

# U.S. INTERESTS IN ECONOMIC GROWTH, TRADE, AND STABILITY IN THE DEVELOPING WORLD

Conclusions and Recommendations  
of the

Commission on International Trade, Development and Cooperation

February 1997

National Center for Food and Agricultural Policy  
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## PREFACE

The idea for this Commission grew out of the debate that led up to the 1996 Farm Bill. A number of participants lamented that the debate centered around a rather narrow set of policy issues, ignoring some that were extremely critical to the long-term economic health of the U.S. food and agricultural sector. Those neglected issues related to the stake U.S. agriculture has in this country's international affairs, and particularly to our economic interests in developing countries and emerging market economies.

There was a time when the agricultural community was content to leave those lofty and far away matters to others. There were more pressing problems closer to home. But not any more. Now that we are integrated into the international economy, the connection is obvious: economic growth, trade liberalization, and stability in the so-called Third World are just as important, if not more so, to the economic well being of U.S. agriculture as the provisions of traditional domestic farm policy.

Members of the Commission understand these connections and their importance. Perhaps that explains why they were willing to participate in this exercise and fit the time it took to do so into their already crowded agendas. We are grateful to them for their interest and willingness to join in this effort. I have personally enjoyed working with the Commission members and their staff, who have been most patient and understanding as we have moved through the tedious process of reaching a consensus. Special thanks go to Whitney MacMillan, who, as chair, took a special interest in the issues, making my job much easier than it might have been.

Recognition and thanks are also due the 30 or so members of the two working groups who served the Commission. Their make-up, paralleling the diversity within the Commission, helped immensely in clarifying the issues and in searching for a consensus. We wish also to recognize those whose financial contributions made this all possible. They include: The Economic Research Service; the Foreign Agricultural Service and the Agricultural Research Service; USDA; USAID; Cargill, Inc.; DowElanco; Farmland Industries; Pioneer Hi-Bred International; and Harvest States Cooperatives. They deserve our thanks but bear no responsibility for shortcomings in the report and do not necessarily agree with its conclusions and recommendations.

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## EXECUTIVE SUMMARY

The Commission on International Trade, Development and Cooperation, formed in early 1996 by the National Center for Food and Agricultural Policy (NCFAP), brought together a cross section of agricultural leaders, agri-business CEOs, academicians and former government officials to forge a consensus about how government policies in international affairs could better serve U.S. interests.

The Commission has concluded that U.S. Foreign Economic Policy in today's post-Cold War environment needs to be re-focused, re-energized and re-funded. Some of the key recommendations are:

1. The President should give the Agency for International Development (USAID) a clear focus, a new name and a streamlined operating mode that sets objectives, allocates resources, and relies on other organizations to do most of its work. It should be an independent agency whose main mission is to promote broad-based economic growth and provide humanitarian assistance.
2. The Administration should continue to strive for a more open globalized food system. Continued reductions in trade and investment barriers will accelerate economic growth, not only in the U.S., but in developing countries as well, and will provide food stability and environmental protection while meeting the world's rising food needs.
3. The Congress should renew "fast track" trade agreement authority.<sup>1</sup>
4. International affairs resources can be more efficiently and effectively utilized. Coordination among the many government entities involved in international affairs is lacking. The Administration should correct this problem by implementing an effective coordination process.
5. A strong global agricultural research system is essential for the U.S. agriculture sector, economic growth in poor countries, global food stability and global food security. The Administration should elevate agricultural research to a higher level in the federal government, with clear national commitments, designated leadership and effective coordination.
6. The Congress should increase the budget for International Affairs (150 account) from \$18 to \$20 billion. The Administration and the Congress should increase this account three percent per year over the next five years. One-half of the increased funds should go to agricultural and rural economic development. In addition, the appropriations committees should reorder priorities for FY 1998, in favor of programs that encourage broad-based economic growth.

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<sup>1</sup> Commission Member Lee Swenson, President of the National Farmers Union does not support this recommendation.



# **U.S. INTERESTS IN ECONOMIC GROWTH, TRADE, AND STABILITY IN THE DEVELOPING WORLD**

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## **BACKGROUND AND PURPOSE OF COMMISSION**

The Commission on International Trade, Development and Cooperation was formed in early 1996 by the National Center for Food and Agricultural Policy (NCFAP) to help define a new national policy and strategic objective for programs relating to international development and cooperation that will serve U.S. interests in the post-Cold War era. The starting point for this assessment was an examination of the twenty-first century interests of the U.S. food and agricultural sector in promoting economic growth and increasing income in developing countries and emerging market economies. The second step was to determine how U.S. programs could be shaped to serve those interests, consistent with other legitimate national objectives.

To a large extent our present economic assistance policies are outgrowths of the Cold War and, with its end, the rationale for them is no longer valid. The Foreign Assistance Act of 1961, the legislation that provides authority for most of these programs, has not had a major revision since 1973, when the "basic human needs" objectives were enacted. That amendment called for a focus on the "poorest of the poor" and programs to improve their well-being. In recent years, several attempts have been made by Congress and successive Administrations to revise completely the basic legislation. However, these efforts bogged down in contentious ideological issues, leaving the nation without a post-Cold War rationale for development assistance, and a program hobbled by obsolete and conflicting objectives, too many earmarks and declining political support.

It is clear we need new policies firmly based on the new and future realities; these policies must be understood and firmly supported by the key sectors of our political economy.

No sector has a greater stake in these new policies than the food and agriculture sector. As markets for food and agriculture have depended increasingly on international trade, Congress has removed the safety net of government support programs--as well as impediments to expanded production--leaving the sector dependent on international trade and the growth of the world economy. If developing countries continue to liberalize trade and investment policies and the incomes of their citizens increase, U.S. agriculture will find ever expanding markets abroad. But, if these economies stagnate,

the effect will be felt at home as agricultural productivity increases but demand does not.

The Commission was given a broad mandate to identify the key issues that should be addressed, suggest ways to address those issues and recommend specific programs and policies that will serve the long-term interests of both the nation and the food and agricultural sector. The work of the Commission was supported by two expert working groups<sup>2</sup> and the National Center staff.

This report is the consensus of the 14-member commission concerning some of the key elements of a post-Cold War policy that will serve this country's interests.

## CONCLUSIONS

### **Global Leadership: An Imperative for the U.S.**

As the sole remaining superpower, the U.S. inherits a mantle of leadership along with obligations for maintaining global security and economic order. These responsibilities also open up unprecedented opportunities to help shape the world in line with the interests of this country.

Threats to peace and security are numerous and varied: regional and ethnic conflicts, renegade dictators, terrorists, overwhelming streams of refugees, famines and environmental disasters. Military power is essential in carrying out our global responsibilities, but there are other useful, and more cost effective and longer lasting, means at our disposal. Diplomacy and economic assistance can often be used instead of more costly military solutions. Thus, these tools should be considered just as much a part of our national security arsenal as are weapons of war.

The new leadership role also requires resources, which in a balanced budget era become an easy target. Aside from the large military outlays, the cost of maintaining a presence abroad and financing many other commitments that contribute to our leadership is currently supported by an appropriation of about \$18 billion<sup>3</sup>, one-third less than a decade ago.

A recent bipartisan Task Force of distinguished private citizens sponsored by the Council on Foreign Relations and the Brookings Institution concluded:

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<sup>2</sup> The Working Group on International Agricultural Research was chaired by Dr. E.T. York, University of Florida and the Working Group on International Trade and Development was chaired by Dr. Robert Paarlberg, Wellesley College.

<sup>3</sup> Congressional appropriations for International Affairs (150 account) include funds for bilateral and multilateral aid, the U.S. Information Agency, and other related agencies.

...the cuts already made in the international affairs discretionary account have adversely affected, to a significant degree, the ability of the United States to protect and promote its economic, diplomatic and strategic agendas abroad. Unless this trend is reversed, American vital interests will be jeopardized.

The Commission agrees that the current level is grossly inadequate for the global leadership role that this country's interests require. Further reductions projected by some balanced budget plans are short-sighted and could cost us many times over in the longer term.

### **U.S. Interests Linked Directly to Economic Growth in the Developing World**

Some prominent economists predict that the history of the 20th century will show that a remarkable revolution began in developing countries and emerging economies. This little-known revolution came from new democratic governments and some authoritarian regimes that recognized the enormous economic growth potential of lowering trade and investment barriers and connecting to a global economy. These policy reforms led to trade-driven economic growth, not only for the developing countries initiating the reforms, but also for the U.S., who gained new trading partners.

The magnitude of these emerging markets and their implications for the future are only beginning to be recognized. The International Trade Administration identified 10 "Big Emerging Markets" where the greatest commercial opportunities lie.<sup>4</sup> According to some estimates, our exports to these 10 markets will equal our exports to either Japan or Europe by the end of this century and will exceed the combined totals for Japan and Europe by 2020.

The growth in U.S. agricultural exports is even more closely tied to the developing world. Because of lower population growth rates and already high income levels, developed countries offer limited prospects for expanded food demand. But in developing countries, where a relatively large share of any increased income goes for food, economic growth coupled with high rates of population growth can result in dramatic increases in food demand.

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<sup>4</sup> ITA considers South Korea, the Chinese economic area, the Association of Southeast Asian Nations (ASEAN), India, South Africa, Poland, Turkey, Brazil, Mexico and Argentina to comprise the 10 Big Emerging Markets.

The vast potential for growth in agricultural trade will not be realized, however, unless the U.S. positions itself to take full advantage of such emerging opportunities. We must:

- lead the way in further reducing trade and investment barriers;
- develop strong and effective bilateral partnerships with developing countries based on mutual benefits;
- exercise strong leadership in multilateral efforts to solve tough global and regional problems that threaten to undermine economic growth and prosperity; and
- invest more in research and technology to avoid erosion of a competitive edge in this highly competitive environment.

The costs of these programs should be viewed as investments with potentially huge payoffs for the next generation of Americans.

### **Economic Assistance, Cooperation and Trade Can Accelerate Economic Growth and Development in the Developing World**

Polls show, as most people already know, that there is widespread skepticism in the U.S. about the effectiveness of foreign aid or economic assistance. Many Americans believe these programs are a waste of taxpayers' money. There are also widespread misconceptions about foreign aid. Other polls show that most Americans think we spend far more than we do on foreign aid (15-20 percent of the federal budget compared to the actual one-half of one percent), and when asked how much we should spend, the answer was several times more than actual current levels.

The success record of economic assistance is mixed. There are enough failures to convince the skeptics, but advocates quickly point out numerous successes, making a convincing case for development assistance. During the Cold War, some of our foreign assistance went to corrupt or incompetent regimes in Asia, Africa and Latin America to win them over from Soviet influence. The money--much of which was channeled through government entities--did not always go for sound developmental purposes. Not surprisingly, there was little economic development as a result.

On the other hand, a remarkable number of countries used this Cold War assistance wisely, sometimes with spectacular results. The success of the Marshall Plan in rebuilding Europe is well-known but sometimes forgotten. Taiwan and South Korea were early Cold War recipients of assistance that helped in their remarkable ascension

up the development ladder. Today these two countries are major trading partners with the U. S., accounting for \$4.4 billion of our agricultural exports.

Another success story of development assistance was our support for the International Agricultural Research Centers (IARC). These centers were largely responsible for the well known “green revolution” that boosted wheat and rice production in Asia and other parts of the world, and they are still making contributions to agricultural development around the globe. But two important effects are less well known. First, the technology produced by the IARC and other research organizations had the effect of lowering food prices around the world, benefiting those most who spend a higher proportion of their income on food--the poor. Second, few recognize that this country also received large benefits from these investments in international agricultural research. An International Food Policy Research Institute (IFPRI) study estimated that U.S. wheat and rice farmers received benefits worth over 100 times the cost of these programs in the form of higher yields resulting from the IARC improved crop varieties adopted by U.S. farmers.

The Commission concludes that economic assistance and cooperation can make a significant contribution to economic growth in developing countries by helping to create conditions favorable for private sector trade and investment and can benefit the U.S. at the same time (a win-win proposition).

### **Future Development Programs Should Focus on Activities with a Record of Success in Poverty Alleviation and in Creating a Climate for Private Sector Investment and Growth.**

More important than past successes and failures is the fact that much has been learned from nearly a half century’s experience in development assistance and cooperation. The conditions that give rise to economic growth are reasonably well understood, as is the environment that fosters private investment and trade.

We have also learned much about what does not work. We have learned the hard way that assistance to governments that are not committed to economic and social reforms leads to waste and corruption, no matter how much aid is given. We have learned that mutually beneficial cooperation and collaboration work better than traditional aid.

Some other important lessons from past experience are:

- Investments in **improving human capacity** have high long-term payoffs: numerous examples and studies of the success of efforts to improve education, research and health tell us that such investments yield high returns over a long period of time.

- The U.S. has the know-how and experience to provide technical assistance in **institution building**: creating or strengthening institutions that are essential for private sector growth, international trade, and participatory governance.<sup>5</sup> The U.S. has a wealth of experience in strengthening institutions for education, research, health care, market information, and other purposes. This country is also more sensitive than most donors to the ineffectiveness of excessive regulation and too much government: bloated bureaucracies and government-run enterprises.
- **Agricultural development**--A large body of knowledge exists on how to transform a low-productivity, inefficient agricultural sector into a highly productive food system. Further, much of the experience and scientific capacity to accomplish agricultural transformation resides in the U.S., giving this country a comparative advantage among donors to assist with this complex task.
- The payoff from investments in **agricultural research** is perhaps more carefully documented than in any other development endeavor. The overwhelming conclusion from numerous studies around the world is that the rate of return from investments in agricultural research is remarkably high (up to 100% annually and 40-50% consistently), and public agencies are underinvesting in it, often considerably less than the optimum amount. Private sector research, an increasingly important component as countries develop, benefits from a strong public sector research system.

### **U.S. Government Institutions and Delivery Systems for Cooperating with and Assisting Developing Countries are Obsolete, and Hamstrung by Too Many Congressional Restrictions and Mandates**

Although the world has changed dramatically over the latter half of this century, and despite countless studies, task forces and commissions that have all called for reform, the agency of government that administers foreign aid has been slow to adjust. Over the past decade, many observers have described USAID as inefficient, intellectually exhausted, lacking vision, and strangled by too many objectives, restrictions and directives. To its credit, the current Administration has addressed many of these deficiencies, but it is too early to judge the effect. Since Congressional earmarks and directives leave the agency little leeway in setting priorities, a more sharply focused program will depend on cooperation between the two branches of government.

Although we have focused mostly on USAID, another institutional problem is the proliferation of government entities involved in foreign assistance and the resulting

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<sup>5</sup> Some examples are institutionalization of commercial codes, definition of property rights and fair judicial systems to settle contract disputes.

lack of coordination among them. There are literally several dozen agencies, departments, and bureaus that now have some responsibility for the International Affairs function. Not surprisingly, effective coordination is difficult and sometimes lacking, with the result that priorities among programs are not clear nor is their link to the national interest.<sup>6</sup>

This Commission--like many other study groups in the past--concludes that the government institutions responsible for international affairs have serious flaws and some are badly in need of repair. We realize that real reform will not be easy: it will take years to accomplish, and may not be possible in the absence of a consensus concerning what role this country should play in the developing world. That is why we recommend steps that take these obstacles into account.

### **Global Food Stability, Closely Linked to Trade and Investment Policy, Require U. S. Leadership and Elevation of Food and Trade Issues on the U. S. Agenda**

The World Food Summit in Rome in the fall of 1996, helped focus attention on hunger, malnutrition, food availability, and access to food. Preparation for the Summit helped bring long-neglected food issues to the forefront in this country as well. Food security--or food stability, as we prefer to call it--received an unusual amount of attention from high level officials in USAID and the Departments of State, Agriculture, and Treasury. More importantly, there was the promise that this welcome interagency cooperation would continue.

Unfortunately, many of the concerns about food security, and many of the prescriptions proposed to ensure food security, are misguided. Although the problem is often seen as one of availability, access to food is the more serious problem, at least in the near term. The greatest barriers to access are: (1) poverty (inability to buy food); (2) trade barriers (preventing import and export); (3) inadequate food systems (to move, market, and process food products); and (4) political instability and regional conflicts (interrupting the movement of food). Fortunately, with foresight and wise public policies, the first three threats can be eliminated or greatly reduced. The fourth threat to food access--political instability and regional and ethnic conflicts--has no easy solution and may never be eliminated. For that reason, food aid will be required.

There are also legitimate concerns about the long-term ability of the world's natural resource base, combined with available technology, to meet the food needs of a growing and more affluent population. The agricultural research system in many countries has fallen into disrepair, and public investment in them has dwindled. If

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<sup>6</sup> An earlier attempt to improve coordination was the creation of the International Development Cooperation Agency (IDCA) in 1979 (with its Director reporting to the President). Although IDCA remains "on the books," it has never been activated or implemented.

these deficiencies are not rectified, productivity will lag and concerns about long-term food availability may become a reality. Failure to maintain productivity gains will also have an adverse effect on the environment as production expands to more fragile lands in order to feed more people.

Aggressive U.S. leadership and action are required in order to achieve progress on these issues.

### **A Strong Global Agricultural Research System is Essential for the U.S. Agricultural Sector, Economic Growth in Poor Countries, Global Food Stability and Environmental Protection**

Like the agricultural sector that it serves, the U.S. agricultural research system (composed of federal, state and private institutions) has become part of a globalized system, inextricably linked to and dependent upon it for critical knowledge, genetic resources and new technology. The U.S. system, that once served a closed agricultural economy, is now struggling to meet the needs of a modern agricultural sector that competes in a global economy where knowledge and technology spread rapidly around the globe, ignoring political and geographic boundaries. Biotechnology, combined with the Internet, open up unprecedented possibilities for future advances and for shortening the lag time between the initiation of research and its payoff.

In this kind of environment, U.S. public sector agricultural research can no longer serve its clientele--if it ever could--without strong links to the global system. But the USDA and Land Grant Universities have not fully exploited the well-recognized benefits from closer ties to the global system. For example, USAID (now with very limited technical agricultural capability) has oversight and support responsibility for the Consultative Group on International Agricultural Research (CGIAR), that supports a network of 16 International Agricultural Research Centers (IARC). But USDA, with a \$1 billion domestic agricultural research program, has little, if any, role in CGIAR policy matters and does not participate in the USAID Collaborative Research Support Program (CRSP), a joint venture involving more than 40 U.S. universities and scientists in 35 developing countries<sup>7</sup>.

The Commission concludes that support for and participation in international agricultural research is too important to be subject to interagency turf scimmages: agricultural research should receive a higher level of attention in the federal government and the Administration should make clear national commitments and designate responsibility for leadership and interagency coordination.

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<sup>7</sup>The CRSP is an innovative approach that was originated by the Board for International Food and Agricultural Development and adopted by USAID in the late 1970's.

## **U.S. Agriculture in a "Freedom to Farm" Era Faces Difficult Challenges and Unprecedented Opportunities**

With the passage of the 1996 Farm Bill<sup>8</sup> and its "Freedom to Farm" provisions, the U.S. food and agricultural sector is positioned to capture the growth in world markets. However, the other side of the coin is that the economic future of this sector is increasingly dependent on what happens in those foreign markets. How they grow and our access to those markets will be determined, in part, by U.S. policy on international trade, development and cooperation.

If markets fail to expand as fast as productivity, or if bumper crops around the world depress prices, there will be strong political pressure from U.S. farmers for government intervention to support prices. But in the "freedom to farm era," there are few tools available to the federal government to cushion the impact on the farm sector.

This leads the Commission to conclude that the most important action the U.S. government can take to minimize the risk of such an impact is to pursue policies that ensure market access, promote demand expansion, encourage economic growth in developing countries and increase trade liberalization.

## **Trade Liberalization and More Open Economies Can Provide the Basis for Twenty-First Century Progress in Economic Growth and Poverty Reduction**

Countries all around the globe are discovering the benefits of open market economic systems and lower investment and trade barriers. They are finding that a market system connected to the world markets can lead to trade-led, broad-based economic growth. Examples can be found in the former Soviet Union, Eastern Europe, Latin America and Asia. There are even hopeful signs in Africa.

For poor countries this is welcome news: it means that there is new hope for alleviating poverty and achieving a degree of food stability. These developments also offer new opportunities for the U. S., a country that historically has been a leader in lowering trade and investment barriers but that recently has shown signs of wavering.

In adjusting to lower trade barriers and reaping the benefits of trade-driven growth, governments have a responsibility to ensure that policies provide equitable opportunities for all to share in the benefits, especially small farmers, laborers and small businesses.

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<sup>8</sup> The Federal Agriculture Improvement and Reform Act of 1996 (FAIR).

The Commission believes that while there are sometimes short-term adjustment problems for certain segments of our society, the long-term benefits of trade liberalization are enormous. The costs of not pursuing free trade policies are so great that our leaders cannot afford to let these historic opportunities pass.

**Economic Growth in Developing Countries Depends Heavily on Private Sector Investment; Therefore, a Major Objective of an International Development and Cooperation Policy Should Be to Foster Public/Private Partnerships**

If open market economies and agricultural transformation provide the engine of growth for developing countries, private investment is the fuel that makes the engine run. Therefore, development policy should encourage private sector investment and support effective partnerships between the public and private sectors, both in this country with private firms interested in seeking investment opportunities, and in the developing countries that will require a viable private sector for economic growth.

Business firms complain that USAID is a difficult and costly (high transaction costs) agency with which to work. Moreover, USAID, with an eye toward the Inspector General and congressional oversight committees, has been especially careful about entering into partnerships with the business community. There are also some who believe that business and export expansion objectives are best left to other agencies, such as the Overseas Private Investment Corporation (OPIC), Export-Import Bank, USDA and the Office of Trade and Development in Commerce.

The Commission believes there are opportunities for creative public/private partnerships and that USAID, as well as USDA, should devise cooperative relationships with the private sector, including PVOs, universities and for-profit businesses. These partnerships should be cost-effective and be designed to achieve development objectives.

**RECOMMENDATIONS**

These conclusions lead to the following recommendations by the Commission:

- I. The U.S. Government should maintain a strong, independent agency with the primary responsibility for international development and humanitarian assistance. (USAID should not be folded into the State Department.)
- II. The Commission believes that USAID has several deficiencies that can be corrected: it is not an attractive partner for PVOs, universities or for-profit firms, on which it must depend to implement programs; it lacks a coherent focus; it suffers from too many earmarks and demands on its resources; and it has many

other frequently cited problems. Correction of these problems should receive highest priority by the President in concert with Congress.

- III. The President should redefine the goals, objectives and mission of USAID and give it a name consistent with that mission. The President should then work with Congress to enact a new Foreign Assistance Act that provides authorities consistent with the redefined mission.
- The primary mission of this independent agency should be to promote broad-based economic growth in developing countries and emerging market economies and to provide humanitarian assistance in response to famine, natural disasters, and other emergencies around the world.
  - The name of the agency should reflect the new mission and new approach, emphasizing cooperation and collaboration rather than “aid.” The “International Development Cooperation Agency” (the name of USAID’s official but inactive, parent organization) would be an improvement, in the Commission’s view.
- IV. Until such time as Congress enacts a new Foreign Assistance Act, the Administration and the Appropriations Committees of Congress should reorder program priorities to emphasize and encourage broad-based economic growth. Because the removal of international trade and investment barriers is a major source of economic growth worldwide, programs should promote free trade policies, provide technical assistance and support collaborative efforts to strengthen institutions needed for trade driven market economies.
- V. In order for the U.S. to make further gains in reducing trade and investment barriers, Congress should grant “fast track” trade agreement ratification procedures. In turn, the Administration should aggressively pursue further reductions in trade barriers. Without fast track guarantees, foreign governments will be reluctant to offer concessions to U.S. negotiators for fear that Congress will ask for still more concessions after the final international bargain has been struck.<sup>9</sup>
- VI. Congress should increase appropriations for International Affairs (150 account) to \$20 billion in FY 1998. In addition, Congress should reconsider their proposed future reductions in funding for International Affairs. Instead, the Commission strongly recommends a modest three percent increase (in real terms) per year over the next five years, reversing the downward trend that over the last decade has reduced U.S. capacity to exert the global leadership necessary

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<sup>9</sup> This recommendation was not supported by Commission member Lee Swenson, President of the National Farmers Union.

to serve our economic and political interests. The approximately \$11 billion added to the 150 account over that period will have many worthy claimants, but we suggest that at least one-half be used to finance a revitalized economic growth package that includes the following components:

- **International Agricultural Research**  
Create a fund to support promising collaborative research initiatives and restore U.S. leadership in international agricultural research.
- **Food and Agricultural Systems Transformation in Selected Countries**  
Select a few countries that agree to make policy reforms and provide technical assistance, education and training to assist in modernizing their food and agricultural systems.
- **Public/Private Partnerships for Development**  
Support U.S. for-profit firms willing to invest in growth and trade stimulating activities by making U.S. funds available for development purposes such as research, education and training initiatives.
- **Technical Assistance in Support of Trade Liberalization and Institutions for Market Economies**  
Provide technical assistance and training for selected countries that are willing to lower trade and investment barriers and to build or strengthen institutions for market economies. Examples include establishing new sanitary and phytosanitary control procedures, improving trade policy analytical capacity, modernizing communications and transportation, and creating credit and legal institutions that improve the climate for private sector growth.

**VII.** The International Affairs budget is not the only source of support for activities vital to broad-based economic growth and the competitiveness of the U.S. food and agriculture sector. The agricultural research system financed in large part by USDA appropriations, is inadequately funded. Adequate investment in this system can help keep consumers' food bills relatively low, increase access to trade opportunities and improve our competitiveness in world markets. Likewise, USDA programs that help ensure open and expanding markets around the world are essential to the health of U.S. agriculture. The Commission recommends that these programs meeting the test of good investments for the future, not be sacrificed for short-run budget savings.

**VIII.** The Administration should ensure that international affairs functions and programs carried out in various departments, agencies and bureaus are consistent with policy objectives and are coordinated in such a way that waste, inefficiency, and duplication are eliminated. The Commission does not believe it

prudent to prescribe the coordination process--that is the responsibility of the Administration. But if coordination mechanisms exist, they do not appear to be effective. Some examples of weaknesses are to be found in international agricultural research, bilateral-multilateral functions, and trade related assistance.

- IX.** As the largest stockholder in the Multilateral Development Banks, the U.S. should exercise leadership to promote priorities that are consistent with the preceding recommendations by the Commission. Only the World Bank has the resources to have a significant impact on many of the global problems, and we urge that they be addressed multilaterally. We should strive to make bilateral and multilateral efforts reinforce, not compete with, each other. The Commission particularly applauds the World Bank's efforts to develop a new vision for agriculture and the rural sector, as an example of an area where cooperation and reinforcement is possible.









