a scale comparable to Desert Storm cannot be ruled out.

The specific circumstances of war--including terrain and other factors--could also make war against a given opponent more difficult than it might otherwise be. In addition, unthinkable as they may now seem, the prospects of war against the larger mainland Asian powers might not be dismissable. Were such a conflict the second "major regional contingency" that arose simultaneously with a war in the Middle East or Korea, demands upon U.S. forces could be much greater.

Nuclear Forces. Finally, further economies might be made in U.S. nuclear forces. The second Strategic Arms Reduction Talks (START II) Treaty, not yet ratified primarily as a result of Ukraine's reluctance to give up its nuclear weapons, may nevertheless be viewed as a reasonable basis for U.S. force planning given the end of the Cold War. START II specifies a ceiling of 3,500 warheads deployed on long-range platforms per country. Without moving below this level, the United States could save more money by gradually retiring 8 of its Trident submarines and 200 of its Minuteman III missiles. It might also reorganize its nuclear activities within the Department of Energy--permanently stopping testing, possibly taking one major laboratory out of the nuclear weapons business altogether, retiring excess warheads as well as all remaining tactical nuclear weapons, and consolidating some other operations.

These changes, though substantial, would not eliminate the multiple "legs" of U.S. nuclear forces that are often referred to as the triad. Nor, in the eyes of many analysts, would they significantly affect either the safety or the reliability of the U.S. nuclear arsenal. Savings of about $1.5 billion a year could be realized by the end of the decade.

Cuts in nuclear forces, like all the possible reductions in military forces considered in this section, should be made thoughtfully, however. Even though the remaining forces would be highly capable, the pace of nuclear reductions under START is already fast enough that the United States may worry about the signals it would send with further cuts at this time. Would allies feel less reassured about U.S. commitments to their defense? Perhaps more likely, would aggressive states feel emboldened by what might in their eyes appear to be an-

other sign of U.S. retrenchment and disengagement? Such questions could be especially salient if significant or wide-ranging new cuts were considered. These questions must be considered before any further cuts are made.

Further Reductions in Force Modernization

Additional cuts in forces are not the only approach to reducing defense spending in order to finance selected aid initiatives. It may also be possible to reduce the procurement funds, as well as research and development budgets, that are used to acquire new weapons to modernize U.S. forces. Some cuts along these lines--for example, in D5 missiles on Trident submarines--have already been incorporated in the above options. But it may be possible to reduce modernization rates even in areas where forces are not cut.

Further cuts in procurement funding could be difficult to achieve: these funds already have declined, in real terms, by about 50 percent since 1990. Moreover, they are not expected to increase significantly in the next five years. Overall cuts in procurement have been even larger in relative terms than those for the DoD budget as a whole. Nevertheless, the regional powers that now pose the greatest threats to U.S. security possess significantly fewer capable weapons than did the former Soviet Union, and their militaries are generally less capable of operating modern weapons in a coordinated and effective manner. Further cuts in acquisition spending may therefore be judged acceptable.

It is difficult to be precise about the savings that could be associated with additional cuts in acquisition. But two additional examples from the category of major combat platforms might include naval destroyers and tactical aircraft.

The Navy, without a credible open-ocean threat, nevertheless continues to buy three new DDG-51 destroyers per year. Reducing this number to two per year could save about $900 million annually over the period from 1995 through 1999. The Navy would still have a large number of platforms capable of delivering cruise missiles--and Air Force bombers based in the United States could also play this role. It could maintain naval force structure with some of the smaller and less expensive ships that it now owns, such as frigates; these could be used for drug interdiction, coastal presence operations, and certain other roles.

In the realm of combat aircraft, the United States retains two active development programs--the Navy's F/A-18E/F and the Air Force's F-22. Given the degree of air supremacy it manifested in the Gulf War, the United States might delay or cancel the F-22 program. It could then reopen production of the F-15, an aircraft capable of delivering precision-guided munitions including laser-guided bombs that performed very well in the Gulf War.

Moreover, some analysts question the need for a relatively heavy and medium-range attack aircraft deployed on aircraft carriers.[11] Without an aircraft with such characteristics, naval air forces would have to operate closer to shore or attack only those targets near the shore. But in an era when most potential U.S. foes are located near coasts and are relatively poorly armed, and when cruise missiles, long-range strategic bombers with precision-guided missiles, and other platforms are available for strikes reaching more than a few hundred kilometers inland if necessary, the importance of naval strike aircraft may be much less than before. Hence, the United States may decide it is unnecessary to preserve the F/A-18E/F naval aircraft modernization program, and instead simply continue purchases of the existing F/A-18C/D.

With these cuts in tactical aircraft modernization, the United States might save an average of about $4 billion a year over the 1995-1999 period. Even if the F-15 production line were reopened and funded at nearly $1 billion a year, the net savings from these changes in aircraft modernization would be $3 billion a year.

Additional savings on acquisitions might be found in the Army's tank program and in the Ballis-

11. Barry M. Blechman and others, "Key West Revisited: Roles and Missions of the US Armed Forces in the Twenty-First Century," Report No. 8 (Henry L. Stimson Center, Washington, D.C., March 1993), p. 25.

tic Missile Defense Organization (BMDO) budget. Eliminating the Army plan to upgrade M1 tanks would save an average of $400 million a year over the 1995-1999 period. Reducing BMDO's theater missile defense program to a core of three defense systems could save an average of $500 million annually over the same period.

Conclusion

All of these changes taken together would reduce military spending by about $15 billion a year. By making about two-thirds of them, and adding in modest savings--perhaps $2 billion a year--from cuts in current aid programs, the United States could fund its share of all the initiatives designed to help prevent future conflict that are discussed in this study (see Table 17). Funding selected items would, of course, result in a smaller price tag than $12.5 billion a year, and thus require fewer cutbacks in planned defense and aid programs.

Appendixes

Appendix A

Using Aid to Enhance Security During the Cold War

Since World War II, the United States has frequently targeted foreign assistance to specific countries for security reasons. Its approaches for doing so have passed through several phases. In the first, lasting from the late 1940s into the first half of the 1950s, the focus of attention was primarily on those countries now part of the Organization for Economic Cooperation and Development. The next phase was characterized by increasing aid flows to other parts of Asia, such as South Korea and Taiwan, that began to rival those to Europe. In the third phase, from the mid-1960s until the mid-1970s, almost all aid went to Asia and increasingly to South Vietnam. Finally, in the fourth phase, which lasted from the mid-1970s until the present, most security-related aid has gone to the Middle East (see Figure A-1).[1]

Right after the war, the first priority of the allied victors was to ensure the dismantlement of most of the German and Japanese armed forces. But large volumes of U.S. overseas aid, first economic and later military-related, began to flow with the beginning of the Marshall Plan in the late 1940s. Starting around 1950--after the introduction of "the Iron Curtain" in Europe, the rise of the Communist government in China, the explosion of a Soviet nuclear device, and finally the outbreak of the Korean War--large amounts of U.S. aid were used to build up German and other European militaries as stalwarts against the global Soviet threat. Overall, annual security aid levels surpassed $20 billion for 1951 and 1952 and averaged around $10 billion for the rest of the decade (expressed in 1994 dollars)--in contrast to the pre-1950 level of less than $2 billion.

By the mid-1950s, aid to Europe and Japan began to decline. But South Korea and Taiwan each began to receive an average of more than $1 billion a year in aid. Assistance to a number of other countries in Asia--particularly South Vietnam in the military sphere and India and Pakistan in the economic sphere--began to grow significantly as well. Some attention also began to be paid to Latin America and the Middle East at this time, particularly in economic aid programs. But the aid flowing to them did not rival that going to Asia.

By the mid-1960s, aid to Europe declined to only about $1 billion a year, and the Asia region received most U.S. foreign assistance. During the decade from the mid-1960s until the early 1970s, the vast majority of total aid for security went to countries in that region. The majority of U.S. bilateral economic aid went there as well, as it had been since the mid-1950s.

As aid to Europe was virtually phased out, overall security aid declined to a level just slightly more than $5 billion a year in the mid-1960s--one-third as much as the U.S. economic aid budget. But security aid then climbed back to more than $15 billion annually in the early 1970s under the so-

1. For more detail on the geopolitics of these phases, see for example, John Lewis Gaddis, *Strategies of Containment* (New York: Oxford University Press, 1982); Jerry F. Hough, *The Struggle for the Third World* (Washington, D.C.: Brookings Institution, 1986); Stephen T. Hosmer and Thomas W. Wolfe, *Soviet Policy and Practice Toward Third World Conflicts* (Lexington, Mass.: Lexington Books, 1983); Raymond L. Garthoff, *Detente and Confrontation* (Washington, D.C.: Brookings Institution, 1985).

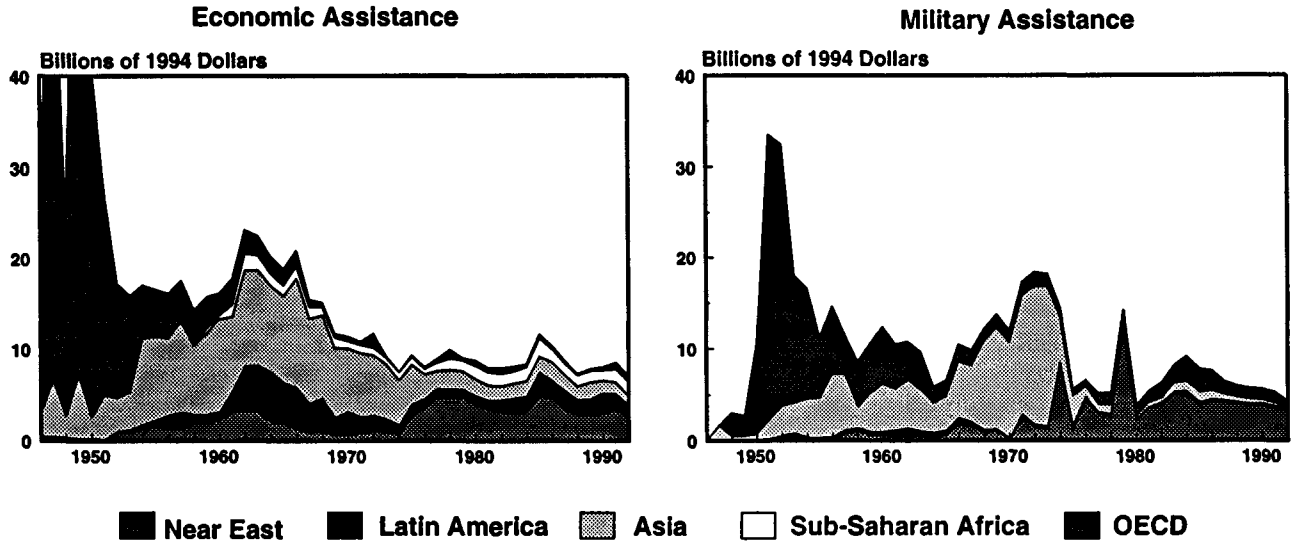
called Nixon Doctrine, as the United States pumped billions of dollars into South Vietnam in tandem with its own military withdrawal from that country. For the first time, security-related assistance overtook U.S. economic aid in magnitude.

As the Vietnam era wound down and the Congress cut off further aid to the regime in Saigon, overall aid levels and security aid in particular took a fall around 1974-1975. But a harbinger of new requirements already had appeared in the Middle East. Partly in response to increased Soviet arms sales to countries bordering Israel, the United States began to give larger amounts of aid to Israel. Dollar volumes then shot up drastically during and after the 1973 October war.

By 1976, the Middle East region had become the largest recipient of U.S. aid, and it has retained that position to the present. Indeed, at both the beginning and the end of the 1980s, aid to the Middle East constituted well over three-quarters of total U.S. security-related assistance. During the mid-1980s, however, aid to several less prosperous but important allies in Europe, East Asia, and Central America increased for several years, before diminishing in the second half of the decade as the Cold War wound down. Substantial amounts of covert aid also were directed to insurgents fighting governments in Angola, Nicaragua, Afghanistan, and elsewhere during the 1980s, as a result of a set of policy decisions often known as the Reagan Doctrine. But by the end of the decade, aid was again highly concentrated in the Middle East region.

With the end of the Cold War, aid levels to the Middle East have not changed notably. But aid to other friends and allies--particularly the Philippines, Pakistan, Greece, Turkey, Portugal, and El Salvador--has declined considerably. In the cases of the first two countries, the lack of a global Soviet threat meant that a powerful unifying force was lost--thereby raising the visibility of their political differences. As for the southern European countries, the

Figure A-1.
U.S. Overseas Loans and Grants, 1946-1992



SOURCE: Congressional Budget Office based on data from the Agency for International Development.

NOTES: OECD = Organization for Economic Cooperation and Development.

In 1947, 1949, and 1950, total levels of U.S. economic assistance were $64.5 billion, $70.7 billion, and $42.6 billion, respectively.

dissolution of the Warsaw Pact reduced the U.S. concern over the southern flank of the North Atlantic Treaty Organization. Concerning El Salvador and resistance groups such as the National Union for the Total Independence of Angola (UNITA), the end of the Cold War also spelled the end of large aid programs to fight Soviet clients around the world. It also made possible a new emphasis on U.N. peacekeeping operations as a means of dealing with localized regional and ethnic conflict.

Appendix B

Aid, Trade, and the U.S. Economy

With the current large budget deficit, many U.S. policymakers quickly dismiss the notion of expanding foreign aid--or even of keeping existing programs. They may also have some misgivings about foreign aid's past success stories--especially the East Asian countries whose economies are growing faster than that of the United States, piling up trade surpluses with the United States, and moving out to the forefront of some high-technology sectors.[1]

However, trade with other countries is not something the United States really should fear under any circumstances. The United States continues to benefit from a competitive international capitalist system, though it does have economic problems that would benefit from redress.

Most economists believe that trade deficits in the United States are caused primarily by a lack of national savings. When the pool of savings to fund private investment or public spending is small relative to the demand for that capital, interest rates rise and may attract foreign investors--driving up the value of the dollar on international currency markets. But when the dollar is expensive, so are U.S. exports--meaning that foreigners have a harder time buying them. By contrast, foreign goods are relatively inexpensive, so they are purchased in large numbers. The result of these conditions is a U.S. trade deficit.[2]

That Japan and other former beneficiaries of U.S. aid thrive financially and have funded U.S. budget and investment deficits may actually be good news--even if the existence of those deficits is not. Foreign funds have allowed the United States to continue its penchant for consumption without sacrificing the country's economic future. Because Japan and certain other countries invested substantial amounts of their surplus export earnings in the United States during the 1980s, investment as a share of national income declined considerably less than it might have done otherwise.[3]

Moreover, exports have accounted for more than four-fifths of total U.S. economic growth since 1989. Much of this economic growth has been the result of trade with developing countries.[4]

Indeed, trade is an important contributing factor to both U.S. and global economic growth. Low trade barriers and a world full of growing economies let countries focus on doing what they have the greatest relative advantage in doing. Between the end of World War II and the early 1970s, for example, global growth rates were about twice as great as in previous boom periods and considerably higher than expected.[5] Since then, overall global growth rates have returned to historical norms, but

1. See Michael Mastanduno, "Do Relative Gains Matter? America's Response to Japanese Industrial Policy," *International Security* (Summer 1991), pp. 73-113; Paul Kennedy, *The Rise and Fall of the Great Powers* (New York: Random House, 1987), pp. 514-535; Robert Gilpin, *The Political Economy of International Relations* (Princeton, N.J.: Princeton University Press, 1987), pp. 215-225, 394-408.

2. Charles L. Schultze, *Memos to the President* (Washington, D.C.: Brookings Institution, 1992), pp. 111-112.

3. Schultze, *Memos to the President*, pp. 114-119; Paul Krugman, *The Age of Diminished Expectations* (Cambridge: MIT Press, 1990), pp. 42-43.

4. Statement of Edward L. Saiers, Acting Director, Policy Directorate, Agency for International Development, before the Subcommittee on Economic Policy, Trade and Environment, House Committee on Foreign Affairs, May 4, 1993; Schultze, *Memos to the President*, p. 99.

5. W. Arthur Lewis, *The Evolution of the International Economic Order* (Princeton, N.J.: Princeton University Press, 1978), pp. 32-33; World Bank, *World Development Report 1987* (New York: Oxford University Press, 1987), p. 40.

growth remains largely steady in outwardly oriented economies. Much of the credit for this sustained global expansion is given to the international economic framework provided by the General Agreement on Tariffs and Trade (GATT) process, as well as the U.S. philosophy of postwar global leadership that focused on helping other countries rebuild their economies.[6]

It is complicated to estimate precisely how trade affects the distributions of income and employment in the United States and other countries. As is well known, especially by those who lose their jobs because of foreign competition, trade does not help all people equally. Opening borders to the flow of goods and capital does add some dislocations to an already dynamic, changing economy. But overall, the distributional fairness of an open trade policy is not worse than that of a protectionist policy.[7] On balance, the effects of trade for the economy tend to be positive.

Thus, though a case can be made for reassessing U.S. trade policy in specific cases, and though there certainly is a very good case for increasing savings in the United States, the international economic climate of the last five decades has improved the general economic condition of the country. Trade and foreign investment involving other growing economies of the world have greatly benefited the United States.

The role of foreign aid in this process varies from case to case. Generally, it is modest. But it can play a role in jump-starting the economies of other countries, making it easier for them to adopt policies that are politically unpopular in the short term. It can also support programs that lead to a healthier, better educated, and more productive population over time. When properly applied, it can be a useful tool for both U.S. economic and security interests.

6. See Lewis, *The Evolution of the International Economic Order*, pp. 32-33; Gilpin, *The Political Economy of International Relations*, pp. 172-180, 190-192; World Bank, *World Development Report 1987*, pp. 38-48, 78-90.

7. Leland B. Yeager and David G. Tuerck, *Foreign Trade and U.S. Policy* (New York: Praeger, 1976), p. 171.

Appendix C

How to Pay for U.N. Peacekeeping: the Concept of an Escrow Account

In addition to the question of how much to pay, the United States may wish to reconsider how it pays the United Nations for peacekeeping missions--especially if it becomes confident that U.N. missions can be well chosen and prosecuted by the international community.

The current case-by-case system of financing can impede effective planning and implementation of U.N. missions. In its place, the United States might choose to place its U.N. peacekeeping funds in an escrow account. The President would control disbursements to the United Nations, under guidelines established by the Congress.

In the words of U.N. Secretary General Boutros Boutros-Ghali, "A chasm has developed between the tasks entrusted to this Organization and the financial means provided to it."[1] In the past, the United Nations tended to conduct smaller and fewer peacekeeping operations. But the number of U.N. peacekeepers has increased greatly in the last two years. Current costs for peacekeeping are several times their past levels and now represent about half of total U.N. annual expenditures (not including those of the international financial institutions).

A recent Ford Foundation report, co-chaired by former Federal Reserve Chairman Paul Volcker and former Bank of Japan and Japan Development Bank official Shijuro Ogata, said about the funding dilemma:

> Because each mission is financed separately, member states receive several peacekeeping assessment requests each year. These requests come at odd times, in the middle of budgetary cycles, and governments often find it difficult to find the money without seeking special appropriations. The sheer frequency of requests creates an impression that U.N. peacekeeping is more expensive and burdensome than it really is. And because of the system's inherent uncertainty, the Secretary-General can never be sure how many new tasks and obligations the U.N. can afford to take on.[2]

Because of the case-by-case financing system, each request for added funding has high political visibility in the United States--providing a useful Congressional check on missions that might involve U.S. troops, but perhaps unnecessarily delaying lower-risk operations.

To cope with these types of problems, the United Nations has developed some fancy budgeting techniques. It borrows from the accounts of existing peacekeeping activities to pay the start-up costs of new missions and sometimes asks countries contributing troops and equipment to pay some of the costs associated with their activities without promise of reimbursement. It has also initiated a rather small revolving fund for peacekeeping start-up costs (totaling $150 million in size, of which up to $60 million can be made available for a new operation immediately).[3]

1. Boutros Boutros-Ghali, *An Agenda for Peace* (New York: United Nations, 1992), p. 41.

2. Independent Advisory Group on U.N. Financing, *Financing an Effective United Nations* (New York: Ford Foundation, 1993), p. 17.

3. Ibid., pp. 17-18.

Even if such creative approaches succeed in producing sufficient funds, they often do so only after a delay that may reduce the initial effectiveness of the operation, cost lives, and ultimately make the operation more difficult. Observers who are skeptical of some types of U.N. peacekeeping missions might view the tightness in available funding as a useful check on the Secretary General or the U.S. President. But members of the Security Council are supposed to evaluate missions *before* authorizing them (and the United States, after all, retains a veto on all peacekeeping authorizations). Given that, why should missions be subject to delay once they have already been authorized?

Moreover, financial constraints could be even more restrictive in the future. A number of countries--including the United States--remain in arrears on their payments. Some countries, especially the former Soviet republics, may fall further into arrears if present trends continue.

Under an escrow approach, funds would be made available to the United Nations only as needed and authorized. The President might be required to certify that a given U.N. operation met guidelines established by the Congress before releasing any funds. Those guidelines might include the requirement that other countries not be substantially in arrears in their payment obligations. Unneeded funds would not be disbursed.[4] The guidelines might also, in a case where a U.N. operation would involve U.S. combat forces, stipulate that the Congress be consulted in advance, as suggested in the 1994 State Department bill providing appropriations for peacekeeping and later in a bill submitted by the Senate Minority Leader. This type of approach might facilitate the types of U.N. activities that are widely seen as serving U.S. interests, while reserving special scrutiny for those missions seen as most dangerous or least likely to succeed.

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4. Recommendations for a single annual assessment for U.N. peacekeeping to each member state can be found in William J. Durch and Barry M. Blechman, *Keeping the Peace: The United Nations in the Emerging World Order* (Washington, D.C.: Henry L. Stimson Center, March 1992), pp. 92-96; Independent Advisory Group, *Financing an Effective United Nations*, p. 26.

Appendix D

Development Assistance and an Expanded Agenda for the Environment

Preserving and protecting the global environment is very important, even in those cases where it may not be demonstrably linked to U.S. national security. Pollution is not only displeasing aesthetically, it can cause serious damage to human health. Over the long term, if not addressed, it can harm soils and forests. The degradation of natural habitats can deplete the planet's genetic base in ways that can close off avenues of opportunity for medicine and agricultural research. Global warming conceivably could contribute to the flooding of coastal plains and drought in some of the world's agricultural basins--possible consequences of rising temperatures and corresponding rising ocean levels. The scientific verdict on the pace and nature of global warming remains out. But if it produced such effects, it conceivably could contribute to mass migration and conflict.

Moreover, although it is not part of this study's core security agenda, improving the reliability and cleanliness of traditional energy sources may have important bearing on national security. If fossil fuels are seen as harmful or unreliable, and renewable fuels too expensive, nuclear power could become increasingly attractive to developing countries. Nuclear power is accepted and indeed encouraged by the International Atomic Energy Agency. But Japan and certain other industrialized countries may use plutonium rather than low-enriched uranium in future power reactors. Should this trend extend to the developing countries, concerns about proliferation could become serious. Unlike low-enriched uranium, which must be enriched through very difficult processes before it can be used in nuclear weapons, plutonium can serve directly as a fissile material in bombs. And it is not particularly difficult to separate plutonium from nuclear fuel sources through chemical processes. Since obtaining fissile materials is commonly recognized as the most difficult part of building a nuclear bomb, the stakes involved in the plutonium power debate are enormous, and the world arguably has a strong interest in trying to discourage this type of power.

Foreign Aid and the Environment

What is the role of foreign aid in these difficult and important matters? In many cases, foreign aid or specific programs to protect the environment are less important than the basic regulatory and economic frameworks of individual countries. Most environmental concerns will be addressed if the broader societal costs of using natural resources are captured in user fees, tax systems, and the like. The major Western countries may be able to encourage such policies in other countries as much with trade levers such as the North American Free Trade Agreement (NAFTA) as with foreign aid.[1] Moreover, the United States can often do more good for the environment by improving its own environmental practices than it can with aid.[2]

But an important role for foreign assistance remains. Subsistence farmers and their governments--often responding more to short-term political

1. For further discussion of these points, see Kenton R. Miller, Walter V. Reid, and Charles V. Barber, "Deforestation and Species Loss," in Jessica Tuchman Mathews, ed., *Preserving the Global Environment* (New York: W.W. Norton and Company, 1991), pp. 88-93.

2. Carnegie Endowment National Commission, *Changing Our Ways* (Washington, D.C.: Carnegie Endowment, 1992) p. 46.

and economic pressures than to the dictates of reasoned planning--may need prodding and financial inducements to do what they should, and to repair damage after serious harm to the environment has occurred.

As in most other parts of this study, the general premise here is that the United States would pay 25 percent of the foreign aid element of a new initiative, which itself would constitute about one-third of total funding for the projects and programs at issue.

The Rio Conference, Treaties, and *Agenda 21*

In 1992, some 150 countries met in Rio de Janeiro at the U.N. Conference on the Environment and Development (UNCED). There they discussed global and local environmental issues, as well as the ways in which countries could cooperate in addressing them.

Many of the concerns emphasized in Rio are addressed by the new aid initiatives discussed in Chapter 5. Notably, curbing population growth and promoting rural economic development with an emphasis on sustainable agriculture are very important from a global environmental perspective.

Yet the Rio agenda dealt with other matters as well. Delegates agreed that preserving large portions of remaining tropical rain forest is important aesthetically--but more to the point, that it is important for the planet's gene pool and for medicinal and agricultural reasons. It also mitigates the pace of greenhouse warming. And finding a way to keep forests in some equilibrium can ensure steady sources of fuelwood that are needed for cooking and other uses over the long term.

Finding cleaner and more efficient patterns of energy use is important to human health, not only in cities but in village settings where prolonged exposure to wood fires can cause concentrations of atmospheric pollutants. Eliminating chlorofluorocarbons is of acute importance for health and agriculture. Expanding protection of the ozone layer by banning methyl bromide, a harmful pesticide, may also be prudent.[3] Indeed, there is no shortage of specific issues demanding attention of one kind or another.

Relations Between North and South at Rio

As was made clear in Rio, the industrial powers must be sensitive to how they place environmental demands on the developing countries. As the less developed countries point out, the industrial countries have consumed much of their own natural resource bases, with consequences for the Earth's atmosphere, forests, ocean fisheries, and other parts of the "global commons." Were they now to place severe and unrelenting demands on the developing countries to protect their natural environments--without providing substantial financial contributions to help these poorer countries do so--they could be accused of a measure of hypocrisy and unfairness.

Such dissonance between the industrial powers and the developing world could have unfortunate consequences. In addition to a further deterioration of the natural environment, less effective cooperation on other important matters might result, including efforts to combat terrorism and control proliferation of weapons of mass destruction. The Western donors, while not in accord with all of the developing countries' arguments or demands, did show some sensitivity at Rio to the need to help other countries with their environmental and pollution policies.[4]

Treaties on Biological Diversity and Climate and *Agenda 21*

A number of documents were produced in Rio. In the Framework Convention on Climate Change, the more developed countries agreed to reduce their emissions of greenhouse gases to 1990 levels by the year 2000. And in the Convention on Biological

3. William K. Stevens, "Countries Agree to Hasten Steps to Guard Ozone," *The New York Times*, November 26, 1992, p. A1.

4. Paul Lewis, "Negotiators in Rio Agree to Increase Aid to Third World," *The New York Times*, June 14, 1992, p. A1.

Diversity, all countries pledged to help protect the richness of the Earth's ecosystems.

The so-called *Agenda 21* document, adopted consensually at Rio as a nonbinding statement of principles, provided several specific proposals for expanding aid. In it, the industrialized countries promised to provide financial help so that the less wealthy countries can find more environmentally sustainable (but sometimes more expensive) ways to develop.[5] The wealthier countries reaffirmed their earlier pledge--made at the United Nations some years before--to try to make 0.7 percent of their gross domestic product available for development aid. Were they to reach the U.N. goal, a total of some $125 billion in annual development aid would be available, in contrast to less than half that amount today. This indeed was the amount that the UNCED's secretariat asked from the donor community in order to carry out *Agenda 21*.[6] Although many development efforts are not aimed directly at the environment, most have considerable bearing on it.

At this point, the 0.7 percent goal is unlikely to be met. But even though it is somewhat arbitrary, Western countries could be taking risks to ignore it. The *Agenda 21* document states that developing countries generally do not consider environmental matters their first priority. Their top priority is development, a point explicitly stated in Article 4.7 of the Framework Convention on Climate Change.[7]

Current Mechanisms for Implementing *Agenda 21*

Many of the institutional frameworks for addressing the environmental concerns raised in Rio are in place. They include a global forest fund, a substitution fund for chlorofluorocarbons that was part of the Montreal Protocol phasing out these ozone-depleting chemicals, a Global Environmental Facility providing more general funds, and an explicit focus on environmental sustainability in programs run by the Agency for International Development and the World Bank. But the limited amounts of funding available may constrain the scope of approaches to dealing with these concerns.

Rio Agenda: Illustrative U.S. Budgetary Increases

Where might resources be fruitfully increased? Again, this study cannot spell out detailed programmatic strategies on a country-by-country or even continent-by-continent basis. But it is necessary to give some sense of which threats to human health and environmental preservation are both acute and amenable to near-term solution.

As with all aid programs, there are reasons to be wary of new ideas and cautious in implementing them. Many of these ideas have been discussed in previous chapters--including not subsidizing corrupt or inefficient governments, finding workable and sustainable programs, and focusing on broader economic and legal issues rather than expecting miracles out of aid. But a couple of issues have special relevance in the environmental and pollution realm. First, if local air and water pollution are somewhat lower in priority or urgency than the issues addressed in Chapters 2 through 5, attacking them more aggressively may distract attention and resources from what may be even more pressing matters. In addition, using trade levers, such as those in the NAFTA accord, may provide a more effective way of ensuring that developing countries have incentives to improve their environmental practices systematically. It is important therefore to go slowly and carefully with any expanded Rio agenda.

The ideas summarized below and originating in a 1992 World Bank study represent one possible streamlined approach to a new global environmental initiative. Although ambitious, it calls for about $10 billion a year from the donor community--a far cry below the amounts discussed in *Agenda 21*.

5. Carnegie Endowment National Commission, *Changing Our Ways*, pp. 38-46; Lewis, "Negotiators in Rio Agree to Increase Aid to Third World."

6. See Section 33.15 of *Agenda 21*, found, for example, in Richard N. Gardner, *Negotiating Survival: Four Priorities After Rio* (New York: Council on Foreign Relations Press, 1992), p. 54.

7. Ibid., p. 82.

World Bank Illustrative Agenda

In a landmark 1992 annual report focusing on the environment, the World Bank identified four programmatic areas dealing with environmental preservation that have not been examined elsewhere in this study:[8]

- Controlling particulate emissions from coal power plants;
- Reducing acid output from newer coal plants;
- Changing to unleaded motor fuels and installing controls on the main pollutants from vehicles; and
- Reducing effluents and wastes from industry.

The spirit of this list of priorities is consistent with the themes of Chapter 5 as well, especially in its focus on environmental issues that could impinge on human health.[9] But it extends beyond them by trying to reduce damage to the atmosphere and to water and forest resources.

Estimating Resource Requirements

As the World Bank calculated recently, the approximate annual price tag for each of these activities is several billion dollars. To be specific, reducing particulate emissions from older coal power plants might require $2 billion a year, reducing acid emissions another $5 billion, expanding the use of unleaded fuels and cleaning up vehicular emissions some $10 billion, and cleaning up effluents from industries in general about $10 billion to $15 billion.

The total of these figures is $27 billion to $32 billion a year. If the donor share of these costs is about one-third, some $9 billion to $11 billion in additional foreign aid would be required. Taking 25 percent of this amount--the assumed U.S. share--yields about $2 billion to $3 billion per year.

In addition, as a major study by the Office of Technology Assessment recently concluded, it might be reasonable to provide additional sums to develop better energy technologies for developing countries. This goal is also endorsed in the Framework Convention on Climate Change.[10] Expanding existing efforts by 100 percent or more, some $200 million to $300 million a year might be added to U.S. research and development efforts in these areas.[11] Complementary efforts might go beyond research and try some pilot programs using innovative energy technologies such as solar hydrogen in parts of the developing world where they stand the best chance of success. Development organizations already fund some of these types of efforts, but they might be expanded.

To the extent that new energy technologies become available--or at least begin to show long-term promise--the tendencies for countries to pursue dangerous nuclear energy capabilities may be lessened. And if Western countries choose not to export plutonium-power technologies, they will be able to rebut the charge that they are sabotaging the poorer countries' future economic prospects provided that they offer suitable energy alternatives.

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8. World Bank, *World Development Report 1992: Development and the Environment* (New York: Oxford University Press, 1992), pp. 170-178.

9. For more discussion of this issue in an environmental context, see World Bank, *World Development Report 1993: Investing in Health* (New York: Oxford University Press, 1993), pp. 90-99.

10. It appears in Article 4.5; see Gardner, *Negotiating Survival*, p. 81.

11. Office of Technology Assessment, *Fueling Development: Energy Technologies for Developing Countries* (1992), pp. 261-286.

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