Foreign Assistance as an Instrument of U.S. Leadership Abroad

by

Larry Q. Nowels
and
Curt Tarnoff

NATIONAL POLICY ASSOCIATION

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Preface

Throughout the Cold War, foreign assistance was promoted domestically as a means of defeating communism, with relatively broad support. With the demise of the Soviet Union, however, the consensus that sustained this pillar of U.S. foreign policy crumbled as well. Although most private sector leaders agree that the United States must continue to play a leadership role on the world stage, there is no agreement on what that role should be or on what kind of foreign aid and development assistance the United States should be providing. Over the past three and a half years, the National Policy Association (formerly the National Planning Association) has endeavored to strengthen communication between the foreign policy establishment and the business and labor communities so that U.S. foreign assistance initiatives reflect public input and enjoy public support.

Since October 1993, NPA has conducted a series of nationwide symposia, Washington working breakfasts, lectures, and publications that explore the private sector's insights and concerns regarding U.S. foreign policy toward developing nations. Entitled "U.S. Foreign Assistance in the Post-Cold War World: Business and Labor Perspectives," this NPA project was undertaken to facilitate the exchange of information and ideas among business and labor leaders, public policymakers, and private voluntary organization executives on many of the difficult issues surrounding America's foreign assistance and overseas development policy.

NPA's Aid and Development Project has been funded in part by grants from the U.S. Agency for International Development and the Carnegie Corporation of New York and has been supported by leading corporations and unions that have cosponsored project events around the country.* Twelve day-long symposia have brought together a diverse array of public and private sector leaders in different regions throughout the nation. Twelve Washington working breakfasts have presented the opportunity for private sector leaders and key policymakers in the nation's capital to discuss particular aspects of foreign assistance policy.

NPA has also devoted the last three of its annual Walter Sterling Surrey Memorial Lectures, named for a long-time NPA member with a deep interest in international affairs, to Aid and Development Project themes. These lectures have been published, along with other selected presentations at project meetings, in a series of monographs distributed to NPA members and project participants.

NPA's first Aid and Development Project publication was entitled *U.S. Foreign Assistance: The Rationale, the Record, and the Challenges in the Post-Cold War Era*, by Curt Tarnoff and Larry Q. Nowels, two experts in the area of foreign assistance policy. This 1994 publication provided some needed background on the realities of U.S. foreign aid and set the context for the project's discussion and debate.

After the initial 18 months of the project, NPA devoted an edition of *Looking Ahead*, its flagship quarterly journal, to a review of the key issues raised and conclusions reached in project events to that point. Even at that preliminary stage, it was clear that most project participants—regardless of their background or current occupation—believed that the United States should play a strong leadership role in world affairs and recognized the importance of foreign aid to global economic security. Participants also emphasized the compassion of the United States and its citizens, especially when faced with a humanitarian crisis, and urged that U.S. foreign assistance activities be better explained to the American public to dispel the misconceptions that many people hold about foreign aid.

In September 1996, *Looking Ahead* presented the proceedings of a typical Aid and Development Project symposium, NPA's ninth regional symposium, "Foreign Aid: An Instrument of U.S. Leadership Abroad," held in Dallas, Texas, on January 25, 1996. Excerpts of the speakers' presentations and the participants' questions and comments were featured in the publication.

This publication, *Foreign Assistance as an Instrument of U.S. Leadership Abroad*, is designed to update the project's 1994 overview of U.S. foreign aid policy and to review some of the key findings of the NPA Aid and Development Project to date. It presents current data on foreign assistance program priorities and spending levels and includes remarks from speakers and program participants.

The past several years have been difficult for the U.S. foreign aid program. Funding has been cut dramatically, and with international involvement being questioned by some in the United States, the very existence of U.S. foreign assistance has been challenged. NPA embarked upon its Aid and Development Project with the belief that U.S. involvement in the international community is vital to America's national interest and that foreign assistance can be an important instrument

*A listing of the meetings and sponsors associated with NPA's Aid and Development Project is presented in the Appendix, page 23. A listing of project publications can be found on page 26.

of U.S. influence in the world. Most of the business and labor participants in NPA's project activities have shared this view and have emphasized the importance of implementing foreign aid and development programs effectively and efficiently if public support for these activities is to be won and maintained.

NPA hopes that its public policy discussions and publications about the goals and strategies of U.S. foreign aid in the post-Cold War world can help create a consensus regarding the need for and the conduct of U.S. foreign assistance policies. Foreign aid and development assistance, if implemented properly, can help ensure the creation of a stable, peaceful world based on democratic values and economic freedom. This important instrument of foreign policy is critical if the United States is to meet its global responsibilities in the 21st century.

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Larry Q. Nowels is a Specialist in Foreign Affairs in the Foreign Affairs and National Defense Division of the Congressional Research Service (CRS) of the Library of Congress. He is the senior CRS analyst covering U.S. foreign assistance issues. Since 1985, Mr. Nowels has been head of CRS's International Organizations, Security and Development Section. From February 1988 to January 1989, he served as CRS liaison to the House Foreign Affairs Committee (Hamilton) Task Force to review U.S. foreign assistance programs and policy. He also served on temporary assignments on the staff of the House Budget Committee in 1989 and the House Appropriations Committee in 1995. His recent publications include *Foreign Operations Appropriations for FY 1997* (1996); *Bosnia Reconstruction: The International Response and Issues for Congress* (1996); and *The Foreign Policy Budget FY 1998: Understanding the Numbers and Assessing the Proposal* (1997). Mr. Nowels has studied at the National War College, Washington, D.C., the School for International Service at American University, Washington, D.C., and the University of Salamanca, Salamanca, Spain.

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Executive Summary

There has been broad recognition for several years that if foreign aid is to continue as an important instrument of American foreign policy, politicians, practitioners, policymakers, and the general public need to forge a new consensus over a revised foreign assistance policy rationale that replaces the previous Cold War-driven strategies.

Although U.S. foreign aid policy has reacted incrementally to the fundamental changes occurring in the world in recent years, an overall reassessment of the program rationale and an agreement by the administration and Congress on a new set of strategies have not ensued. After 35 years, the Foreign Assistance Act of 1961 remains the primary law guiding the program. It is still laden with Cold War policy provisions and contains multiple "primary" objectives for assistance programs—making for unwieldy priority setting and the accumulation of extensive congressional restrictions and conditions on presidential management of the program. Efforts to replace the 1961 law have been unsuccessful, and a comprehensive restructuring of policy goals has not been endorsed by Congress nor enacted into permanent law.

Without a national debate and the emergence of a clear consensus on a new foreign aid rationale, many question whether policymakers can overcome the existing perception of foreign assistance as a program ill-suited to promote U.S. global interests in the next century. In the meantime, discussion in the past two years has shifted away from consideration of new policy objectives and instead has centered more directly on proposals to cut foreign aid spending and reorganize the agencies that manage the programs. The U.S. Agency for International Development (USAID), which four years ago operated in more than 120 countries, plans by the year 2000 to maintain programs in only 75 nations and to cut its staff by 27 percent as pressures to reduce foreign aid budgets continue.

On nearly every count—in real dollar terms, as a percent of America's national wealth, and as a proportion of government spending—the United States spends less on foreign aid today than at any time over the past 50 years. Japan surpassed the United States as the leading national donor of development assistance several years ago and today is clearly the world's dominant government aid provider. Further, with the end of the Cold War, the shape and composition of U.S. aid has changed considerably. Security assistance has declined substantially, while economic programs command a greater share of the foreign aid pie. The Middle East continues, as it has for the past two decades, to receive the bulk of American aid. But countries such as Russia, Ukraine, Bosnia, and South Africa that were not significant recipients five years ago are among the leading beneficiaries of U.S. economic support today.

The developing world itself has changed dramatically in recent years. Developing countries have diverse interests, capabilities, and needs and are positioned at varying stages of economic growth. Moreover, they emerged in the early 1990s as the most rapidly growing market for American exports. Worldwide, foreign aid has been supplanted by private sector lending and direct investment as the major sources of financial transfers to developing nations. Nevertheless, there remains tremendous disparity among regions and categories of nations into which the private capital has flowed, leaving some areas, particularly in Africa, heavily reliant on publicly provided development assistance.

During the first three years in which the National Policy Association (NPA) held its series of symposia and briefings on U.S. foreign assistance strategies, a wide range of views were solicited from participants throughout the United States. Members of the business community, representatives of labor unions, government officials, staff of nongovernmental aid-implementing organizations, academics, and others presented differing perspectives on the challenges currently facing the United States and the use of foreign assistance to meet them. Despite the disparate views of many participants, several key themes emerged that found consistent approval and might be said to constitute the chief findings of NPA's Aid and Development Project to date.

The United States must take a leadership role in the world. Participants agreed almost unanimously that U.S. global leadership acts both to further U.S. national interests and to project U.S. values to others. This leadership must be maintained.

Foreign assistance is an important instrument of U.S. leadership. Foreign aid, like the U.S. defense establishment, the diplomatic corps, and exchange programs, is an important tool of U.S. influence in the world. Many NPA project participants view foreign aid as a better instrument than others because it addresses the root causes of conflict and prevents future military involvement.

Foreign assistance can and should be used effectively to support U.S. political and strategic interests. From

Europe under the Marshall Plan to the Alliance for Progress in Latin America to the Middle East peace process, foreign assistance has been used, in many cases with great success, to promote U.S. political and strategic interests. Today, foreign aid continues to be used to further such important U.S. interests as peace in the Middle East, a stable democratic and free market Russia, and the defeat of terrorism.

Foreign assistance can and should be used effectively to support U.S. economic interests. Foreign aid can have a very direct, positive impact on U.S. domestic economic health by encouraging the growth of foreign markets for U.S. goods and helping to establish a private sector environment conducive to U.S. investment abroad. Developing countries, and the newly emerging democracies in particular, offer a major and growing export market for U.S. goods and services. U.S. aid efforts encourage economic reform that stimulates the growth of nascent private sectors, and many assistance programs, including exchanges, help build ties between U.S. and developing country private sectors.

Foreign assistance can and should be used effectively to project U.S. values abroad. It is in the U.S. national interest to project U.S. values and beliefs abroad. Such values include a belief in a democratic system of government and protection of human rights. Foreign aid has promoted the emergence of new democracies in the former Soviet bloc and elsewhere and has helped defend workers' rights and the rule of law.

Foreign assistance can and should be used to meet humanitarian needs around the globe. There was unanimous agreement among NPA participants that aid is vital to the relief of refugees and other disaster victims throughout the world. Humanitarian aid is a reflection of core American values.

Development assistance programs aimed at the poor are an important means of meeting many U.S. foreign policy objectives. Development assistance aimed at meeting the basic human needs of the poorest has helped produce numerous impressive achievements, including the eradication of smallpox, increased access to clean water, and significant growth in food production and consumption. Such achievements have positive benefits for the United States through savings in U.S. health care costs, in generating new markets for U.S. goods, and through the establishment of greater global political stability. These programs can be made more efficient and effective if they encompass grassroots participatory practices.

Foreign assistance programs must be administered effectively and efficiently. The U.S. assistance program has the potential to meet foreign policy objectives, but only if it is administered effectively and efficiently. In its 50-year history, there have been examples of failure, mismanagement, and waste. USAID is working to reform the program to eliminate any inefficiencies. Such reform is necessary to make U.S. assistance more effective and to gain public support. This reform should continue in a way that is visible and credible to the American people.

The American people should be better informed about the role of foreign assistance in facilitating U.S. foreign policy. To ensure that sufficient foreign assistance funds are made available to advance U.S. foreign policy interests, public support is necessary. If the misconceptions that many people hold about foreign aid are to be revised, U.S. political leaders must counter any real or perceived aid mismanagement and ineffectiveness, and they must make clear the connection between assistance and U.S. interests. NPA Aid and Development Project participants believe that such a case can be made.

NPA participants, by and large, believe that a compelling case can be made for a foreign aid strategy that is sensitive to America's changing priorities. They are waiting for it to be made and acted upon by America's leadership.

"What's happening in the world, not just the post-communist world, is a tremendous, historically unprecedented sea change in ideas. I count about 3.4 billion people living in countries right now that are undergoing fundamental economic reform. Now the entire continent of Latin America is democratic. Even in sub-Saharan Africa, there have been about 30 democratic transitions in recent years. But you look at country by country and the situation remains fragile, unstable, uncertain, with the possibility of falling back as much as going forward. What we have been hoping for and working for as a nation is closer at hand than it's ever been in world history. Foreign aid can help consolidate a democratic transition and help consolidate market economic reform. We want to use aid in the enlightened self-interest of helping to create a stable world based on democratic and market-based values."

Jeffrey D. Sachs, Director, Harvard Institute for International Development, and Galen L. Stone Professor of International Trade, Harvard University, NPA Regional Symposium, Boston, November 16, 1995

Introduction

"The involvement of the labor movement in the delivery of foreign assistance has been part of our long history. . . . The fact that workers do not have the right to organize into unions in many foreign countries is part of the reason . . . we have an interest in the delivery of foreign assistance. The challenge is convincing [union] members, as USAID and other advocates have to convince the general American public, that this is something that must be done [and] we have an interest in it."

Caroline Lauer
Director of International Affairs, Service Employees International Union
NPA Regional Symposium, Los Angeles, May 14, 1996

"In the Cold War era, the primary driving force for foreign assistance was security and defense issues. . . . The business community . . . is interested in economic issues. The emergence of market economies in formerly Eastern Bloc countries has presented opportunities for us, and you can see foreign development [assistance] as a tool that can aid in stimulating market growth in these areas. The growth of democratic processes around the world contributes to . . . the type of stable political and business environment that we need for our investment and to do business."

Jean Pryce
Manager of Industry and Government Relations, General Motors Corporation
NPA Regional Symposium, Detroit, July 18, 1996

The end of the Cold War has confronted the United States with challenges barely envisioned seven years ago and created the demand for a fundamental reassessment of American foreign economic, political, and strategic policy. As an instrument used to manage and advance America's interests overseas for many years, U.S. foreign assistance must be reexamined as part of this reassessment. Policymakers are attempting to redefine the underlying rationale of foreign aid and establish a new set of objectives that will support the evolving policy interests of the United States.

While there is common agreement that a revised blueprint for U.S. foreign assistance must be found, a consensus on what that plan should be—especially agreement between the President and Congress—has not emerged. Policymakers, opinion leaders, interest groups, and private organizations have argued and debated for several years about whether and how the program should change, but since 1995, budget issues and organizational questions have dominated the discussions.

With foreign aid spending reduced by 10 percent since 1994, and with the U.S. Agency for International Development (USAID), the primary U.S. aid implementing agency, undergoing significant downsizing in both staff and country presence, a picture of what the future U.S. foreign aid program may look like is beginning to take shape. Yet the debate over its purposes and goals remains unfinished.

During the past three years, the National Policy Association (NPA) has sponsored a series of discussions among public and private sector participants in an effort to advance the debate on the role and purpose of U.S. foreign assistance. This report offers a synopsis of the results of NPA's effort to stimulate a constructive national exchange of ideas among public and private sector leaders. It begins with an overview that illustrates where the aid program stands at this crossroads between the old Cold War-dominated policy and the new challenges facing American foreign policy. It is a description of the aid program as it was and as it is currently, providing a larger context for discussion of the changes under continuing debate. The report also highlights key issues raised by participants during the series of regional symposia, Washington breakfast sessions, and other events conducted during the NPA project. Finally, the report identifies a series of findings that emerged from these discussions, findings that are endorsed by NPA project participants for consideration by U.S. policymakers.

Foreign Aid as a U.S. Foreign Policy Tool

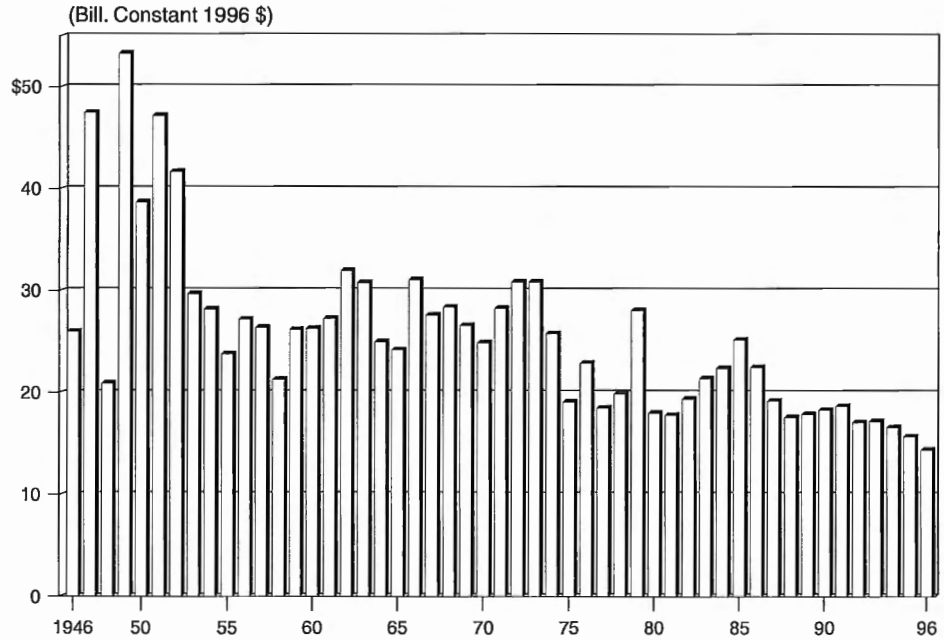
Foreign aid was created, and continues, to serve as a tool of U.S. foreign policy. As such, any assessment or evaluation of the program should be judged by the extent to which it meets U.S. foreign policy objectives. Although the modern-day origins of foreign aid centered on the reconstruction of Europe in the immediate aftermath of World War II, it was the Cold War and the policy of containment and anticommunism that shaped the aid program and gave it its chief rationale. There have been different types of assistance, but each has served the overriding political rationale of confronting communism wherever it threatened U.S. interests. The Marshall Plan created, among other intended effects, conditions that would eliminate a prime breeding ground for social unrest, instability, and communist expansion, while also boosting U.S. trade.

Military assistance has helped allies build their defenses and gave the United States access to military bases around the world. Throughout the Cold War, but especially after the mid-1970s, aid was used to assist international development, at times targeted to the poor, not only to prevent instability that might invite communist takeovers, but also for general humanitarian purposes, and later to meet U.S. objectives regarding the international environment, narcotics, and other transnational concerns. Then the Soviet Union disintegrated, and the communist threat that loosely held together all the disparate foreign aid goals evaporated.

CREATING A POST-COLD WAR FOREIGN AID RATIONALE AND POLICY

Although the overriding rationale of anticommunism is gone, other threats, concerns, and opportunities have taken its place. As the debate on aid reform has developed, constituencies for various foreign policy concerns have come forward with their proposed policy and assistance priorities. Supporters of a policy that would use aid to facilitate U.S. trade and investment interests abroad have repeatedly made this case since the early 1990s. A somewhat related view includes those who believe "foreign aid" is an outdated concept that should be replaced with policies aimed at stimulating greater private investment in developing nations. Another, more traditional constituency supports the use of aid for both sustainable development and humanitarian purposes, continuing the fight against poverty but also focusing on a new set of national security threats such as ethnic conflict, the spread of disease, environmental degradation, and the rapidly expanding global population.

CHART 1
U.S. Foreign Assistance, FY 1946-96



Source: U.S. Agency for International Development (USAID).

The Clinton administration adopted the three goals of bolstering the American economy, fostering sustainable development, and supporting humanitarian relief activities in its foreign aid policy and resource reform proposal issued in 1994. It added two others—building democracy abroad, including the transition in the former Soviet Union and eastern Europe, and promoting peace and regional security efforts, including those in the Middle East.

Although these have been the principal priorities of the Clinton administration, they have not been endorsed by Congress through incorporation into permanent U.S. foreign aid laws. Instead, over the past few years the debate has centered on the limited availability of financial resources and on how much the foreign aid budget can be reduced. After trying to accommodate the full range of policy preferences within constrained budget limits, administration officials acknowledged in 1996 that dramatic foreign aid spending cuts would now force the United States to do "less with less" instead of "more with less" and would require significant choices and trade-offs even in the absence of a clear consensus on a post-Cold War foreign assistance policy rationale.

How the Money Is Spent: Trends in Resource Allocation

FOREIGN AID—DECLINING RESOURCES IN A REDUCED FOREIGN POLICY BUDGET

By virtually any standard of measurement, the United States spends less money on foreign assistance programs today than it has at any other time during the 50-year post-World War II period (see Chart 1). The $14.3 billion obligated for foreign assistance in fiscal year (FY) 1996 is about two-thirds the level, in current dollars, of only a decade ago.

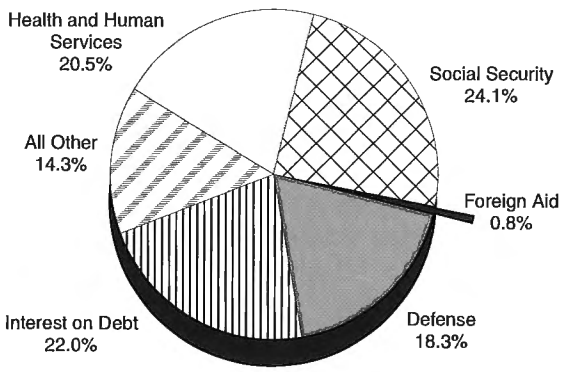
As the United States and Europe celebrate the 50th anniversary of the Marshall Plan—widely regarded as the most successful development assistance effort—there will be frequent comparisons between the restructuring of 16 European nations then and American efforts now. Initiatives to aid the economic and political transition in Russia and elsewhere in the former communist world, to promote a lasting peace in the Middle East, and to sustain the economic achievements of the rapidly growing nations of East Asia and Latin America are among these efforts. Helping people in many parts of the world such as Haiti, Bosnia, and central Africa find solutions to the causes of war and ethnic conflict that stand in the way of meaningful economic development and the creation of a strong civil society is another current goal. These objectives, some new and some old, will be viewed relative to the intentions and achievements of a half-century ago.

Although foreign aid is only one of many instruments used to advance current policy initiatives, the money available today represents just a fraction of what was allocated 50 years ago. In three years, the United States spent $139 billion (in real terms) for Marshall Plan and other aid recipients, about three times the size of the FY 1994-96 foreign aid budgets. From the peak of spending during the Marshall Plan years to the plateau of the Vietnam era through the Camp David Middle East peace commitments to the present, the history of U.S. spending on foreign aid has been one of gradual decline, punctuated occasionally by a brief resurgence when particularly high priority foreign policy needs appeared. Moreover, while the trend has been downward for a number of years, the budget cuts for FY 1996 and FY 1997 were especially large: the average appropriation for these two years has been 10 percent less than for FY 1995. Only three times—in 1975, when the United States withdrew from Vietnam; in 1980, after a large increase the previous year to support the Camp David accords; and in 1986, following enactment of the first Balanced Budget Act—have foreign aid appropriations fallen more precipitously.

As public opinion surveys have demonstrated over the years, Americans think that the United States spends far more on foreign aid than it actually does. In 1995, researchers at the University of Maryland and the Center for the Study of Policy Attitudes found that when Americans were asked how much of the budget the government spent on foreign aid, the average response was 18 percent. Although most thought that figure was too much, when they were asked what would be about right, the average answer was 8 percent. In fact, foreign assistance represents substantially less of the budget than most Americans think it does and, according to this report, even less than they think it should be.

In the early 1990s, foreign aid hovered at about 1 percent of federal spending, but with the more recent budget cuts, it fell to 0.8 percent of spending outlays in

CHART 2
U.S. Budget Outlays, FY 1996



Source: U.S. Department of the Treasury.

FY 1996. To compare with other programs in the federal budget, about 18 percent of U.S. spending goes to the Pentagon, a little more than 20 percent goes to health and human services, and 24 percent goes to social security (see Chart 2). Nor, proponents contend, is foreign aid spending at levels the country cannot afford. In FY 1996, foreign assistance—economic and military aid—represented 0.2 percent of the U.S. gross domestic product (GDP), the lowest level in the past four decades.

STRATEGIC APPLICATIONS OF U.S. ASSISTANCE: REGIONAL AND COUNTRY ALLOCATIONS

U.S. assistance has focused above all on serving the strategic interests of the United States, a pattern clearly illustrated by the regional and country distribution of aid resources over most of the past half-century. The U.S. emphasis on strategic interests in foreign aid differs from the emphasis of other nations' aid programs, which often focus primarily on economic or humanitarian objectives. U.S. assistance has always been heavily concentrated in areas where the United States maintains its highest political and security interests, targets that have shifted several times.

After World War II, the United States channeled nearly all foreign aid to Europe to help rebuild the war-torn economies and to strengthen Western governments against the growing threat posed by the Soviet Union. Between 1946 and 1952, Europe received about 70 percent of all U.S. bilateral assistance, with annual levels averaging about $30.6 billion (1996 dollars). The focus of the American aid program, however, shifted quickly to Asia, particularly to South Korea, Taiwan, and later South Vietnam. For two decades, until the fall of Saigon in 1975, Asia received about $13.9 billion (1996 dollars) annually in American aid, representing about 59 percent of total U.S. bilateral foreign assistance.

The focus of U.S. assistance then turned to the Middle East, where significant amounts of aid to Israel began shortly after the 1973 war with Arab states. The Camp David accords signed in 1979 included a substantial military and economic aid package for Israel and Egypt, and follow-on assistance has made these two nations overwhelmingly the largest U.S. aid recipients during the past two decades. Since Camp David, the Middle East has received on average $7.4 billion (1996 dollars) per year, a 51 percent share of total bilateral aid.

Latin America and Africa have received relatively small amounts of U.S. aid. The Alliance for Progress initiative in the early 1960s and American policy in the 1980s to counter communist-inspired threats in Central America were the only two brief periods when the United States channeled significant amounts of aid to Latin America. Aid to Africa, which had averaged less than $1 billion per year in the 1960s and 1970s, began to grow in the early 1980s, in part due to the U.S. response to the severe drought and famine that struck the region, as well as continuing support for strategic considerations in Somalia, Zaire, and Liberia. Assistance levels for Africa continue to range between $1.3 billion and $1.5 billion annually, but instead of a focus on security interests, U.S. aid supports political and social change in the region, especially in South Africa.

TABLE 1
Leading Recipients of U.S. Aid, FY 1991 and FY 1996
(Country Obligations, Mill. $)[1]

Country	FY 1991	FY 1996
Israel	$3,650[2]	$3,000
Egypt	2,300	2,118
Turkey	804	355
Bosnia	0	246
Greece	351	224
Russia	0	179
India	134	158
Jordan	92	123
Rwanda	41	121
Ukraine	0	119
South Africa	50	117
Philippines	561	43
El Salvador	295	57
Nicaragua	219	27
Peru	199	85
Bolivia	191	75
Honduras	157	26
Portugal	144	1

1. The first 11 countries listed were the leading recipients in 1996; the other 7 were among the top 11 in 1991.

2. This number includes a one-time $650 million supplemental cost related to Persian Gulf War costs.

Source: USAID.

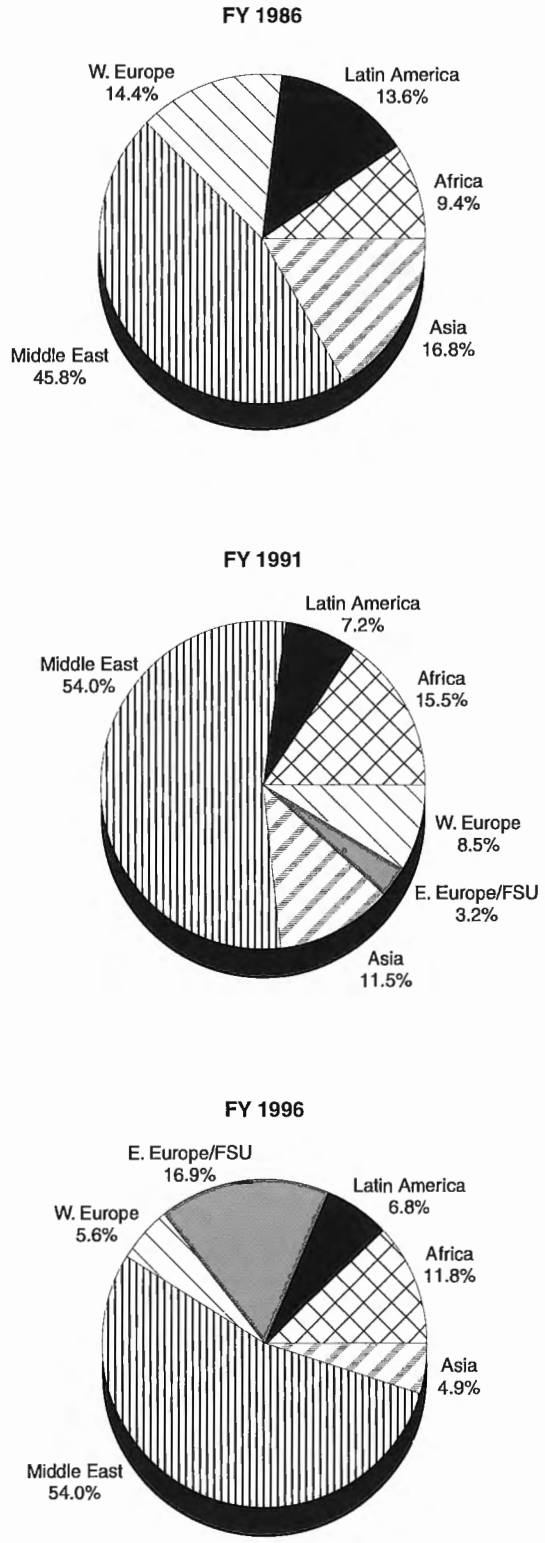
The end of the Cold War has brought substantial changes in the regional and country allocation of U.S. foreign aid (see Chart 3). A decade ago, based largely on the goals of countering communist threats and gaining access to military bases abroad, Latin America, Asia, and western Europe collectively received almost 45 percent of all U.S. bilateral assistance. Today, their combined share has fallen to about 17 percent. For some of the largest recipients that were part of U.S. efforts to counter Soviet aggression in the developing world in the 1980s and early 1990s, the United States has reduced substantially, and in some cases ended, its economic and military support.

However, even during the early days of the post-Cold War era, in FY 1991 for example, the United States still allocated a substantial amount of economic aid to Central America, helping those countries emerge from more than a decade of conflict (see Table 1). In 1991, El Salvador, Nicaragua, and Honduras were among the top 10 U.S. aid recipients, receiving a combined total of about $675 million. In 1996, each had fallen well down on the list of the largest beneficiaries of American assistance, receiving just over $100 million collectively. Drug-producing countries such as Peru and Bolivia also had been among the leading recipients of U.S. aid at the end of the Cold War. Today, while they still receive relatively large amounts of economic assistance, the levels are half what they were five years ago. Although Greece and Turkey continue to receive military assistance, it is at significantly lower levels and on stricter loan terms than previously.

Cuts in U.S. aid to Latin America, Asia, and western Europe have been supplanted to a degree by the initiation of large U.S. aid programs in eastern Europe and the former Soviet Union, countries that now account for nearly 17 percent of total American assistance. Russia, Ukraine, and Bosnia, which received no U.S. aid five years ago, are currently among the top 10 recipients.

The one continuing characteristic of U.S. regional and country aid allocation is its concentration in the Middle East, especially Israel and Egypt. These levels have grown in recent years to 54 percent of U.S. bilateral programs. The declining U.S. foreign aid budgets, the continuing high levels for Israel and Egypt, and the priority placed on Russia, other former Soviet republics, and eastern Europe have resulted in the most highly concentrated U.S. foreign aid program since the Vietnam War period. In FY 1996, these high priority recipients accounted for roughly 70 percent of bilateral foreign aid appropriations.

CHART 3
Regional Allocation of U.S. Foreign Aid, FY 1986, FY 1991, and FY 1996



FSU = former Soviet Union.

Source: USAID.

THE PROGRAM COMPOSITION OF FOREIGN AID

Although foreign aid sounds like a monolithic program, it is in fact made up of a number of discrete activities that, in turn, can be broken down into numerous individual regional and country projects. During

the past two decades, the United States has programmed aid funds around six major categories of U.S. foreign assistance. (See Chart 4 for the program composition of foreign aid for FY 1986, FY 1991, and FY 1996.)

Multilateral Assistance includes contributions to the World Bank and other multilateral development institutions and United Nations (UN) organizations. In FY 1996, the United States allocated $1.1 billion for multilateral assistance, 8 percent of the total aid program.

Bilateral Development Assistance is intended to encourage equitable economic growth in developing countries. These programs include a wide range of projects in the agriculture, health, private enterprise, education, population, and environment sectors. In FY 1996, $2.9 billion was appropriated for these activities, 20.3 percent of the aid program.

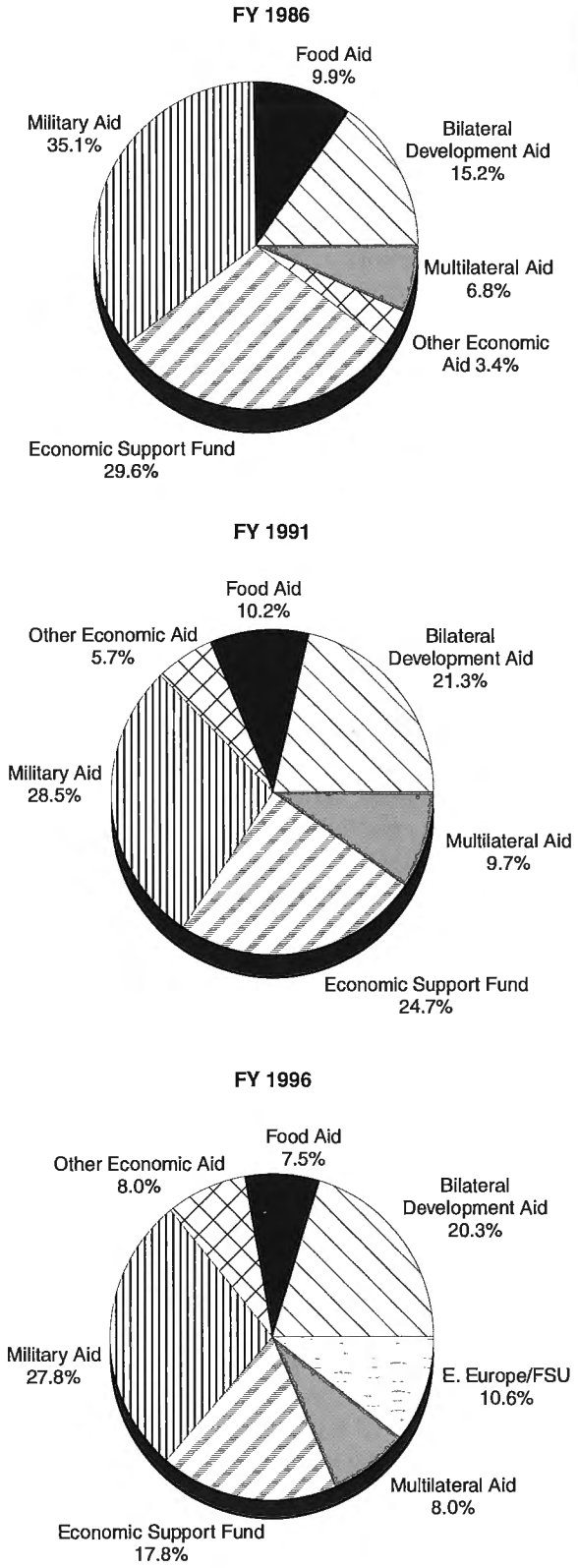
Food Assistance, begun in the mid-1950s with primarily an agricultural export promotion orientation, now focuses on multiple domestic and foreign policy objectives. Some food aid is offered on concessional loan terms, combining commercial and development goals. A growing portion, now roughly 69 percent, is donated to meet emergency and humanitarian needs in developing countries and is delivered largely by private and multilateral organizations. In FY 1996, food assistance totaled $1.1 billion, 7.5 percent of U.S. foreign aid.

Eastern Europe and Former Soviet Union Accounts are a new category of aid emerging in the 1990s. Both are high priority programs meeting the political interests of the United States to help the regions achieve democratic systems and free market economies. In FY 1996, the United States allocated $1.5 billion for the new states of eastern Europe and the former Soviet Union, 10.6 percent of the total program.

Economic Support Fund (ESF), a security-oriented program but providing economic aid exclusively, is intended to meet special political and security interests of the United States. In FY 1996, ESF funding totaled $2.5 billion, 17.8 percent of the foreign aid program. The largest proportion of ESF has gone to Israel and Egypt, $2 billion in FY 1996.

Military Assistance provides U.S. allies and friends with defense equipment and training, mainly on a grant basis. Like ESF, military aid that enables countries to purchase U.S.-produced weapons is largely concentrated in Israel and Egypt—78 percent in FY 1996. The $39 million International Military Education and Training (IMET) program trains on a

CHART 4
Program Composition of U.S. Foreign Aid, FY 1986, FY 1991, and FY 1996



FSU = former Soviet Union.

Source: USAID.

grant basis foreign military personnel and officers from more than 100 countries. In FY 1996, military assistance represented 27.8 percent of total U.S. foreign aid.

Other Economic Assistance programs include the Peace Corps, narcotics control activities, refugee relief, and antiterrorism projects. In FY 1996, these disparate programs totaled 8 percent of foreign aid spending.

Like the shifting post-Cold War spending patterns of regional and country allocations of U.S. aid, program funding priorities have also undergone marked changes in the past decade. The combined "security assistance" categories of ESF and military aid have declined from representing nearly a two-thirds share of the aid budget a decade ago to about 45 percent today. There has been a corresponding increase in the proportion of aid resources represented by development programs, bilateral and multilateral, with some of the largest growth occurring in categories representing new global concerns, such as drug trafficking, refugee relief, and antiterrorism initiatives.

More recently, USAID program priorities have been shaped around the agency's "sustainable development" concept and its four objectives of encouraging broad-based economic growth, protecting the environment, stabilizing world population growth, and supporting democratic participation. The Clinton administration had hoped for broad endorsement of this new economic aid policy blueprint, which was first articulated in early 1994. Even in the absence of legislative approval from Congress, however, USAID continues to formulate its program planning around an integrative policy consisting of these four sustainable development strategies. The agency has further instituted a more rigorous accountability system, in which indicators are selected by which to measure impact and assess results of USAID-funded programs. Another key element of the Clinton administration's sustainable development policy has been an effort to concentrate aid resources in countries that make good partners—that is, countries whose governments are committed to sound development policies and will apply U.S. support effectively.

Maintaining stable and balanced funding levels for the four sustainable development strategies has been a difficult challenge for USAID over the past three years. USAID officials assert that the four strategies must operate as interlinked, mutually reenforcing elements of an overall U.S. effort to promote the advancement of market economies and democratic transitions in the developing world until countries reach a point of sustainability that no longer requires external aid. Consequently, reductions in overall spending have been only one impediment to implementing such a program.

Although USAID obligations for sustainable development activities in FY 1996 fell 15 percent below amounts for FY 1994 and 24 percent below the previous year's level (see Table 2), an equally important dilemma for policymakers has been the uneven cuts across program objectives, many imposed by outside actors. Congress, for example, required that child survival activities and HIV/AIDS projects remain funded at prior-year amounts, and the U.S. Department of State lobbied hard to keep environmental programs immune from funding shortfalls. Although resources for these activities grew over the past two years, cuts in other areas were even larger, especially in the economic growth category where spending for agricultural projects fell 38 percent from FY 1994 amounts. Congressional reductions and limitations placed on family planning projects during the past two years have also made population programs one of the most significantly reduced areas of USAID's sustainable development policy. A growing question under the current budget environment is whether the United States can effectively continue to pursue its sustainable develop-

TABLE 2
USAID Sustainable Development Funding, FY 1994-96
(Mill. $)

Category	FY 1994	FY 1995	FY 1996 (Est.)	FY 96 +/– FY 94 (%)
Democracy	**$ 153**	**$ 170**	**$ 156**	**+ 2%**
Of which:				
Labor/Human Rights	14	27	14	—
Environment	**203**	**345**	**234**	**+15**
Population/Health	**830**	**891**	**722**	**–13**
Of which:				
Child Survival	189	206	222	+17
HIV/AIDS	112	118	118	+ 5
Population	466	512	345	–26
Economic Growth	**736**	**725**	**514**	**–30**
Of which:				
Private Sector	158	207	146	– 8
Agriculture	204	184	126	–38
Basic Education	115	115	99	–14
Other Education	108	87	57	–47
Total	**$1,922**	**$2,131**	**$1,626**	**–15%**

Note: Amounts are expressed as obligations of funds.

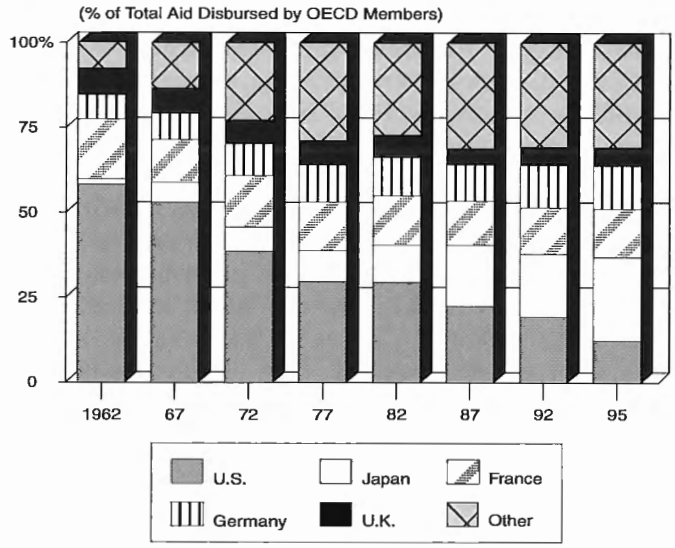
Source: USAID.

ment strategies in an integrative manner that has impact and produces results.

BURDEN SHARING AMONG INTERNATIONAL ECONOMIC AID DONORS: A DECLINING U.S. SHARE

For most of the post-World War II period, the United States was the world's dominant provider of economic assistance. Even as late as 1968, it accounted for more than half of this aid. Thereafter, the U.S. share fell substantially, until by 1995, the United States represented only 13 percent of total bilateral disbursements (see Chart 5). During this period, U.S. assistance declined while aid contributions of several other industrial countries, particularly Japan, rose dramatically. Despite this significant shift in aid burden sharing, amounts actually provided by the international donor community have fluctuated widely in recent years. As measured in real terms, major donors increased their disbursements by about 15 percent between 1986 and 1992, before falling back to $53.59 billion in 1995, a level virtually the same as contributed in 1986.

CHART 5
Foreign Aid Burden Sharing, 1962-95



Source: Organization for Economic Cooperation and Development (OECD).

Although the responsibility for economic assistance to the developing world now rests on a greater number of shoulders, in recent years the United States has come under considerable criticism by other international donors for its declining share of aid disbursements. Much has been made of the 1995 figures that show the United States falling from the second leading donor to fourth position, behind Japan, France, and Germany, in the absolute level of assistance, and to last among the 21 major donors in terms of the percentage of gross national product (GNP) allocated to economic aid (0.1 percent for the United States in 1995). Although the move from number two to number four and the low GNP percentage occurred largely because of lower spending due to the delayed passage of foreign aid appropriations legislation in 1996, the data underscore Japan's dominant position as the world's major provider of economic assistance.

Promoting Economic Security at Home

Foreign assistance programs have always returned some benefit to the economy of the donor nation. The priority given to commercial and export promotion aspects of bilateral aid programs, however, varies greatly. As noted previously, the United States has emphasized political, development, and security objectives in its aid programs and has generally placed less importance on the commercial rationale. In a broad sense, there are three ways in which foreign aid programs are evaluated in terms of the economic benefits they provide to the donor: the amount of foreign aid funds spent in or reflowing to the country providing the assistance; the importance of developing countries to trade and other economic interests of the donor; and the priority placed by the contributing government on commercial elements of the program, often measured in terms of tied aid and the emphasis on projects that include large export opportunities.

DIRECT PROCUREMENT AND OTHER FOREIGN AID REFLOWS TO THE UNITED STATES

Although a general perception exists that much U.S. foreign aid consists of "handouts" and "giveaways," most foreign aid money is spent to procure U.S. goods and services. By law, nearly all U.S. assistance must be

spent on American-produced items, although waivers are permitted under certain circumstances. Amounts returning to the United States differ according to the type of foreign aid program. Because of the difficulties of tracking procurement to the source, the U.S. government does not issue a cumulative report showing total aid reflows to the United States. Nevertheless, some general estimates are possible on a program-by-program basis, though amounts will change annually.

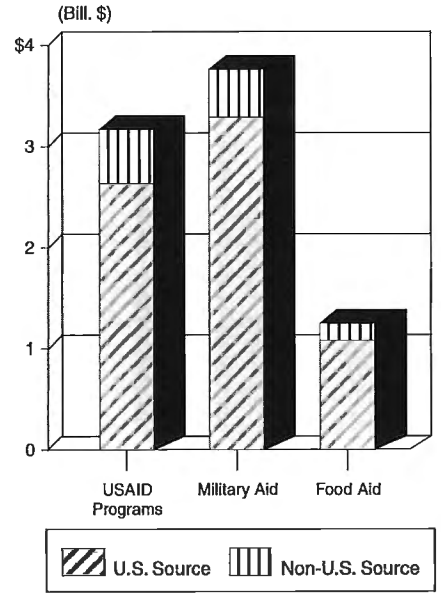
The largest category of foreign aid is bilateral economic assistance administered by USAID (see Chart 6). The agency procurement in FY 1996 totaled about $3.2 billion. USAID estimates that goods and services from U.S. sources represented about $2.6 billion, or 83 percent of all procurement.* Military assistance, the next largest aid category, is a declining program used primarily to purchase U.S.-manufactured defense equipment. Only a $475 million set-aside for Israel can be used to buy equipment offshore. About 87 percent of the $3.8 billion of purchases with military aid in FY 1996 were spent on U.S. goods and services.

Food assistance is a category of foreign aid in which nearly all moneys spent flow back to the United States. Established primarily as an export promotion program in the mid-1950s, food aid now serves multiple development, humanitarian, and foreign policy objectives with less emphasis on commercial motivations. All commodities are purchased from U.S. sources, although only three-fourths of the food must be shipped on U.S.-flag carriers. On this basis, a rough estimate suggests that at least 87 percent of the $1.25 billion food aid program in FY 1996 was spent in the United States.

The final major category of U.S. foreign aid—contributions to multilateral development banks (MDBs)—offers some of the largest, yet very difficult to quantify, returns to American exporters. In 1994, for example, the United States contributed about $1.5 billion to these institutions, while American businesses received a much larger amount, an estimated $2.7 billion, in MDB procurement contracts. However, international donors can limit access by U.S. firms to MDB procurement. Growing frustration with U.S. arrears to the World Bank's International Development Association (IDA) and delays in agreeing to a new IDA replenishment led donors in 1996 to establish an interim $3 billion fund to continue IDA programs in the world's poorest nations. Because the United States did not participate in the interim fund, American firms could not bid on procurement opportunities, losing business to their European and Japanese rivals.

Although many argue that the United States should increase the amount of foreign aid resources spent on American goods and services, it is unlikely that the level will move closer to 100 percent. Projects, especially economic aid programs, require some degree of spending in the recipient country. In some cases, necessary goods are not available from U.S. producers, or their prices and services are not competitive with alternative sources. In other instances, U.S. aid officials may choose to buy locally to, among other reasons, help support emerging private business in the developing country. Cash assistance linked to policy reform, however, remains an area that some argue should be reduced and programmed in ways that directly boost American exports.

CHART 6
Foreign Aid Spent in the United States, Estimated for FY 1996



Sources: USAID and U.S. Department of Defense.

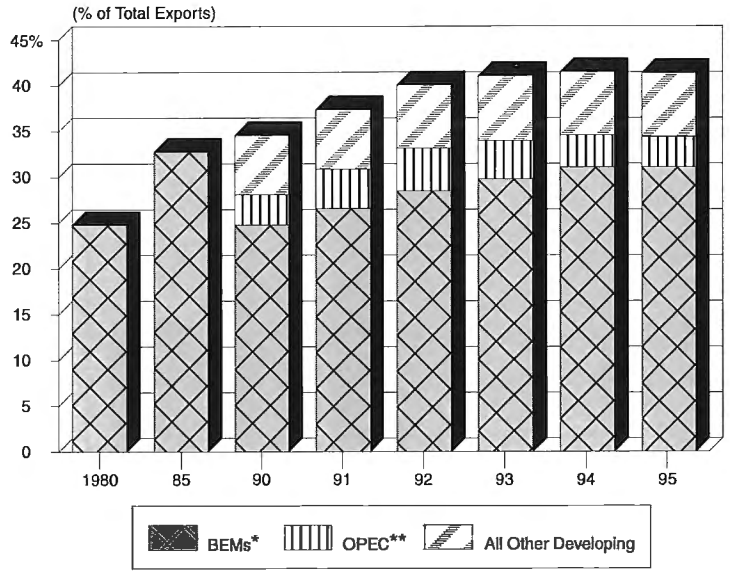
DEVELOPING COUNTRIES: GROWING MARKETS FOR U.S. EXPORTS

The developing world has been a source of rising importance to U.S. trade interests for a number of years. Many believe that much of the world's future economic growth will occur in developing nations. In addition, most U.S. economic assistance has been programmed in these economies.

In the past four years, rapidly expanding growth in many developing countries—especially in the mostly Asian and Latin American "Big Emerging Markets"—has pushed U.S. exports to these nations to over 40 percent of total exports, with more than $242 billion of American goods going to the developing world in 1995; in 1985, developing nations made up only 31 percent of global American exports (see Chart 7). The developing countries that receive a large amount of U.S. economic aid receive a relatively small portion of total U.S. ex-

*Procurement figures exclude cash and other forms of nonproject assistance, which for 1996 totaled at least an additional $1.5 billion.

CHART 7
U.S. Exports to Developing Countries as a Percent of Total U.S. Exports, 1980-95



*Big Emerging Markets were not a category before 1990. BEMs = Argentina, Brazil, Brunei, China, Hong Kong, India, Indonesia, Malaysia, Mexico, Philippines, Poland, Singapore, South Korea, South Africa, Taiwan, Thailand, Turkey, and Vietnam.

**OPEC = Organization of Petroleum Exporting Countries.

Source: U.S. Department of Commerce.

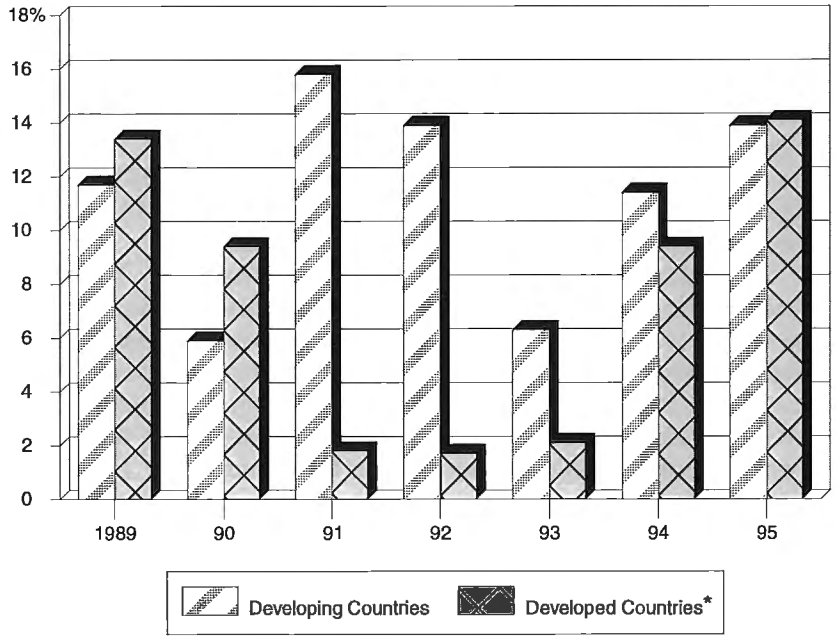
ports, about 7 percent in FY 1995. Nevertheless, policymakers hope that by investing in these generally poorer nations today, their economies will grow in coming years to become the next generation of Taiwans and South Koreas, countries that received considerable sums of American aid in the past and now consume many American-made goods.

Moreover, developing countries have been the fastest growing market for U.S. exports in recent years, in some cases making significant annual gains compared with trade with developed nations (see Chart 8). In 1992, American exports to developing countries increased by nearly 14 percent, while exports to the developed world rose by only 1.7 percent. Growth in exports to developing nations has continued at a rapid pace, 13.9 percent in 1995. However, U.S. exports to developed countries also increased in 1995 and now match the annual growth rate of U.S. exports to the developing world.

COMMERCIAL MOTIVATIONS OF MAJOR AID DONORS

One of the most frequently heard arguments of those promoting a stronger commercial orientation of U.S. aid is that other governments have supported their nations' business interests through foreign assistance for many years. While the United States maintained a foreign aid program largely driven by a Cold War rationale, other governments—particularly former colonial European nations and Japan—appear to have used economic assistance, at least to some extent, to solidify trade relationships and bolster business opportunities for their private sectors. Advocates of linking U.S. economic assistance more directly to export opportunities call for a tightening of U.S. "Buy America" laws and more tied aid. Some argue that because other donor governments tie much of their

CHART 8
Annual Growth of U.S. Exports to Developing and Developed Countries, 1989-95



*Developed Countries = Canada, Japan, western Europe, Australia, New Zealand, and South Africa.

Source: U.S. Department of Commerce.

TABLE 3
Major Purposes of Economic Aid, 1993
(Commitments as a Percent of Total Bilateral Aid)

Country	Infrastructure/ Production[1]	Social Programs[2]	Program/ Budget Asst.	Food	Emergency Aid	Debt Relief	Other[3]
Canada	24.0%	9.5%	4.0%	4.4%	4.2%	11.2%	42.2%
France	23.4	38.1	15.0	0.4	2.3	1.9	19.1
Germany	33.5	25.3	2.2	2.1	9.2	10.3	17.4
Italy	17.6	14.9	1.4	5.5	20.3	30.6	8.7
Japan	34.7	22.6	4.4	0.3	0.2	16.9	7.8
U.K.	32.0	30.8	9.3	3.0	11.9	3.2	9.6
U.S.	11.1	23.1	27.3	9.4	8.6	7.0	10.6
OECD Average	31.4	25.1	9.7	2.8	6.1	10.2	14.7

1. Transport and communication, energy, agricultural production, industry, mining and construction, trade, banking, and tourism.
2. Education, health and population, and planning and public administration.
3. Multisector programs, administration, and unspecified.

Source: OECD, *Development Cooperation 1995 Report.*

assistance to domestic procurement requirements, the United States should do so as well.

However, the evidence on tied aid and how the United States compares with other countries is unclear. Comparative data issued by the Organization for Economic Cooperation and Development (OECD) show that the United States tied 42 percent of its aid in 1993, somewhat higher than the 36 percent average for all major donors and considerably lower than specific countries such as France (54 percent) and Germany (52 percent). But the same data suggest that Japan maintained the least tied aid program among all donors (14 percent) in 1993. This runs counter to the general perception that Japanese aid is closely associated with trade and commercial objectives. "Informal" methods of aid tying can be applied by virtually any aid donor, and these methods are not necessarily reflected in the OECD data.

Aside from tied aid, donor countries can ensure that their assistance programs benefit both the recipient nations and their own business communities by how the aid is programmed. Usually, expenditures on large-scale capital projects—for example, roads, power plants, dams, telecommunications, and port facilities—offer significant export opportunities. Social sector programs—such as health, education, and family planning services—and nonproject assistance (cash transfers) can be used to procure U.S. technical advisors and U.S. products. Nevertheless, social sector projects generally yield fewer direct benefits to the donor's business community, both in stimulating immediate exports and in providing long-term business opportunities.

It is in this area—the use of economic assistance—that the United States differs significantly from most other donor countries and where there are frequent calls from U.S. exporters for change. As Table 3 shows, only about 11 percent of U.S. aid in 1993 was committed for infrastructure, industry, mining, and construction purposes, whereas the average figure for all other major donors was 31 percent, with Germany, Japan, and the United Kingdom spending above the average. For program and budget support assistance, where aid transfers do not necessarily result in procurement from the donor nation, the United States committed 27 percent, well above the 10 percent OECD average. At 23 percent, social program commitments by the United States were near the OECD average. How the U.S. programs its economic assistance compared with other donors continues to be the subject of an ongoing debate in the search for a new program rationale.

Foreign Aid Strategies in the Post-Cold War Era

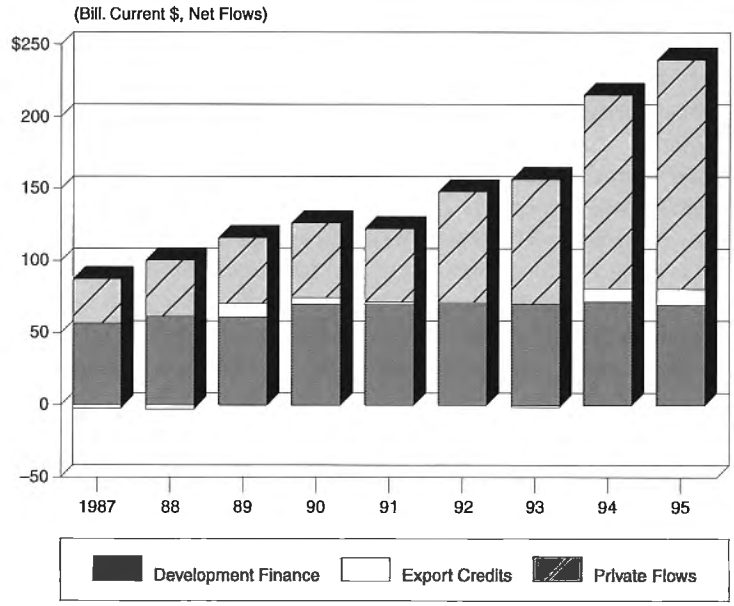
For a number of years, there has been broad agreement that the U.S. foreign assistance program needs a major overhaul to establish a new rationale more attuned to changing American interests. Frustration has mounted, however, over Americans' inability to arrive at consensus or, at the very least, to engage in a substantive debate over what underlying strategies should drive U.S. foreign assistance. The anti-communism orientation of foreign aid is over, and the United States faces substantially different foreign and domestic challenges. Transnational concerns about the environment, ethnic conflict, health and diseases, immigration, narcotics trafficking, terrorism, and international crime have been elevated among U.S. interests, and the United States has been turning more frequently to multilateral institutions in addressing these global problems.

The developing world itself, where most U.S. assistance has been spent since the 1950s, also has changed dramatically. Instead of a large single entity of similar nations, as it is often viewed, it is made up of countries with diverse interests, capabilities, and needs, positioned at varying stages of economic development. The demands for aid provided by public sources—governments and international agencies—have also shifted, declining in recent years. In 1992, the levels of direct investment and other private financial flows to developing nations surpassed the levels of publicly provided development aid for the first time since 1987. Private financial transfers grew to more than double the value of development assistance in 1995, representing 67 percent of total net flows to the developing world (see Chart 9). Yet, hidden in these global figures is the tremendous disparity among regions and categories of nations to which private capital has flowed. In 1995, for example, developing nations in East and Southeast Asia received about 50 percent of net private flows from OECD countries, while those in Africa received about 6 percent, leaving some areas heavily reliant on development assistance.

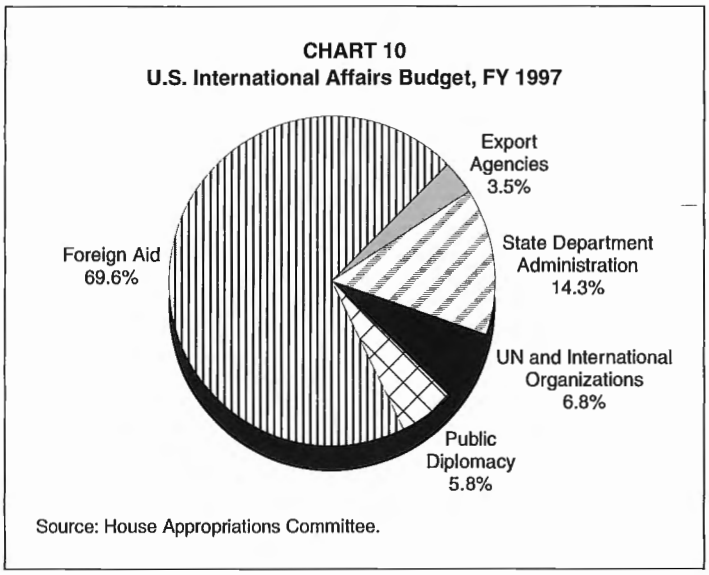
Although U.S. foreign aid policy has reacted incrementally to these fundamental changes in recent years, an overall reassessment of the program rationale and a decision on a new set of strategies have not occurred. After 35 years, the Foreign Assistance Act of 1961 remains the primary law guiding the program. It is still laden with Cold War policy provisions and contains multiple "primary" objectives for assistance programs—making for unwieldy priority setting and the accumulation of extensive congressional restrictions and conditions on presidential management of the program. Efforts by Congress since 1989 to replace the 1961 law have been unsuccessful, in part because of executive branch indifference, pressures brought by special interests, a growing focus on deficit reduction, and a lack of consensus on exactly what should replace the Cold War rationale for foreign assistance.

In the meantime, cuts in USAID operating funds are forcing major changes in how the agency will operate, how large a staff it will maintain, and where the United States will retain an aid presence. It is anticipated that by the year 2000, USAID will maintain missions in 30 countries and undertake aid programs in 75. By comparison, in 1993, USAID had missions in 70 countries and implemented programs in more than 120. USAID employed 10,739 staff in 1993, including U.S. and foreign-national direct hires, as well as American and foreign contractors, a level that fell to 7,724 in 1996 and is projected to approach 7,000 in 1997.

CHART 9
Private and Public Resource Flows to Developing Countries, 1987-95



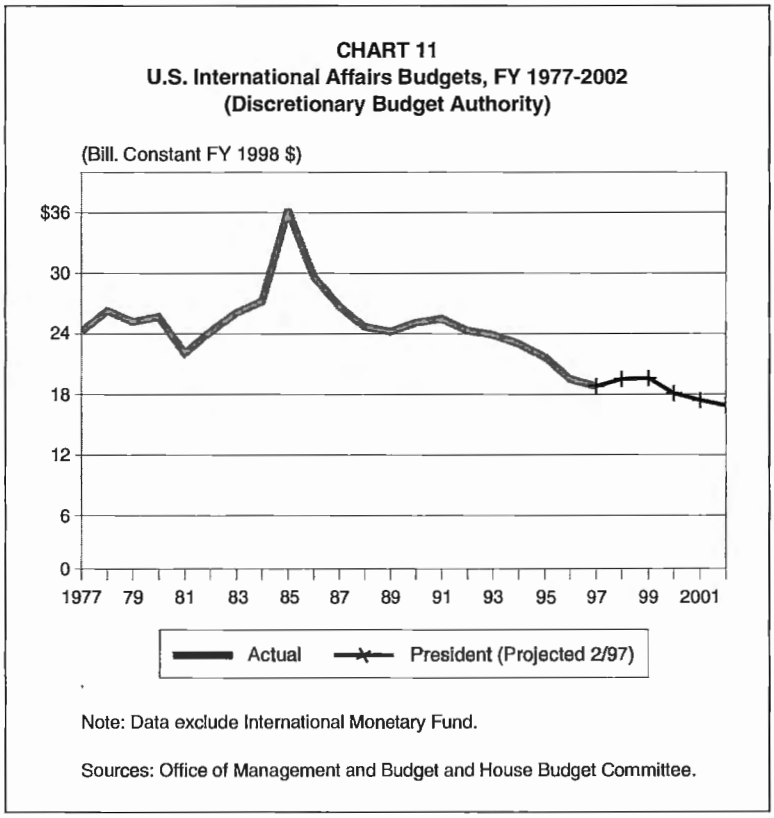
Source: OECD.



Even without a new foreign aid law, the State Department, USAID, and other aid agencies will continue to implement, under existing authority, policy and programmatic changes, and Congress will consider and approve foreign aid funding. But without a national debate, the emergence of a clear consensus on a new foreign aid rationale, and the enactment of a new foreign aid law, many question whether the existing perception of foreign aid as a program ill-suited to promote U.S. global interests into the next century can be overcome.

Pressures to cut foreign aid spending will persist, and many believe that budget reductions enacted during the past few years have brought the United States to a point where resources are not adequate to support whatever emerges as the new foreign aid policy framework. During his final months in office, former Secretary of State Warren Christopher frequently emphasized the dangers of what he called conducting U.S. diplomacy "on the cheap"—that is, a continuing slide in the foreign policy budget will jeopardize America's option of using diplomacy as the first line of defense, forcing policymakers to rely even more extensively on the military to address international crises and defend U.S. global interests.

Nevertheless, both Congress and the Clinton administration have made commitments to balance the federal budget by 2002, plans that will require further spending reductions throughout government programs. The President's current budget proposal forecasts that, after two years of increased spending levels for foreign policy programs in 1998 and 1999 (two-thirds of which will go to foreign aid), the international affairs budget will again turn downward in 2000, reaching $18.76 billion by 2002. In real terms, that would represent a cut from current spending of about 10 percent (see Charts 10 and 11). Congressional projections adopted last year result in an even more dramatic decline in resources, culminating in $14.18 billion by 2002. Although Congress may modify and increase its estimates during this year's budget debate, it is likely that both the executive and legislative branches will assume that foreign policy—and, as a result, foreign assistance—spending will drop over the next five years. Unless this downward trend can be turned around, critics say, an exercise to find consensus on a revised policy rationale and program purpose will be increasingly irrelevant to the task of ensuring that foreign aid remains an effective tool of U.S. foreign policy.



NPA's Aid and Development Project: The Participants' Views

NPA'S AID AND DEVELOPMENT PROJECT

For more than three years, the National Policy Association has conducted a series of policy discussions and information-sharing meetings throughout the United States to address the goals and strategies of U.S. foreign aid and development assistance in the post-Cold War world. Funded in part by grants from the U.S. Agency for International Development and the Carnegie Corporation of New York, NPA's Aid and Development Project has held 12 day-long symposia and 12 working breakfasts at which business and labor leaders, policymakers, academic experts, and aid practitioners have discussed and debated a wide variety of issues.

As noted in the preceding section, the environment in which foreign aid policy is made has significantly changed since NPA's project began. In 1993, less than two years after the Cold War formally ended, the key question facing participants at NPA events was what objective could replace anticommunism as a rationale of the foreign aid program. Since then, the change of party control in Congress, efforts to achieve a balanced budget, the continuing absence of a consensus on a new post-Cold War foreign policy direction, and a rise in isolationist sentiment expressed by some public figures have threatened the existence and content of much of the aid program. Budget cutbacks have squeezed existing aid programs and forced USAID to initiate a dramatic downsizing in personnel and in the number of missions around the world. Projected cuts over the next five years under present balanced budget agreements could severely affect the support provided by foreign aid for foreign policy priorities.

Participants in NPA's programs increasingly reflected these events in their discussions. In February 1995, Representative Benjamin Gilman (R-NY), Chairman of the House International Relations Committee, noted that foreign aid was "at a crossroads. . . . The question now is not whether our assistance will change, but how it will change." In July 1995, Julia Chang Bloch, Group Executive Vice President of the Bank of America and a former Ambassador to Nepal, noting the symposium's topic—the future of foreign aid—remarked, "The more pressing question, it seems to me, is whether foreign aid has a future." By July 1996, Mark Clack, Washington Representative of Oxfam America, a private voluntary organization (PVO), pointed out the practical impact of budget cuts: "Sustainable development programs have borne a tremendous hit. . . . Some of our funding decisions have affected our ability to enter into international agreements, specifically regarding the World Bank." Yet, according to the same speaker, these impacts are occurring even though "We are still struggling with what to do with foreign assistance in a post-Cold War world. . . . No decisions have been made and, really, no organized or structured debate has occurred surrounding the budget and policy priorities that our nation needs to follow through on to show greater clarity and direction, particularly on some of the thornier issues of the day."

PERSPECTIVES

During the past three years, NPA's Aid and Development Project has sought to stimulate that debate on aid and foreign policy priorities. It has continued to elicit diverse points of view from numerous speakers, including many representing business and labor, NPA's constituent communities for more than 60 years.

NPA ensured that the views of members of the audience, drawn from the ranks of labor, business, aid practitioners, academics, and other interested parties, were also heard. In addition to a question-and-comment time following each panel, most meetings contained an interactive session, at which audience participants were challenged to identify their own foreign aid priorities. These interactive sessions allowed the participants to think through the tough choices made by policymakers in attempting to allot limited resources among a variety of important and deserving goals.

Although individual views varied widely, the following somewhat condensed summary of U.S. business, labor, government, PVO, and other perspectives suggests the broad range of U.S. interests that are currently supported to some degree by U.S. assistance programs.

Business Perspectives

Speakers from the business world often stressed the usefulness of foreign aid in supporting commercial interests. Cherie Watte, Director of National Affairs and Research for the California Farm Bureau Federation, noted the benefits to the American farmer of both the food aid program and agricultural technical assistance. The former expands markets by exposing consumers to U.S. goods; the latter, by exposing U.S. companies to developing markets and foreign cultures, providing an introduction to future customers. Jean Pryce, Manager of Industry and Government Relations at General Motors Corporation, put it simply: "Economic growth in emerging markets creates new business opportunities."

Although they saw the benefits of a government role in supporting trade and investment, many from the business community were concerned about the U.S. government's failure to adequately support such interests. NPA's symposia offered evidence that there may have been some improvement in this regard. While Irwin Treiger, Chairman of the Greater Seattle Chamber of Commerce, argued in July 1994 for greater outreach by USAID to establish local partnerships to engage U.S. businesses as both participants and supporters of development efforts, George Pla, Chief Executive Officer of the Cordoba Corporation, informed his audience two years later that his company had been hired to help communicate USAID procurement opportunities to small businesses.

Many business participants argued that efforts to promote economic growth in developing countries should include support for infrastructure development, such as building roads and telecommunications systems. Perhaps the most eloquent proponent of this view was Moeen A. Qureshi, formerly a Vice President of the World Bank, now Chairman of Emerging Markets Partnership (and Chair of NPA's Board of Trustees). He proposed that the United States provide maximum support to multilateral efforts in infrastructure development as well as to those U.S. government agencies that specialize in supporting the U.S. private sector abroad—the Export-Import Bank and the Overseas Private Investment Corporation.

The business community, in particular, argued strongly that development assistance should target private sector entities rather than government. Ira Jackson, Senior Vice President and Executive Director for External Affairs at the Bank of Boston, praised microenterprise programs that ultimately allow people to feed themselves by giving them access to capital. At the same time, many business participants appeared to support the need for an environment in developing countries conducive to U.S. investment and trade. Jean Pryce called for programs that support "basic processes to open markets, like privatization [and] deregulation, and programs to develop legal systems, like enforceable property rights."

Labor Perspectives

Participants from the labor community expressed a different set of concerns. They did not disagree with the objective of helping other nations grow economically, but within that context they focused on the importance of protecting workers' rights in developing nations, democratic reform, and promotion of the development of a civil society, and they argued for a foreign policy that supports human rights standards globally. At the Los Angeles symposium, Caroline Lauer, Director of International Affairs of the Service Employees International Union, voiced concern that the aid program might be "encouraging the formation of business in foreign countries without concomitant workers' rights made available to workers in those countries." In her view, incorporating working conditions into U.S. aid programs can level the playing field for business, keep workers from migrating from country to country in search of economic opportunity, and protect human rights.

The labor community tended to agree with business about a preferred emphasis on nongovernmental institutions. In this case, however, labor argued for a focus on development of grassroots civil institutions, such as labor unions and nongovernmental organizations (NGOs). One proponent, Kenneth Hutchinson, Executive Director of the AFL-CIO's Asian-American Free Labor Institute, argued that support of unions is synonymous with support for democracy.

An ongoing debate at NPA's meetings was whether economic and political reforms should be promoted simultaneously. It was an issue of special concern to many labor representatives because, they believe, the aid program seems to favor economic growth objectives over democracy-building goals. One member of the audience in San Francisco suggested that "You can't create democratic institutions when people are still hungry. You've got to take care of stomachs first, then the rest follow." Jesse Friedman, Deputy Executive Director of the AFL-CIO's American Institute for Free Labor Development, responded that if this were the case, the United States should help Cuba economically. At another symposium, Richard Wilson, Director of Programs of the Free Trade Union Institute of the AFL-CIO, argued that economic reforms in Russia are not sufficient: "Unless we have the building of a civil society of democratic institutions in this next period, reform is going to fail and it is going to fail soon."

U.S. Government Perspectives

Both USAID officials and former State Department ambassadors, as well as members and staff of Congress, stressed how foreign assistance serves the national interest. In particular, they emphasized the role assistance plays in maintaining political stability, winning friends, and bolstering American leadership in the world. For many of these government representatives, aid is pragmatic self-interest. In the view of Colin Bradford, USAID Chief Economist and Assistant Administrator for Policy and Program Coordination, "Foreign aid isn't foreign aid anymore. . . . I think we are doing international cooperation in our national interest, rather than foreign aid."

U.S. government speakers frequently stressed the consequences of not acting to help countries with foreign aid. For example, if the United States failed to help with democracy building, explained Mark Schneider, USAID Assistant Administrator for Latin America, there would be more situations like that in Haiti, causing thousands of immigrants to seek entry into the United States and millions of dollars in U.S. expenditures on military forces to keep the peace. According to

Schneider, in this and other situations, there is an explicit connection between foreign aid and U.S. interests: "The relationship is direct and immediate."

The cost-effectiveness of foreign assistance was a recurrent theme of U.S. government participants. "Development aid to Africa costs only a penny a day for Americans," stated John Hicks, USAID Assistant Administrator for Africa, noting further that "It is in our interest to avoid costly wars." In discussing U.S. interests in central Europe, Ambassador Ralph Johnson, Coordinator for East European Assistance at the State Department, reminded the audience that the United States spent billions in defending itself from the threats emanating from that region. Consequently, "It seems worthwhile to invest a few hundred million dollars now in helping these countries become markets for us, in helping these countries achieve the political and economic stabilization that they need in order to be integrated into western Europe, which is in both our long-term political and economic interests."

PVO Perspectives

Private voluntary organizations—often key implementers of assistance programs in environment, health, microenterprise, disaster relief, population, and other areas—were also represented at NPA's meetings. A consistent focus of PVO participants was on the importance of development and humanitarian assistance in meeting U.S. foreign policy objectives and expressing American values abroad. A second and related theme for PVO participants was the effectiveness of grassroots activities and the importance of local participation to project success. Peter Shiras, Director of Government Relations at InterAction, a consortium of more than 150 private voluntary organizations, stressed the role of PVO-run development activities in "creating innovative, flexible types of programs which then become models of success."

Other Perspectives

The NPA symposia also included participants from academia, think tanks, consulting firms, and the media. Many of these offered unique and opposing points of view. Not all speakers favored even a particular type of foreign aid. For example, Melvyn Krauss, a Senior Fellow at the Hoover Institution, argued that most economic aid was provided to governments, helping corrupt leaders stay afloat and working against the development of free markets. Others approved the principle of aid, but were highly critical of the practice.

Findings of NPA's Aid and Development Project

However disparate the views of both audience and speakers during the more than three years of NPA's programs, a number of themes found fairly consistent approval and might be said to constitute the chief findings of NPA's Aid and Development Project to date.

The United States must take a leadership role in the world.

Participants agreed almost unanimously that the United States should provide leadership in the world. U.S. leadership acts both to further U.S. national interests and to project U.S. values to others. The United States has both long-term and short-term interests. Its long-term interests are, among other goals, to establish stability and order in the world, to promote economic growth and trade that ultimately benefit the U.S. economy, and to defend and project abroad its national values and beliefs. Among its immediate interests are current concerns such as maintaining peace in the Middle East, forging a democratic and free market Russia, and mitigating famine and other human and natural disasters around the world. Most NPA participants perceived U.S. global leadership as necessary to ensure that the U.S. national interest is met.

Foreign assistance is an important instrument of U.S. leadership.

There are several instruments of U.S. leadership and influence in the world. These include the U.S. defense establishment, trade and export programs, the diplomatic corps, informational and cultural dissemination programs such as Radio Free Europe, and the foreign aid program. Many participants at NPA's meetings argued that, of these, foreign aid is the most cost-effective and in many cases the most important in achieving U.S. foreign policy goals. "U.S. foreign aid, economic aid, is a major factor for developing American influence abroad," noted former U.S. Ambassador to Egypt Herman Eilts, Distinguished Professor of International Relations at Boston University. According to Ambassador Eilts, it is one of the few tools available to an ambassador.

In many respects, foreign aid is better suited to achieving U.S. objectives than other strategies. In the view of USAID Administrator J. Brian Atwood, "It is the first line of defense for this country." Sally Shelton, Assistant Administrator of USAID's Global Bureau, put the case more bluntly, pointing out that it is not the Defense Department that is assisting with the transformation of society in Russia, South Africa, Haiti, Poland, the West Bank/Gaza, or Bosnia. She noted that it is because foreign aid addresses the root causes of conflict that then Secretary of Defense William Perry and Chairman of the Joint Chiefs of Staff John Shalikashvili have implored Congress not to cut foreign aid. "Why? Because if foreign assistance is cut back, that means more failed states will lead to the need for either UN peacekeeping activities or U.S. military involvement, which over time will create a greater financial burden on the U.S. military."

Dean Paul Wolfowitz of the Paul H. Nitze School of Advanced International Studies at Johns Hopkins University, a former U.S. Ambassador to Indonesia, argued that foreign aid is a more effective tool than is trade. "If we had a big aid program in China . . . it would be a marvelous tool for trying to influence China on human rights policy." Using the threat of trade sanctions as the United States often tries to do is "like shooting yourself in the foot," according to Ambassador Wolfowitz. Ambassador Ralph Johnson called foreign aid "an appropriate tool for exercising American leadership." He pointed out that "The broad policies of the Agency for International Development come from Washington . . . coordinated by [the Department of] State and the National Security Council. [Therefore], aid is not at odds with U.S. foreign policy." Yet, warned Aaron Williams, Executive Secretary of USAID, "We appear to be getting ready to throw away the tools that have helped America maintain leadership in the world for 50 years."

Foreign assistance can and should be used effectively to support U.S. political and strategic interests.

The U.S. ambassadors who attended NPA's meetings each strongly endorsed the use of foreign assistance to achieve U.S. political ends because they knew from personal and historical experience that aid supports such objectives. Assistance has long been justified to counter communist influence—for example, in Europe under the Marshall Plan and in Latin America under the Alliance for Progress. To be sure, assistance has not always worked as intended. In an effort to win friends, the United States supported authoritarian leaders in Zaire, Ethiopia, the Philippines, and many other parts of the world. The United States won the Cold War with a policy of containment that was a program of foreign aid as well as defense, although some argue that the effort may have been misguided.

The Middle East remains a region of U.S. interest. In the view of William B. Quandt, Byrd Chair in Government and Foreign Affairs at the University of Virginia and a well-known expert on the Middle East, there are two main reasons for this interest—Israel and oil. The Israeli-U.S. relationship is special, and the importance of Israel's security and well-being is accepted by the U.S. political system on a bipartisan basis. As a result, Israel receives a major portion of U.S. aid, and that aid has proved successful, according to Quandt. As he observed in September 1994, "Without the aid that we provided, it would be hard to make the case that Israel would be as secure or as close to peace as it is today." Western dependence on oil supplies from the Middle East makes it in the national interest to preserve stability and maintain stable oil prices in the process. Israel and Egypt, the Camp David peacemakers, together receive more than 40 percent of all U.S. assistance. Quandt argued that assistance to the Palestinians is also in the U.S. national interest as the Israeli-Palestinian agreement moves forward.

The fate of the former Soviet Union, and Russia in particular, is another vital interest of U.S. foreign policy. Although it is no longer the threat it posed during the Cold War, Russia maintains an extensive nuclear weapons arsenal, and its political stability is uncertain. Further, it possesses enormous economic potential that could benefit the United States, and it has considerable influence over the rest of the former Soviet Republics that may affect events in west and central Asia. For a number of NPA speakers, including Clifford Gaddy, Research Associate at the Brookings Institution, and Jeffrey D. Sachs, Director of the Harvard Institute for International Development, aid programs are helping to transform the political and economic systems in Russia. Gregory Treverton, Director of the Center for International Security and Defense Policy at the RAND Corporation, noted that at the very least aid programs convey a "signal" of U.S. support for the transition process.

Participants in NPA's interactive sessions consistently supported the use of foreign aid to further U.S. political and strategic interests in all the above mentioned places, as well as in Bosnia, Rwanda, and other areas where U.S. interests seem to be at stake in the short or long term. In some cases, the political interests cannot be defined in geographic terms; for example, terrorism is a clear and immediate concern where aid can play a constructive role.

Foreign assistance can and should be used effectively to support U.S. economic interests.

There was nearly unanimous support at NPA's meetings for the premise that foreign aid has an important role to play in promoting the U.S. trade position and domestic economic health. In the view of Gregory Treverton, speaking at the Los Angeles symposium, it is understandable that such interests have become more prominent in U.S. foreign policy in recent years. After the Cold War, the world seems to many a more chaotic place, he maintained, no longer defined by the simple

external threat of communism. So people are turning to events closer to home and beginning to view U.S. security and interests increasingly in economic terms.

It has been argued for years that foreign aid helps build markets for U.S. goods by helping less developed countries increase their economic growth and by encouraging U.S. private investment overseas. In its early years and to a limited extent now, foreign aid provided capital goods and undertook infrastructure projects that introduced other nations to U.S. products and know-how. The food aid program continues that process. Today, USAID helps countries create an environment conducive to U.S. investment by assisting in the reform of their economies—for instance, by helping to write commercial codes—and by helping small and medium-sized businesses develop. The Overseas Private Investment Corporation provides guarantees to U.S. investors. The Trade and Development Agency funds feasibility studies that may lead developing country governments to use American firms for development projects. This and other assistance activities are cost-effective: each year, according to Sally Shelton of USAID, the United States exports 7 times more to South Korea and 12 times more to Taiwan than the United States ever gave them in all the years they received foreign assistance.

Developing countries are increasingly becoming America's major export markets. U.S. exports to these countries grew an average of 14 percent per year from 1987 to 1994, according to Ambassador Julia Chang Bloch, whereas exports to industrial countries grew only 9 percent per year. Moeen Qureshi made a similar point. Emerging market countries, he noted, are growing at two or three times the rate of industrial countries. He predicted that their share of world GDP and world trade will exceed that of Europe or Japan within the next 20 years or so. In Latin America, for example, there is an astonishing need for infrastructure, with 100 million people lacking safe water, 250 million lacking sewage services, 30 percent of the population lacking electricity, and 60 percent lacking phones. The logical conclusion is that U.S. assistance should be directed toward encouraging the growth of ties between U.S. and developing country private sectors to help fill such needs.

But it was also strongly argued at NPA's meetings that countries such as Indonesia, Thailand, and Chile—the Koreas and Taiwans of the immediate future—are not the only emerging markets worthy of U.S. concern. John Hicks of USAID argued that African markets have great potential for America. There are many countries still far behind the more successful developing countries that could benefit from a broader range of U.S. assistance efforts. In 1994, U.S. exports to Africa totaled $4.5 billion. The number of U.S. companies in South Africa has increased from 174 to more than 500 in three years. David Miller, Executive Director of the Corporate Council on Africa, noted that in 1994, U.S. exports to Africa were 22 percent greater than those to the entire former Soviet Union. In a similar vein, Mark Schneider of USAID pointed out that U.S. exports to the Dominican Republic are greater than U.S. exports to all the countries of eastern Europe.

For many of these nations, more basic assistance is needed to help move their governments into reformist modes and to stimulate the growth of nascent private sectors. Given U.S. assistance levels, it is unlikely that aid alone can be responsible for developing country growth, but influencing government policy and promoting small and medium-sized businesses and the organizations that represent them can have a powerful impact. Among other types of assistance, NPA participants recommended educational exchanges because Africans and Asians returning from the United States become great proponents of U.S. goods and influence purchases made by governments and businesses. As Ambassador Paul Wolfowitz pointed out, "They speak our language and understand how we think, giving the United States an enormous competitive advantage."

Foreign assistance can and should be used effectively to project U.S. values abroad.

The speakers and the audience participants at NPA's meetings consistently supported the idea that it is in the U.S. national interest to project U.S. values and beliefs and ultimately to persuade other nations to adopt similar ones. These values include a belief in a democratic system of government and in protecting human rights. Some argued that U.S. positions on the environment, on combating diseases such as AIDS, and on the role of women in society are also core values that should be conveyed through the use of foreign assistance.

Foreign aid has been used to great effect in promoting democratic systems in recent years, particularly in central Europe, the former Soviet Union, and South Africa. The Clinton administration has made promotion of democracy one of the major pillars of the USAID program. Among the activities funded by the assistance program are the introduction of jury systems and support for legislative bodies in the former Soviet Union, support for indigenous NGOs working in a wide variety of sectors in most recipient countries, and assistance to electoral commissions and training for political parties in South Africa, Russia, and elsewhere.

Withdrawal of foreign aid has often been used as a threat to protect human rights. Aid was used to help end apartheid in South Africa. It has been provided to encourage the development of labor unions to protect workers' rights. In former communist countries, assistance is being directed toward advocacy NGOs to help them defend the rights of various constituency groups, from the disabled to veterans.

Foreign assistance can and should be used to meet humanitarian needs around the globe.

Whether caused by human conflict or nature's own devastation, humanitarian crises are tragically common

around the world—from Rwanda to Bosnia there were 65 such crises in 1995 alone. Historically, the U.S. government and the American people have responded generously in these situations, even in cases where political interests may not mesh with humanitarian pursuits. In opinion polls, the American public shows unequivocal support for the humanitarian relief component of the foreign assistance program.

There was unanimous agreement among NPA participants that aid used to help refugee and other disaster victims reflects core American values and should be continued. The traditional U.S. response to the wide range of humanitarian situations has been food assistance, medicine, and related logistical support. But as Nancy Aossey, President and Chief Executive Officer of the International Medical Corps, noted at the Los Angeles symposium, the United States not only plays a moral leadership role in disasters, but also plays a financial leadership role by influencing the level at which other donors set their contributions.

In addition to meeting moral and charitable aspirations, humanitarian assistance remains popular relative to other types of foreign aid partly because of its highly visible impact. Relief is direct, immediate, and measurable. However, many speakers at NPA's programs argued that the much less visible assistance provided with the more long-term purpose of advancing a country's development would significantly help avert many humanitarian crises such as famine and refugee situations caused by political instability. These crises are increasing and, in the view of Lois Richards, Deputy Assistant Administrator of USAID's Bureau of Humanitarian Response, they are more complex and protracted than ever before. "Just over the past 10 years, the number of disasters declared by U.S. ambassadors . . . has nearly doubled," Richards pointed out. As humanitarian assistance needs rise, they threaten to severely drain funds from other foreign assistance objectives.

Development assistance programs aimed at the poor are an important means of meeting many U.S. foreign policy objectives.

Bilateral development assistance, representing only one-fifth of the entire U.S. aid program, is the only component of the program directed mainly toward meeting the basic human needs of relatively less well-off people throughout the world. However, participants at every interactive session held during NPA's meetings agreed that, in targeting the poor, this assistance also met the objectives—political, economic, and core value—of U.S. interests abroad.

Yet, it is this aspect of foreign aid that people often find confusing and that draws the most criticism, perhaps because it is perceived as being poorly defined and aimed at too many objectives. Recent budget cuts have sliced about 25 percent from the development assistance account. Extrapolating from speaker and audience comments, it appears that participants see poverty-related assistance as most valuable when it focuses technical assistance, training, and exchanges on human resource and quality of life activities—education, environment, health, and income issues—and emphasizes grassroots participation.

Because of the long-term nature of these assistance activities, their results are rarely as clearcut as those of other types of foreign aid. However, many speakers credit this assistance with impressive accomplishments in a number of countries: reduction of child death rates by 50 percent; eradication of smallpox; a rise in child immunization rates to 80 percent; an increase of public access to clean water from 35 to 70 percent; growth in adult literacy from less than half the population to two-thirds; and an increase in food production and consumption, growing 20 percent faster than the population.

As discussed earlier, many speakers stressed the importance of developing countries to the United States, both economically and politically. Development assistance is designed to make a long-term impact in the developing world. If inequities in the distribution of wealth and power lead to instability, development assistance aims at mitigating those inequities through investments in democracy and economic growth programs. As noted above, many argue that investing in development programs ahead of time would prevent manmade disasters that require more costly U.S. humanitarian aid. Efforts to stabilize population growth and improve human health can have a major effect on the United States. Eliminating measles worldwide would save $300 million per year in the United States through eliminating the need to inoculate American children. If developing countries continue to have major population growth, illegal immigration in the United States may be much higher. For example, according to Mark Schneider, Mexico's population dropped from 6.7 children per woman to 3.2, with USAID as a major external donor supporting population-related projects. NPA participants collectively agreed that a foreign policy aimed at meeting the political interest in stability, the humanitarian interest in helping the poor, and the economic interest in generating new markets for trade and investment could be well served by development assistance programs.

Participants also consistently stressed a preference for grassroots participatory assistance practices rather than government-to-government aid. Even self-described critics of foreign aid made an exception for small-scale PVO- and NGO-run programs such as microenterprise finance assistance or farmer-to-farmer projects. Many believed that most kinds of assistance would be more effective if local people were deeply involved in the planning as well as the implementation phases of a project. According to Sally Shelton, USAID has been moving in this direction. She pointed out that

30 percent of USAID funds go to NGOs and that this number is likely to increase.

Foreign assistance programs must be administered effectively and efficiently.

Polls show that many Americans believe that foreign aid is riddled with waste and corruption. Although few NPA participants adopted this view unequivocally, many stressed the importance of making foreign aid work well. While aid has the potential to meet U.S. political, economic, and humanitarian interests as well as convey American values, it will meet these objectives only if administered in an efficient and effective manner. Many speakers noted the achievements of foreign assistance during the past 50 years, but even the most stalwart supporters noted that there had also been failures. Ambassador Julia Chang Bloch argued in favor of aid but suggested that there were layers of ineffective programs that could be "swept away." Some proponents stressed that even good programs could be improved.

USAID officials speaking at NPA's meetings pointed to numerous efforts to counter the public impression of mismanagement. They discussed an array of reforms that have taken place in the past four years, including establishment of a results-oriented evaluation system and elimination of programs where recipient governments are not serious about pursuing sound economic policies and therefore will not make good development partners.

The American people should be better informed about the role of foreign assistance in facilitating U.S. foreign policy.

NPA participants strongly agreed that foreign aid is a valuable tool of U.S. global leadership and an important mechanism for meeting a variety of vital U.S. national interests. While they agreed that the U.S. budget deficit should be brought under control, they argued that it is both shortsighted and not cost-effective to target foreign aid programs for budget cuts.

To ensure the continuation of funds sufficient to meet U.S. foreign policy interests, widespread public support is necessary. However, the public has many misconceptions about foreign aid. One is the level of aid funding. The 1995 poll by the University of Maryland and the Center for the Study of Policy Attitudes shows that the average person believes that foreign aid accounts for 18 percent of the federal budget. Yet polls also suggest that, if better informed, the public would support assistance. In the University of Maryland poll, when people were asked what they thought about a 1 percent budget allocation—slightly more than the real amount—79 percent responded that it was about right or too little. Other polls find strong support for humanitarian relief as well as for assistance efforts tied directly to meeting U.S. national interests. Yet according to the rhetoric frequently heard in the debate on foreign aid, the public does not often see a link between U.S. interests and aid, and it also appears to believe that most aid is wasteful and subject to mismanagement and corruption.

If the public is going to revise its views on foreign aid, the U.S. political leadership will have to make a case for the connection between assistance and U.S. interests. What return does the American public get from foreign aid? This argument can best be made by the foreign policy leadership in the American government, but the general consensus of participants at NPA's meetings was that the argument has not yet been made strongly enough.

NPA participants argued that there is sufficient reason for the Secretary of State and other major figures in the U.S. leadership to make the case with the American people for foreign aid funding. Perhaps the most articulate presentation of this argument came from Jeffrey Sachs, who spoke at the Boston symposium in November 1995:

> *We are at a time in the world right now where there actually is a tremendous case for U.S. involvement and financial assistance. We're at a defining moment in the same way that the period after World War II was a defining moment, and there, I think, the United States showed the most splendid global leadership of any country in modern history by far because we recognized responsibilities and also we recognized that we could help shape the world that we were going to live in. We have a chance to do something very big again . . . and yet strangely enough we see it as a moment to turn purely to our domestic interests. I think that this is a very dangerous, shortsighted calculation, especially when we're talking about amounts of money from our budget that are diminutive compared to the opportunities.*
>
> *What is happening in the world, not just the post-communist world, is a tremendous, historically unprecedented sea change in ideas. I count about 3.4 billion people living in countries right now that are undergoing fundamental economic reform. Now the entire continent of Latin America is democratic. Even in sub-Saharan Africa, there have been about 30 democratic transitions in recent years. But you look at country by country and the situation remains fragile, unstable, uncertain, with the possibility of falling back as much as going forward. What we have been hoping for and working for as a nation is closer at hand than it's ever been in world history. Foreign aid can help consolidate a democratic transition and help consolidate market economic reform. We want to use aid in the enlightened self-interest of helping to create a stable world based on democratic and market-based values.*

NPA participants, by and large, believe that a compelling case can be made for a foreign aid strategy that is sensitive to America's changing priorities. They are waiting for it to be made and acted upon by America's leadership.

Appendix
NPA's Aid and Development Project: Symposia and Working Breakfasts, January 1994-May 1997

SYMPOSIA

Symposium #1, U.S. Foreign Aid and Development: Goals and Strategies for the Post-Cold War World (New York, Jan. 27, 1994)

Sponsors: Citibank; and Amalgamated Clothing and Textile Workers Union (ACTWU)

Symposium #2, U.S. Foreign Aid and Development Assistance: What Should We Be Doing? (Seattle, May 18, 1994)

Sponsors: Trade and Development Alliance of Greater Seattle; SeaFirst Bank; and AFL-CIO Region IX

Symposium #3, Sustainable Development vs. Food Aid: Conflict or Confluence? (Des Moines, June 28, 1994)

Sponsors: Pioneer Hi-Bred International, Inc.; and AFL-CIO Region XII

Symposium #4, U.S. Foreign Aid: Fostering Economic Development (Chicago, Oct. 6, 1994)

Sponsors: McDonald's; Illinois Department of Commerce and Community Affairs; Ameritech; Illinois State AFL-CIO; and AFL-CIO Region I

Symposium #5, U.S. Foreign Assistance Priorities: Responding to Humanitarian Crises (Atlanta, Jan. 26, 1995)

Sponsors: Citibank; AFL-CIO Region V; Spelman College; and Southern Center for International Studies in Atlanta

Symposium #6, The Business of Foreign Aid: Paying for the Programs (Pittsburgh, Apr. 20, 1995)

Sponsors: United Steelworkers of America; AT&T; AFL-CIO Region III; and Pittsburgh Council for International Visitors

Symposium #7, Foreign Aid: An Instrument of U.S. Leadership Abroad (San Francisco, July 13, 1995)

Sponsors: Bank of America; AFL-CIO Region VI; Levi-Strauss; ACTWU; Charles Schwab and Co.; and Pacific Gas Transmission Co.

Symposium #8, Foreign Aid: An Instrument of U.S. Leadership Abroad (Boston, Nov. 16, 1995)

Sponsors: Bank of Boston; New England Regional AFL-CIO; Communications Workers of America; NYNEX; World Affairs Council of Boston; MIT's Center for International Studies; and Environmental Business Council of New England

Symposium #9, Foreign Aid: An Instrument of U.S. Leadership Abroad (Dallas, Jan. 25, 1996)

Sponsors: Exxon; AFL-CIO; Texas Farm Bureau Federation; International Small Business Development Center; World Affairs Council of Dallas; Institute for the Study of Earth and Man at SMU; and Dallas Young Professional League

Symposium #10, Foreign Aid: An Instrument of U.S. Leadership Abroad (Los Angeles, May 14, 1996)

Sponsors: Charles Schwab and Co.; AFL-CIO; Citibank; AFL-CIO Department for Professional Employees; AFL-CIO Region VI; and Export Small Business Development Center

Symposium #11, Foreign Aid: An Instrument of U.S. Leadership Abroad (Detroit, July 18, 1996)

Sponsors: General Motors; AFL-CIO; United Auto Workers; Michigan Small Business Development Center; and Detroit Council for World Affairs

Symposium #12, Private Sector Perspectives on Building a Coherent Development Policy (Minneapolis-St. Paul, May 20, 1997)

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Innovation by Necessity: Strategies for More Effective and Less Costly Development Assistance (Mar. 5, 1996)

The United States and the Developing World: A Vision for the Future (Sept. 20, 1996)

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Publications of NPA's Aid and Development Project

U.S. Foreign Assistance: The Rationale, the Record, and the Challenges in the Post-Cold War Era, by Curt Tarnoff and Larry Q. Nowels. This study, part of NPA's project with the U.S. Agency for International Development, presents the historical record and a snapshot of current U.S. aid and development activity. It also examines whether U.S. aid and development assistance promotes economic security at home. The authors propose several foreign aid strategies for the post-Cold War era. NPA #275, 1994, 40 pp, $15.00.

New Views on North-South Relations and Foreign Assistance, by Charles F. Doran, Joan M. Nelson, Thomas M. Callaghy, and Ingomar Hauchler, ed. Richard S. Belous and Sheila M. Cavanagh. This is the third volume in NPA's Walter Sterling Surrey Memorial Series. Cold War foreign policy most often handled North-South relations as an adjunct to East-West relations, with America's conflict with the Soviet Union being paramount and developing nations playing a secondary role in the struggle. The demise of communism and the breakup of the Soviet Union have compelled U.S. public and private sector decisionmakers to consider the complexities of North-South relations, but the pole star by which they navigated the global strategic landscape for many decades is missing. NPA #274, 1994, 56 pp, $8.00.

Foreign Assistance in a Time of Constraints, by Barber Conable, Julia Chang Bloch, William Quandt, Clifford Gaddy, and John Hicks, ed. Richard S. Belous, S. Dahlia Stein, and Nita Christine Kent. This publication—the fourth in NPA's Walter Sterling Surrey Memorial Series—is designed to facilitate the reexamination of U.S. foreign aid and development assistance in the changing international environment and in an era of a constricted U.S. budget. The chapters have been excerpted from speeches given by the authors at various meetings of NPA's Aid and Development Project during the year. NPA #276, 1995, 48 pp, $8.00.

Emerging Markets and International Development: Options for U.S. Foreign Policy, by Moeen A. Qureshi, Jeffrey D. Sachs, Neil McMullen, and Gregory F. Treverton, ed. Richard S. Belous, S. Dahlia Stein, and Nita Christine Kent. This fifth volume in the Walter Sterling Surrey Memorial Series examines why emerging markets are vital to U.S. business and labor and suggests ways the United States can play an influential role in fostering international development. Several of the authors explore the reasons that certain nations in the developing world are experiencing strong economic growth while others are stagnating. Some of the authors also look at the positive role that U.S. aid and development programs can play in fostering economic transformation. NPA #282, 1996, 44 pp, $8.00.

Looking Ahead. NPA's flagship quarterly journal provides authoritative commentary on key topics of current interest. Three issues have focused on foreign assistance:

- *U.S. Foreign Aid at the Crossroads: Business and Labor Perspectives* reviews key issues raised in NPA's Aid and Development Project events to that point in time (August 1995).
- *Reshaping U.S. Foreign Aid and Development Assistance in the Post-Cold War Era* offers business, labor, private voluntary organization (PVO), and government perspectives on the changes occurring in foreign aid funding (April 1994).
- *Foreign Assistance: An Instrument of U.S. Leadership Abroad* is devoted to the proceedings of NPA's day-long symposium in Dallas, Texas, in January 1996 (September 1996).

Business & Labor Dialogue. This quarterly newsletter focuses on the U.S. role in international development from a private sector perspective.

- *Winter 1997*—Comments from government, business, labor, and PVO leaders.
- *Spring 1997*—Labor's view on overseas development and foreign aid.
- *Summer 1997*—A business perspective on international development and foreign aid.

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Foreign Assistance as an Instrument of U.S. Leadership Abroad

by Larry Q. Nowels and Curt Tarnoff

NPA #285

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