

LOOKING AHEAD



**NATIONAL
PLANNING
ASSOCIATION**

U.S. Foreign Aid at the Crossroads: Business and Labor Perspectives

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in the Post-Cold War World 2**

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NPA President and Chief Executive Officer

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60 years of providing solutions to America's challenges.

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The National Planning Association is a private non-profit, nonpolitical organization engaged in research and policy formulation in the public interest. Among its activities, NPA brings together influential and knowledgeable leaders from business, labor, agriculture, and academia to serve on policy committees dealing with key issues affecting the U.S. private sector.

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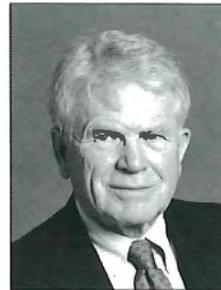
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AN NPA PERSPECTIVE

Aid and Development in the Post-Cold War World

by Malcolm R. Lovell, Jr.

NPA President & CEO



After World War I the United States figuratively picked up its marbles and went home. However, the United States followed a different policy at the conclusion of the war with Germany, Italy, and Japan. It helped in the rebuilding of its former enemies and participated in one of the most imaginative schemes to

revive the economies of all of its allies and former opponents that the world has ever seen.

Today the European Union is thriving, and Japan has built the second most vigorous economy in the world. Communism is no longer an economic or military threat. The United States is the acknowledged leader of the world but, sadly, we are uncomfortable with the fit of the toga. The military and economic aid we have been furnishing throughout the world has, many believe, accomplished its mission of constraining communism, and now these resources should be used at home. Why should American leadership today encompass an aid and development strategy?

Should the United States be a major provider of aid? Which nations should receive our aid and in what form should it be dispensed? Should U.S. aid and development policy be conceptualized as a stand-alone American strategy or as the broad responsibility of the global community? If a global responsibility, what should be America's role?

These are some of the questions that have been addressed in a project to stimulate national debate over our aid and development strategy, conducted by the National Planning Association and cosponsored by the U.S. Agency for International Development and the Carnegie Corporation of New York. Not surprisingly, NPA's Project found many more Americans supporting a strong leadership role for the United States than advocating abandoning our global responsibilities.

Rather than waiting for the end of the Project to publish a report of the findings, we have been urged to release a preliminary review of the thoughts and concerns of the speakers and the vocal and concerned audiences. This issue of *Looking Ahead* represents a mid-Project report of NPA's three-year study.

U.S. Foreign Aid at the Crossroads: Setting the Stage

The end of the Cold War initiated a period of reexamination of America's foreign policy. As part of this process, the National Planning Association is engaged in a three-year Aid and Development Project to examine the insights and concerns of the business and labor communities regarding U.S. foreign aid.

This Project, funded in part by grants from the U.S. Agency for International Development (USAID) and the Carnegie Corporation of New York, is designed to increase discussion and 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 concerning America's overseas development policy. As part of this Project, NPA has been conducting a series of breakfast meetings and symposiums throughout the United States.

The findings of these conferences were slated to be published at the end of the three-year period. However, NPA's Board of Trustees, the Project's Advisory Council, and many others strongly urged publication at the Project's midpoint because the findings could add to the present debate on foreign aid. Accordingly, this issue of *Looking Ahead* is an interim Project report, highlighting key findings of the symposiums and working breakfast meetings that have been held through April 1995.

MAJOR CONCLUSIONS

Certain major themes continue to be expressed at NPA Aid and Development meetings. They include:

- the necessity for the United States to play a strong leadership role in world affairs;
- the importance of foreign aid to global economic security;
- the compassion of the United States and its citizens, especially when faced with a humanitarian crisis; and
- the misunderstanding surrounding U.S. foreign aid and development activities.

NPA believes that public dialogue can benefit decisions concerning the United States' overseas priorities. We are optimistic that improved foreign aid policies will result from these ongoing discussions. These are not academic debates, of interest only to foreign policy specialists, but issues of importance to all in the United States.

THE DEVELOPING WORLD

Several respected sources indicate that by the year 2020 the developing world will represent more than 60 percent of world output compared to its current 40-45 percent share. Moreover, as demonstrated in Somalia, Rwanda,

and Bosnia, foreign crises often transcend their boundaries.

The United States cannot ignore the developing world, neither now nor in the future. As global interactions through trade, telecommunications, and travel, continue to increase, this country is becoming more aware of both the potentials and the problems abroad. NPA hopes that this issue of *Looking Ahead* can help to illuminate further the attitudes of two segments of American society—business and labor leaders—concerning these often complex issues.

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U.S. Foreign Aid at the Crossroads: Business and Labor Perspectives

AID IN THE POST-COLD WAR ERA

Since the end of the Cold War, policymakers, analysts, and concerned citizens in the business, labor, and public affairs communities have recognized the need for a new set of guiding principles for U.S. foreign policy and for one of the chief instruments of that policy—the U.S. foreign assistance program.

During the Cold War, foreign assistance was often used to prevent nations from succumbing to communism. Such assistance made the United States a major player in international organizations and forums, gave it a prominent physical presence throughout the developing world, and demonstrated its support for friends and allies. U.S. assistance also met broader development and humanitarian goals, such as providing succor in humanitarian crises, helping countries establish education and health care systems, training thousands of officials, private sector businesspeople, and farmers, researching cures for tropical diseases, and

constructing roads and bridges.

With the fall of the Berlin Wall in 1989 and the subsequent dissolution of the Soviet Union at the end of 1991, the main premise underlying U.S. foreign policy was gone. The defeat of communism seemed to set U.S. foreign aid policy adrift. What were the reasons for continuing the aid program, and what form should that program take to best serve the U.S. national interest?

If U.S. policymakers and foreign policy experts in Washington seem incapable of determining a set of priorities and justifications for foreign aid, the broader public is even more unsure of the foreign aid agenda. During the Cold War, American business and labor leaders supported U.S. foreign aid and development efforts. Many believed that, in addition to being guided by humanitarian concerns, it was critical for the United States to contain and reverse the influence of communism and to promote development. Although most private sector leaders agree that the United

States must continue to play a leadership role, there is still no agreement on what the role should be or on what types of foreign aid and development assistance the United States should be providing.

NPA's AID AND DEVELOPMENT PROJECT

The National Planning Association believes that foreign aid and international development are enhanced when business and labor leaders take an active part in the public debate on these issues. With this view in mind, NPA is sponsoring a series of policy discussions and information-sharing meetings to address the goals and strategies of U.S. foreign aid and development assistance in the post-Cold War environment.¹ It has focused attention on these issues from the perspectives of business and labor, NPA's constituent communities for the past 60 years.

Funded in part by grants from the U.S. Agency for International Development (USAID) and the Carnegie Corporation of New York, NPA's three-year Aid and Development Project has enlisted 20 collaborating organizations from the business and labor communities to help reach a national audience. To date, five day-long symposiums and seven working breakfasts have been held under its auspices. At each of these events, policymakers, experts, and business and labor leaders have exchanged information and views on a wide range of foreign aid and development issues. In addition, the Project has published two monographs on foreign aid, *U.S. Foreign Assistance: The Rationale, the Record, and the Challenges in the Post-Cold War Era* and *New Views on North-South Relations and Foreign Assistance*, as well as an issue of *Looking Ahead*. Further symposiums, lectures, publications, and a media campaign to convey the conclusions of the Project are planned.

Now, midpoint in the three-year Project, the National Planning Association, through its quarterly journal *Looking Ahead*, is highlighting some of the key features and findings that have been raised by speakers and audience participants. This issue examines why the Aid and Development Project is vitally important to business and labor. Basic facts about foreign aid and development efforts are outlined, and various goals and directions for foreign assistance that have been proposed for the post-Cold War era are discussed. Key concerns of policymakers and U.S. business and labor leaders are examined, and some of the lessons and recommen-

dations are described that have emerged from the dialogue thus far.

THE 1995 CONGRESSIONAL BUDGET DEBATE

Concerns about the future of U.S. foreign aid and development assistance have grown markedly since NPA's Aid and Development Project was initiated in late 1993. Efforts to balance the federal budget by the year 2002 have generated a rash of proposals to cut all major programs, with foreign aid a prime target. Despite the fact that aid makes up less than 1 percent of the U.S. budget, proposals have sought as much as a one-third cut immediately in the foreign aid program and a reduction of more than 50 percent by the end of the decade.

One reason for attacking the foreign aid program is its perceived unpopularity with the American people. Yet as a speaker pointed out at the January 1995 NPA symposium in Atlanta—and as has been reiterated frequently by Secretary of State Warren Christopher and many others—a recent poll showed that most Americans believe that foreign aid is a substantially larger share of the budget than its actual 1 percent. For the majority of those polled, more than five times the real allocation, or 5 percent, would be about the right amount. Poll after poll has shown that the American people support specific types of foreign aid if it is used to aid humanitarian concerns and is in the U.S. national interest.

Given the current threats to the foreign aid budget, the establishment of clear priorities and objectives for the aid program has taken on a new urgency. In his remarks at NPA's breakfast meeting in February 1995, Representative Benjamin Gilman (R-NY), Chair of the House International Relations Committee, urged NPA to take an active role in disseminating the results of the Project in Congress and among the public. Gilman underscored the fact that the issue of foreign aid is indeed "at a crossroads" in Congress and that "the question now is not whether our assistance will change, but how it will change." NPA's Aid and Development Project, through the active participation of business and labor, represents an opportunity to help shape the future of foreign aid programs.

FOREIGN AID: WHY IS IT OF INTEREST TO THE U.S. BUSINESS AND LABOR COMMUNITIES?

Business and labor organizations maintain a large stake in a stable and prosperous global economy. Job access, economic security, and export and investment opportunities are intrinsically linked with a growing web of international interdepen-

1. For a list of NPA's Aid and Development Project events and topics to date, please see pages 22-23.

gency. The developing world, with enormous economic potential as well as immense problems such as poverty, disease, and environmental destruction, plays an important role in securing this stability and prosperity. How the United States engages developing nations and facilitates their progress toward economic growth and democratization has consequences and potential benefits for both this country and the developing world.

The foreign aid program has traditionally been a key element in U.S. relations with the developing world. In the past, when foreign assistance was more closely linked with the Cold War, American business and labor leaders supported the program for its contribution to maintaining peace and protecting societies from the threats of communism. With the end of the Cold War, a new program rationale is under debate, and the outcome of that discussion continues to be of interest to business and labor. During the 12 working breakfast and symposium sessions of the NPA Aid and Development Project, representatives from these private sector organizations emphasized the importance to them and to their constituencies of examining the future goals and purposes of U.S. foreign aid. Some of their most frequently mentioned themes were that:

- the United States needs to play a strong leadership role in shaping global affairs;
- foreign assistance programs can be important to the security of the international economic system and to promoting U.S. interests abroad;
- the United States and its citizens should maintain a strong sense of compassion to help those who are less fortunate, especially in the developing world; and
- foreign assistance is a vastly misunderstood activity that needs to be better explained through public education efforts.

American Leadership

Since the end of the Cold War and the emergence of the United States as the world's only remaining superpower, American policymakers have been grappling with how best to reshape the direction of U.S. foreign policy—how to exert global leadership that will strengthen the vitality of the nation's economy and how to reform the tools, such as foreign assistance, that have long been used to promote international initiatives. This has come simultaneously with a period of growing domestic challenges when

Americans are concerned about their jobs, crime, education of youth, and personal economic security. Sentiment has been increasing among some that the nation should turn its attention away from international problems to deal fundamentally with the difficulties at home. Yet the world has never been so interconnected, and global events have never had such significant and direct impact on the lives and well-being of Americans.

Against this backdrop—especially given the inseparable links between domestic and foreign interests—numerous speakers and participants in NPA's Aid and Development Project stressed the need for the United States to maintain and exert strong global leadership. Malcolm R. Lovell, Jr., President and Chief Executive Officer of NPA, posed fundamental questions at an early session of the Project: "Does the United States really want to lead, and if it does, where does it want to go, what should be its objectives, and what strategies should be developed to take it there?" J. Brian Atwood, Administrator of USAID, answered by underscoring the critical requirements for the United States to remain globally engaged and to help steer decisions on issues that previously were not viewed as important to U.S. security interests, but that now are seen as fundamental. These issues include environmental protection, eradication of infectious diseases, stabilization of the world's population, and settlement of ethnic conflicts and other sources of civil strife. Atwood and others emphasized that although these problems directly affect the well-being of Americans, the United States cannot solve them alone. Exerting leadership can ensure that the outcomes of these challenges are favorable to U.S. interests.

From a labor perspective, one of the essential reasons for demonstrating strong U.S. leadership is the need to preserve democracy and promote civil society. John T. Joyce, President of the International Union of Bricklayers and Allied Craftsmen, said that "it would be a tragedy if after spending hundreds of billions of dollars in addressing and winning the Cold War, we failed to make that relatively small follow-up investment that's necessary to see both economic and democratic advancement around the world."

American leadership is equally important to the business world. In his opening remarks to the first NPA symposium in New York on January 27, 1994, Citibank Executive Vice President Alan S. MacDonald noted the many changes occurring around the world. Some of the shifts he mentioned include the changes directly affecting the interests of the business community. Many developing countries have new attitudes about the private capital in their economies. The World Bank, the International Monetary Fund (IMF), and other multilateral organi-

zations are revising their policies to incorporate the private sector in their development plans. Maintaining strong and assertive U.S. leadership in these institutions and having the ability to influence the formulation of government policies are essential to the interests of the American private sector.

Foreign Aid and Its Importance to Global Economic Security

A high priority of U.S. bilateral and multilateral aid efforts has always been contributing to a stable and secure global economic system. With the reduction in the military dimension of foreign assistance, however, the promotion of economic growth both in the United States and abroad has become a more central feature of aid strategies. Multilateral institutions, such as the World Bank, where the United States remains the largest donor, pool the resources of advanced industrialized countries to provide needed capital to developing nations and emerging democracies in the former Soviet Union for undertaking structural changes to their economies and building the necessary physical and human infrastructures.

Many bilateral economic aid programs are targeted to countries that will be the growing U.S. export markets of tomorrow. Aaron Williams, USAID Executive Secretary, observed at NPA's Chicago symposium on October 6, 1994, that the most rapid growth in U.S. exports in recent years has come from the developing world—in Latin America, U.S. exports rose by 61 percent between 1989 and 1993; in Asia, the growth was 45 percent. If bilateral assistance is focused on steps—such as nurturing the private sector and promoting sound government financial and regulatory policies—that contribute to rising standards of living in some of the least developed countries that are not important U.S. trading partners today but that can be in the future, a significant contribution can be made to jobs and economic security at home. Bob Watts, Deputy Mayor of Seattle, noted: "Our own economic development depends on the economic health of our trade partners abroad, many of whom are likely candidates for U.S. development assistance."

Humanitarian Concerns

Although foreign aid has remained consistently unpopular in public opinion polls, the notion of helping those who are less fortunate or who are the victims of overseas disasters has scored high in the view of Americans as a worthy goal of U.S. foreign assistance. The concept of using foreign aid to address these humanitarian concerns has been reflected throughout Project events by business and

labor representatives. Paramount objectives of labor are ensuring the rights of workers in developing countries and promoting respect for human rights globally. The concern of Americans for those less fortunate is deep. Mitchell Vogel, a member of the University Professionals of Illinois, noted that working people in particular consistently show their support for relief efforts and disaster victims abroad. "Even U.S. workers who are having hard times or are unemployed or being laid off have contributed over and over again," he pointed out.

Although humanitarian motivations for providing foreign assistance remain strong, the allocation of an increasing portion of foreign aid resources to disaster and emergency requirements, as several speakers noted, is an unsettling trend. With overall aid budgets declining, the amount left for pursuing long-term development and economic growth strategies, as the Clinton Administration's broad sustainable development goals attempt to do, is dropping. The costs, both financial and human, of dealing with increasing conflicts and disasters are far greater than the costs of addressing their root causes—poverty, overpopulation, environmental destruction, and human rights abuses.

Misunderstanding Foreign Aid

As noted above, efforts to build broad-based support for the U.S. foreign aid program have been hindered by the enormous misunderstanding of the majority of Americans regarding what foreign aid represents and how it supports national interests. This is partly symptomatic of the multiple purposes for which the United States has used economic and security assistance to achieve foreign policy goals—the rationale has not always been clear or the desired outcome has been achievable only in the long term. Distorted impressions of foreign aid exist even among the elected officials who make the critical decisions about spending and policy priorities for the program. Representative Gilman emphasized during the February 1995 NPA Aid and Development breakfast meeting that although foreign aid has always been difficult to "sell" and is an easy "punching bag" for budget cuts, this unpopular image has often been based on faulty information. The public's continuing misconception about foreign aid is evident in a poll conducted in January 1995 by the University of Maryland in which the majority of those questioned believed that foreign aid accounted for more than 15 percent of the federal budget. When asked what they thought about a 1 percent budget allocation for foreign assistance, 79 percent responded that it was about right or too small.

A key purpose of the NPA Aid and Development Project is to promote better understanding and awareness of why the United States conducts a foreign assistance program. Although this issue was raised at each breakfast meeting and symposium, proposed solutions were elusive. A representative of Interaction, a consortium of U.S. nongovernmental organizations (NGOs) involved in global development, suggested that the language of foreign aid needs to be clarified—it should be discussed in terms and definitions understandable by the public. Don Turner, Secretary-Treasurer of the Chicago Federation of Labor, AFL-CIO, observed that the real problem with building a domestic constituency is that most Americans, especially those struggling to make ends meet, cannot make a connection between foreign aid and their own lives: even though they pay for the program, they do not understand how it benefits them. Along with many other participants from business and labor organizations, Turner applauded the efforts of the National Planning Association in fostering dialogue on foreign aid, but he called for far greater public education campaigns to bridge the information gap and to build a healthy support base for the future.

WHAT IS FOREIGN AID AND HOW DOES THE UNITED STATES MANAGE IT?

Each NPA symposium and several of the working breakfast sessions included presentations identifying the salient features of U.S. foreign assistance, recent program and policy changes, including the Clinton Administration's strategies, and the program's current status.

The Evolution of U.S. Foreign Aid

The foreign aid program was created, and continues, as a primary tool of U.S. foreign policy that also embodies the humanitarian values of the American people. The first major programs, Lend-Lease and the U.N. Relief and Rehabilitation Administration, served the World War II effort and the reconstruction activities immediately following. But the Cold War and the policy of containing communism actually shaped the modern foreign aid program and provided its chief rationale.

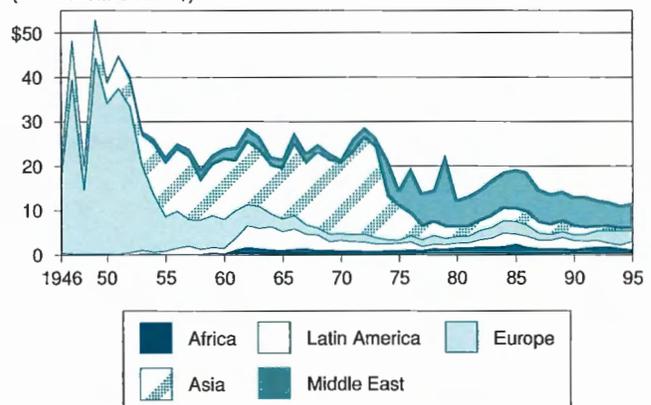
Foreign aid was programmed during the Cold War in many ways—as direct military assistance, security-related financial transfers, poverty-focused development projects, food and other commodity transfers, specially targeted programs dealing with illicit narcotics production or terrorism, emergency refugee and disaster relief operations, and contributions to the World Bank and other multilateral institutions. But in most cases, each program served the

overriding political rationale of confronting communism wherever it threatened U.S. interests.

The Marshall Plan, considered by many to be the greatest U.S. foreign aid success, provided foreign exchange to Europe for the purchase of U.S. goods, creating conditions that would eliminate a prime breeding ground for social unrest, instability, and communist expansion while boosting U.S. trade. As shown in Chart 1, large amounts of economic and military assistance bolstered U.S. efforts from the 1950s to the early 1970s to protect key friends in Asia—first South Korea and Taiwan and later South Vietnam—from communist aggression. By the mid 1970s, U.S. economic assistance began to emphasize the needs of the poorest segments of the population—access to clean water and adequate supplies of food, basic education, and health facilities—especially in the least developed areas of Africa and South Asia. Even then, U.S. aid was concentrated frequently where Soviet-backed proxy wars were being waged. By the late 1970s, U.S. assistance moved largely to the Middle East where it was an essential element of the Camp David accords and efforts to foster peace throughout the region. During the 1980s, economic and military assistance converged to a large extent in areas such as Central America and Southwest Asia, where East-West conflicts emerged, in exchange for U.S. access to military bases in southern Europe and the Philippines. By the early 1990s, however, the Soviet Union had disintegrated, and the communist threat that loosely held together all the disparate foreign aid goals had evaporated.

CHART 1
U.S. FOREIGN AID: REGIONAL COMPOSITION,
FY 1946-95

(Bill. Constant 1995 \$)



Sources: U.S. Agency for International Development (USAID) and U.S. Department of State.

Changing Features of U.S. Foreign Aid— Post-Cold War

A central question behind the current consideration of foreign aid reform since the collapse of the Soviet Union and the emergence of nascent democracies in Central and Eastern Europe has been what should replace the fundamental rationale of U.S. foreign assistance. Among the competing perspectives for reshaping the program have been calls to strengthen the trade and commercial elements of foreign aid to maximize its benefits for a strong economic base at home, to promote democracy and free market economies abroad, to stabilize international crises, and to deal with transnational problems such as environmental degradation and population growth. Achieving consensus among policymakers and political leaders, however, has been difficult and remains elusive.

Even without a comprehensive reform of program objectives, foreign aid budget and program priorities have shifted substantially since 1989. Eastern Europe and the former Soviet Union are now among the largest recipients of foreign aid (\$1.2 billion in FY 1995). American economic assistance to Africa increased 40 percent in 1991, a level sustained in the past four years even as the overall foreign aid budget fell. Environment and population projects implemented by USAID have grown significantly, currently exceeding \$500 million and \$600 million, respectively. Disaster and refugee relief funds (\$1.7 billion in FY 1995) have grown by 42 percent since FY 1990 and now consume nearly 12 percent of total foreign aid spending. Pakistan, Central America, and the Philippines—large aid recipients in the 1980s—no longer receive substantial amounts of U.S. assistance. Spending on security programs has fallen from 50 percent to 40 percent of total foreign aid. Israel and Egypt receive nearly all U.S. security assistance.² Turkey and Greece, large beneficiaries of U.S. aid since the late 1940s, have graduated as recipients of concessional military aid and are scheduled to move out of the aid program altogether by 1997.

In addition to significantly shifting budget allocations, the Clinton Administration put forward a new blueprint for foreign aid policy goals and strategies in late 1993. The proposal abandoned the traditional structure based on a package of foreign aid programs, contributions to international organiza-

tions, and operating costs of U.S. foreign affairs agencies. Instead, the proposal organized program elements according to six major objectives:

- promoting U.S. prosperity through trade, investment, and employment;
- building democracy;
- promoting sustainable development;
- promoting peace;
- providing humanitarian assistance; and
- advancing diplomacy.

The principal economic aid objective of the Clinton Administration's foreign aid blueprint is the promotion of sustainable development, a concept that has been subject to various interpretations. Sustainable development is characterized by USAID as "economic and social growth that does not exhaust the resources of a host country; that respects and safeguards the economic, cultural, and natural environment; that creates many incomes and chains of enterprises; that is nurtured by an enabling policy environment; and that builds indigenous institutions that involve and empower the citizenry." USAID has developed four core program strategies for pursuing sustainable development that it says replaces the 33 goals outlined in current foreign aid laws:

- promoting economic growth;
- protecting the environment;
- advancing democratic participation; and
- stabilizing world population growth.

A fifth objective promotes the transfer of humanitarian relief to populations suffering from natural disasters and conflict.

This alternative framework has not evoked the broad consensus for which the Administration had hoped; indeed, it has come under increasing challenge especially since the election of a Republican majority in Congress. Critics question whether these goals represent merely a repackaged set of old objectives and whether USAID remains encumbered by multiple priorities that will continue to obstruct efforts to focus activities and achieve results. Some also challenge whether these are the right strategies to serve the highest U.S. interests. These critics believe that the United States should concentrate aid in the Middle East and Europe to support three

2. USAID and U.S. Department of State. For further information see Curt Tamoff and Larry Q. Nowels, *U.S. Foreign Assistance: The Rationale, the Record, and the Challenges in the Post-Cold War Era* (Washington, D.C.: National Planning Association, 1994).

principal foreign aid goals: the protection of U.S. security; the promotion of American economic interests; and the preservation of regional stability.

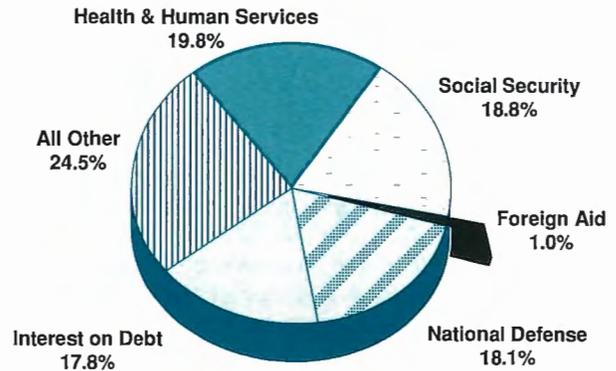
Another striking change in recent years has been the relative decline in importance of U.S. economic assistance as a source of financial and technical resources for the developing world. According to the Organization for Economic Cooperation and Development, 30 years ago the United States supplied one-half of all bilateral development aid, but the dominant position of the United States has since subsided. Japan passed the United States in 1992 as the world's leading economic aid donor.

The Current Picture of U.S. Foreign Aid

At about \$14.3 billion, foreign assistance represents slightly less than 1 percent of the U.S. budget for FY 1995, and in real terms it is at a post-World War II low.³ Chart 2 shows the history of U.S. spending on foreign aid from 1946 to projected 1996, while Chart 3 shows the low percentage of foreign aid in the U.S. budget. The United States disperses overseas aid through more than 30 programs that can be grouped into seven major categories, as shown in Chart 4. Assistance provided through multilateral channels represents about 12 percent of current foreign aid spending, the same share allocated for bilateral development programs.

3. USAID and U.S. Department of State.

**CHART 3
U.S. BUDGET OUTLAYS, FY 1994**

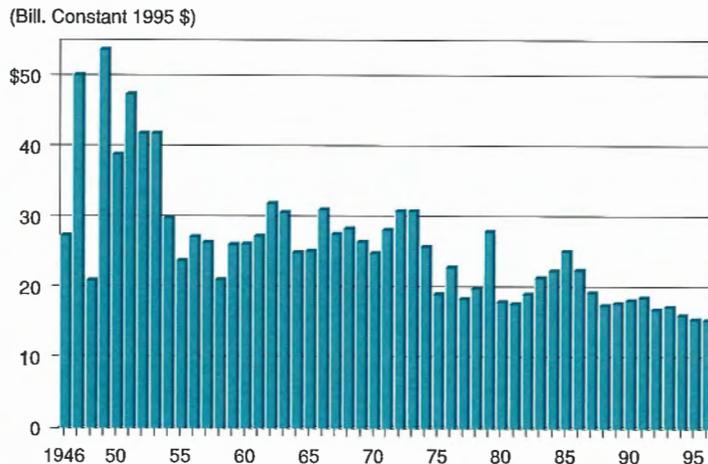


Source: U.S. Department of the Treasury.

Food assistance, a declining element of foreign aid resources, receives about 8 percent. Security-related economic aid, primarily for Israel and Egypt, is extended through the Economic Support Fund (ESF) and accounts for about 16 percent of spending. Military assistance, also concentrated in the Middle East, consumes roughly 24 percent of foreign aid.

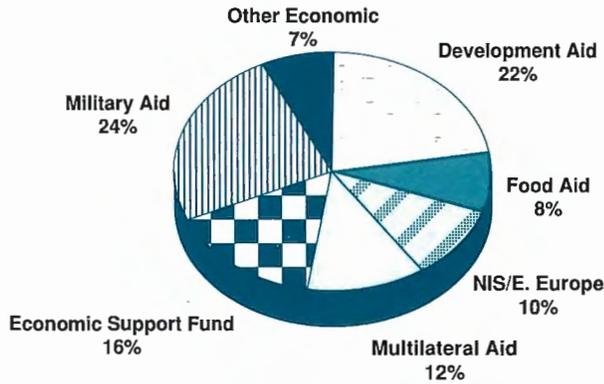
Although the United States maintains some type of foreign aid program in nearly 100 countries, specific allocations are heavily concentrated in a handful of recipients. As illustrated in Chart 5, Israel at \$3 bil-

**CHART 2
U.S. FOREIGN ASSISTANCE, FY 1946-96**



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

CHART 4
U.S. FOREIGN AID PROGRAM COMPOSITION, FY 1995



Source: USAID.

lion and Egypt at \$2.4 billion account for over one-third of the total FY 1995 foreign aid budget. Russia (\$381 million) and Ukraine (\$181 million) have emerged as leading recipients in the past three years. Turkey (\$539 million) and Greece (\$255 million) continue as large recipients, although most U.S. aid is extended as military loans at market interest rates. In response to recent political changes in South Africa, Haiti, and West Bank/Gaza, U.S. aid

levels have roughly doubled, making these programs among the leading recipients.

In terms of industrialized nations, the United States remains behind Japan as the second largest donor of economic assistance (see Chart 6). Nevertheless, as the largest world economy, the United States transfers the smallest amount of development aid relative to its gross national product (see Chart 7).

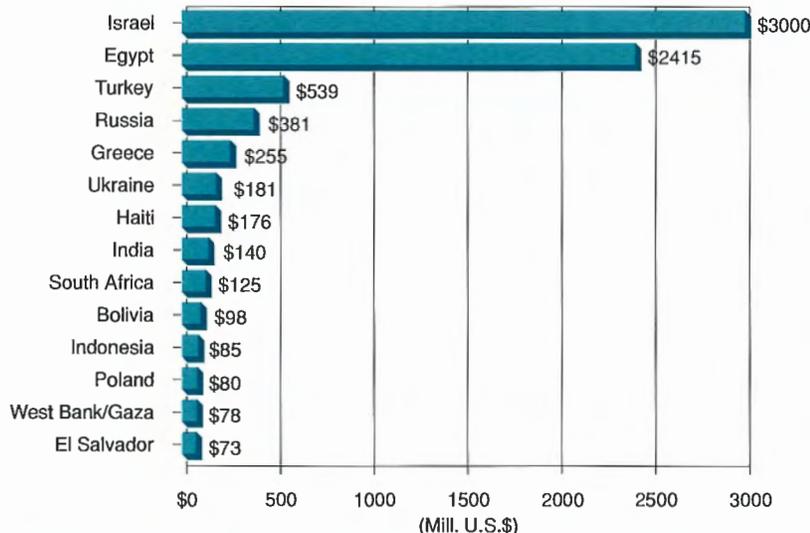
GOALS AND DIRECTIONS FOR FOREIGN ASSISTANCE IN THE POST-COLD WAR ERA

Although the foreign assistance program has had a number of objectives, one overriding goal—the defeat of communism—led most people to assume that the other goals were not as important to the U.S. national interest. Speakers and other participants at the NPA Aid and Development seminars and lectures during the past year and a half have enunciated numerous objectives for U.S. assistance that, in their view, have not lost their importance with the demise of the communist threat. The key recommended goals—supporting U.S. strategic objectives, humanitarian relief, sustainable development, boosting trade, and promoting democracy—are discussed next.

Supporting U.S. Strategic Objectives

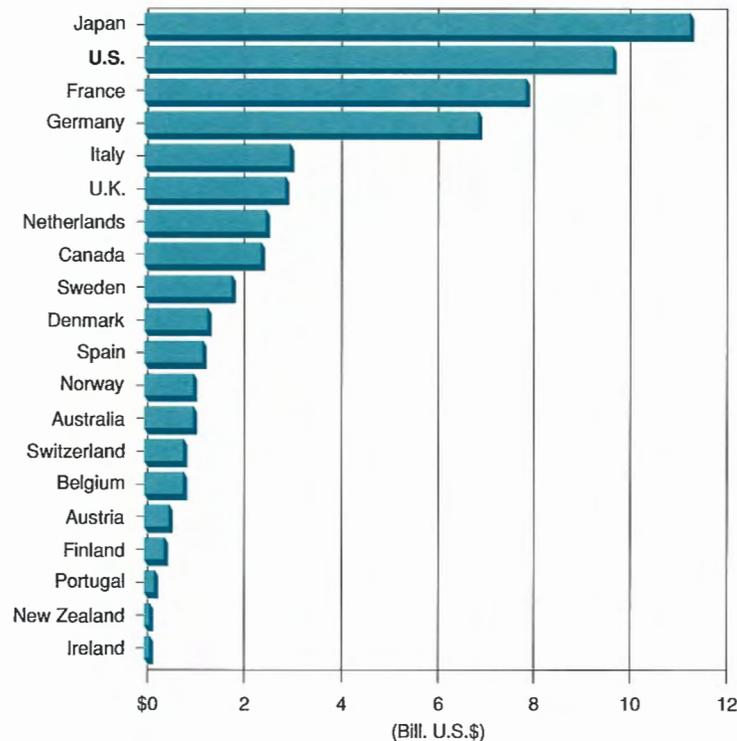
U.S. foreign assistance has historically been justified largely in terms of strategic need. The first

CHART 5
LEADING RECIPIENTS OF U.S. AID, FY 1995



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

CHART 6
U.S. AND OTHER DONORS COMPARED
 (1993 Disbursements—Bill. U.S.\$)



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

identifiable assistance programs in the Caribbean and Latin America during the 1930s were justified as efforts to stabilize countries within the U.S. sphere of influence vis-à-vis European outsiders. The post-war Marshall Plan was intended to strengthen Europe vis-à-vis the Soviet Union and to prevent communist insurrections. In the 1960s, the Alliance for Progress hoped to do the same for Latin America. During the Vietnam War, the highest proportion of U.S. assistance went to that country and its neighbors.

As a number of speakers at Aid and Development Project functions have concluded, the world remains a dangerous place, and the United States continues to have important strategic interests, despite its success in the Cold War.

The Middle East

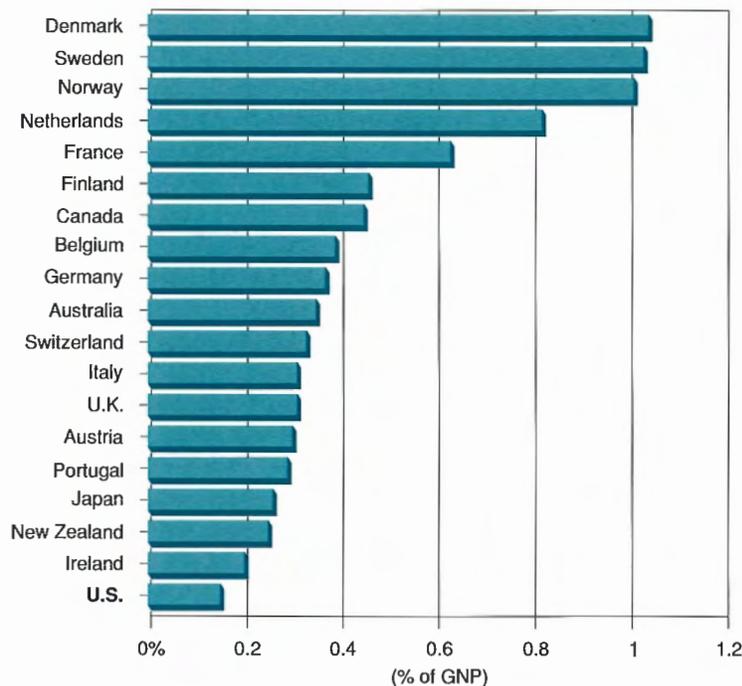
Encouraging conditions for peace in the Middle East is one strategic objective that has not lost its importance in the aftermath of the Cold War, ac-

cording to William B. Quandt, Byrd Chair in Government and Foreign Affairs at the University of Virginia and a well-known expert on the Middle East. In his address to the fifth NPA working breakfast on September 20, 1994, Quandt noted several reasons for the importance of the Middle East to U.S. interests—Israel and oil.

The Israeli-U.S. relationship is special, and its security and well-being are 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. "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," said Quandt.

Western dependence on oil supplies from the Middle East is the second reason foreign aid to the region is necessary. It is in the U.S. strategic interest to preserve stability and maintain stable oil prices in the process. Another reason for U.S. assistance is the growing threat of nuclear weapons. Together, Israel and Egypt, the Camp David peacemakers, ac-

CHART 7
U.S. AND OTHER DONORS COMPARED
 (1993 Disbursements as % of GNP)



Source: OECD.

count for more than 40 percent of 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.

Russia and the Former Soviet Union

Since 1992, the United States has made available more than \$5 billion in economic and food assistance to the former Soviet Union. Speakers and participants at a number of NPA Aid and Development functions recognized the importance of assistance to the former Soviet Union, and to Russia in particular. As one attendee suggested, "If Russia goes down, it will suck all of civilization with it." Although even he admitted that might be an exaggeration, the comment supports the urgency many would attach to the U.S. assistance effort in that region.

Clifford Gaddy, Research Associate at the Brookings Institution, told attendees at NPA's working breakfast on November 18, 1994, that he believed the substantial assistance effort promised to Ukraine by the United States and other donors had led di-

rectly to the vote in the Ukrainian Parliament earlier in November to become a non-nuclear power. In Russia, he said, U.S. assistance could help to stop the old system, as power still remained in the hands of old communist forces.

Other Definitions of U.S. Strategic Interest

Other speakers put forth different ideas about what constitutes the U.S. national security interest. Andrew Natsios, Vice President of World Vision, suggested at NPA's Atlanta symposium on January 26, 1995, that the United States can no longer "use a Cold War definition of what our national self-interest is." What appears to be a local crisis can ultimately become a U.S. concern. "The Somalia disaster spread all over East Africa. Bosnia is threatening a general European war right now," he warned. Instability, wherever it may be, should be a concern of the United States.

Wherever the problem might arise, many believe that foreign aid can play a stabilizing role. Jerry Hough, James B. Duke Professor of Political Science and Director of the Center on East-West Trade, In-

vestment and Communication at Duke University, suggested at the Seattle symposium on May 18, 1994, that unless the United States attempts to facilitate the development of Russia, Asia, and Africa, as these regions move through potentially volatile times, long-term destructive ramifications could occur for the United States and the rest of the world.

Humanitarian Relief Responses

In public opinion polls, the American people have consistently supported humanitarian relief efforts—whether these are in response to human or natural disasters. The number of these crises is growing. As Lois Richards, Deputy Assistant Administrator at USAID in the Bureau for Humanitarian Response, noted at the symposium in Iowa on June 28, 1994, “Complex emergencies like those in Rwanda, Yugoslavia, Somalia, Angola, Mozambique, and the Sudan, usually involving political or ethnic conflict, will be part of the post-Cold War international life, and I fear these numbers will continue to rise in the future.”

Statistics suggest the gravity of the challenge. The number of refugees in Africa has risen from less than 1 million in the early 1970s to nearly 6 million today. Even with improvements in food security, 1.1 billion people lack access to sufficient food.

The traditional response to the wide range of humanitarian concerns has been food assistance, medicine, and related logistical support. NPA symposium participants consistently argued in favor of continuing humanitarian activities. Two NPA day-long sessions focused on issues relating to humanitarian concerns. At the Iowa symposium on food aid, participants saw compatibility between the generosity associated with humanitarian aid and U.S. self-interest in promoting trade in agricultural goods. At the Atlanta symposium on humanitarian aid, some participants agreed that although humanitarian gestures may not be consistent with the U.S. self-interest and might lead to complications, as in the case of Somalia, this assistance nonetheless has the continued support of the American people.

Sustainable Development

Many believe that helping countries on the road to sustainable development is an important objective of U.S. assistance. But few suggest that it should be treated as an end in itself. Rather, sustainable development should be a means to many of the other potential ends of U.S. foreign policy—including international stability, cross-border concerns such as environmental protection and health threats, in-

creased trade, antinarcotics efforts, and humanitarian relief.

The concept of sustainable development aims at fostering self-sustaining, broad-based economic growth of countries so that the environment will not be damaged. Among the activities that contribute to sustainable development are programs directed at strengthening the private sector—especially microenterprises and small businesses—improving child survival and health care, expanding education, increasing agricultural production, mitigating environmental degradation, and lessening population pressures.

NPA’s Aid and Development Project participants noted that sustainable development efforts can help stabilize potentially volatile trouble spots. David Rhoad, Deputy Director of the U.S. Office on Middle East Affairs, stated at the September 20, 1994, working breakfast that USAID programs in the West Bank and Gaza strive for job creation, job training, and construction of low-cost housing, all of which will contribute, albeit in a small way, to economic growth and civil stability in the area. Ultimately, he said, the challenge is to create a stable environment that can attract private investment.

Sustainable development is also a form of crisis prevention, a more cost-effective method of dealing with humanitarian crises than the provision of strictly humanitarian assistance. The consensus during the course of the Aid and Development Project has been, as Lois Richards put it at the Atlanta symposium, that “it is far cheaper to prevent nations from failing than to rebuild them.” The goal, she said, should be to return stricken populations to sustainable development as quickly as possible.

A number of speakers at the NPA meetings pointed out the increasing prominence of cross-border concerns in U.S. foreign policy interests. Environmental degradation and health problems are no longer just a matter of localized domestic interest. Environmental degradation is creating famine and refugee problems and is contributing to global warming. These problems do not respect borders. The spread of diseases such as AIDS and tuberculosis is an already-existent problem in the United States, and highly publicized viruses like Ebola may affect this country as well. Development assistance is targeted to these concerns.

Although many people think of sustainable development as a key objective of foreign aid, in fact, according to John Sewell, President of the Overseas Development Council, too much development aid is wasted “because it is not focused on sustainable development.” Instead, it is driven by security concerns and political interests. Further, beneficiaries tend to be the higher income countries rather than the poorer nations.

Boosting Trade

A persistent theme of speakers at NPA-sponsored meetings was that economic growth in the developing world and the former Soviet Union is of enormous benefit to the United States. Many stressed that foreign assistance can be used to benefit U.S. producers directly through, for example, deliveries of food aid, or indirectly by stimulating the growth of international markets.

At the NPA symposium in Iowa, Steve Dougherty, Director of Public Affairs at Pioneer Hi-Bred International, Inc., suggested that "today's customers for these governmental products ought to be tomorrow's customers for our commercial products. At least history has taught that in some instances, such as in South Korea and Taiwan, that can be the case." Participants at NPA's symposium in Seattle particularly emphasized the role of development assistance in fostering trade, as the region is becoming increasingly interdependent on foreign trade focused on growing markets in Asia. According to Irwin Gates of the Vogel and Gates law firm, one in five jobs in Washington state is related to international trade.

USAID Administrator Atwood noted at the March 1, 1994, working breakfast that there has been a \$20 billion increase in U.S. exports to the developing world during the past five years. In his view, the developing world is a steadily growing, huge market for American goods. Programs that stimulate economic growth in these countries will encourage their increasing desire for American goods. He said that the Clinton Administration strongly supports a partnership with U.S. business. In Egypt, for example, USAID is creating capital projects that are developmentally sound. U.S. business directly benefits from engagement in such projects.

The food aid program was praised at the Iowa conference because it served two purposes—humanitarian and trade. As Dean Kleckner, President of the American Farm Bureau Federation, noted: "We can see that nations do benefit from this aid—in the short term by receiving food products for their hungry and in the long term by becoming productive members of global society. There has been a steady progression of countries from aid to trade. All of our current major trading partners, except Canada, have received shipments of U.S. aid."

Even the strategically grounded Russian assistance program has a trade-related objective. Atwood pointed out that as Russia improves its economic and political environment with U.S. help, U.S. investors can more easily and comfortably enter the Russian market. Other speakers noted that the U.S. private sector presence, in turn, advances the overall aims of U.S. policy in Russia of a democratic and free market economy.

John Crowser, Chief Executive Officer of Hart Crowser, Inc, stressed that U.S. assistance should be used to directly promote U.S. business interests and that aid should be linked to trade. Larry Q. Nowels, Specialist in Foreign Affairs with the Congressional Research Service (CRS), pointed out that, to some extent, assistance is used to purchase American goods. According to Nowels, 75 percent of USAID project procurement is in the United States—\$1.5 billion in U.S. agricultural goods is shipped annually, most on U.S. freighters; 90 percent of the roughly \$3.9 billion in military assistance originates in the United States; and U.S. contributions to multilateral development banks produce large returns in bank procurement from the United States.

Judge Morris, Senior Director of International Trade at the National Association of Manufacturers (NAM), indicated at the March 1, 1994, Washington working breakfast that U.S. business does not think that trade is a major focus of foreign aid as implemented by USAID, but that the Agency is turning away from major infrastructure projects that might use business. For example, U.S. foreign aid is not provided to China, whereas Japan, the major U.S. competitor, provides \$5 billion. Morris noted that the Commodity Import Program is also being cut. In his view, the objectives of aid—such as the promotion of democracy and population control—are drawing funds away from the economic growth activities that can stimulate the other goals.

Promoting Democracy

Since the 1980s, the promotion of democracy has increasingly been an element of U.S. foreign policy and of the U.S. foreign assistance program. 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 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 countries, and assistance to electoral commissions and training for political parties in South Africa, Russia, and elsewhere.

While many NPA symposium participants from the business community have voiced their support for the use of foreign aid to boost trade relations with other countries, a number of representatives from labor have suggested that promoting democracy is an appropriate goal of the U.S. assistance program. Further, labor members stress that economic growth alone does not necessarily produce democracy; along with the former must come special efforts to stimulate democratic institutions.

At NPA's working breakfast on the Middle East, William Quandt of the University of Virginia argued

that the United States could create the circumstances under which aid could flow to those champions of democracy and development who conform to U.S. values and help secure peace between Palestinians and Israelis. Similarly, at the working breakfast on the former Soviet Union, Richard Wilson of the Free Trade Union Institute stressed the use of U.S. aid to strengthen democratic institutions in Russia. Democratic institutions are just as important as economic reform there, he argued. "We can let our friends in Indonesia discover democracy after they have the free markets over the next hundred years, but we have not got that time in Russia."

Members of labor organizations defined the strengthening of labor unions as an intrinsic element of democratization in U.S. aid-recipient countries. Foreign aid, suggested David Gregory, Director of Region IX of the AFL-CIO, should be used to increase the quality of life in a developing country and to decrease the exploitation of labor through the building of democratic institutions such as trade alliances. Along similar lines, Morton Bahr, President of the Communications Workers of America, emphasized his belief that if Palestinians and other Arab nations are to develop truly democratic institutions, they must understand the important contributions that a free trade union movement can make to economic development. He noted that the AFL-CIO is working with Arab leaders of emerging democratic unions in Palestinian-controlled areas, training them in trade unionism and the collective bargaining process and organization.

Democratic institutions lead to sustainable development, in the view of Joel Freedman, Assistant to the President of the International Union of Bricklayers and Allied Craftsmen. He emphasized that a system of laws, such as uniform commercial codes, and a government that is accountable are also "essential to the development of any country" because they attract long-term investment.

CONTINUING KEY CONCERNS

As is expected during the course of an extended national discussion of important policy questions, numerous concerns were raised by speakers and participants over the future direction of U.S. foreign assistance and its ability to support key domestic and international interests. Business and labor participants repeatedly raised policy concerns relevant to their own views of how the United States should shape its post-Cold War foreign assistance priorities. As discussed above, business representatives focused attention on the relationship of aid programs with broad aspects of international development and economic growth, whereas labor participants

emphasized workers rights, both at home and abroad, and the need to keep in mind democratic reforms while pushing developing countries to undertake difficult, sometimes harsh economic policy restructuring.

Other general themes also arose. How to measure the success and impact of development aid initiatives—an issue at the center of management reforms at USAID—was a topic addressed in several sessions. Policy tradeoffs, at times in direct conflict with one another, have been a constant dilemma facing foreign aid policymakers and, as the discussions revealed, will almost certainly continue as the United States struggles with its redefinition of aid goals and rationale. Foreign aid resource availability and allocations also emerged as frequent points of debate, issues that grew in importance as the reality of substantial budget reductions for development assistance began to take hold in early 1995.

Business Concerns

Key business concerns were the implications of USAID's sustainable development concept; the private sector's role in development; the link between aid strategies and broader trade and investment initiatives; and the practices of other donors that use economic assistance as a more direct commercial tool.

As was discussed by several speakers from the Agency for International Development, including Administrator Atwood, the Clinton Administration's new aid objectives are designed around the framework of sustainable development, with the core strategies of promoting broad-based economic growth, protecting the global environment, stabilizing world population growth, and fostering participatory democracy. These interdependent strategies are intended to build the capacity of recipient nations and their populations to pursue sound economic development principles while not exhausting the countries' resources. But as Larry Nowels of CRS pointed out, the term sustainable development has been an elusive concept, subject to varying interpretations. From its initial focus on protecting the environment from damaging and unsustainable economic growth policies, the term has broadened considerably under the new USAID framework.

Judge Morris of NAM expressed his unease with the definition of sustainable development, calling it a "notion not well thought out." While Morris strongly endorsed the strategy of promoting economic growth, he raised a fundamental concern that under a broad and possibly ill-defined concept of sustainable development, programs promoting growth may be sacrificed in favor of other interests. In discussing another element of sustainable devel-

opment, stabilizing world population, Morris said that the United States has very limited tools to influence trends in the developing world, and he argued that in recent times strong economic growth has contributed significantly to stabilizing population levels.

An additional concern raised by business participants was the role of the private sector in promoting economic development, specifically what place it holds in the programs and activities of U.S. government agencies such as USAID. Several suggested that the Agency has not sufficiently supported the business community and the strength it can bring to U.S. aid efforts. Irwin Treiger, Chairman of the Greater Seattle Chamber of Commerce, noted that USAID has a reputation in the business world away from Washington as a "bureaucratic jungle" in which grants are issued to the so-called Beltway Bandits. In his experience, very few in the Seattle area have had contact with USAID. What the Agency needs, he stressed, is to establish local partnerships that will engage U.S. businesses as both participants and supporters of development efforts.

John Crowser, Chief Executive Officer of Hart Crowser, Inc., laid out a three-point agenda for how the U.S. government and particularly USAID can better design their efforts to support the private sector: (1) aid should actively support both U.S. business and global development interests; (2) to sustain the development process, aid and trade policies needed to be linked; and (3) foreign aid should help American businesses compete globally rather than create global competition among U.S. firms.

Kelly Kammerer, Counselor to the USAID Administrator, also speaking at the Seattle symposium, acknowledged that the Agency has been "schizophrenic" over the years in its dealings with the business world, but that it is making a concerted effort by opening offices around the United States to broaden the base of U.S. contractors and businesses participating in USAID projects. However, he and other speakers noted that while USAID should support some U.S. business concerns, it should not become an export promotion agency because its primary objective should be to promote development abroad. The U.S. government has other agencies that directly serve American businesses overseas.

A broader dilemma expressed by those in the business community is establishing the proper prioritization of aid programs and trade and investment initiatives. Some, including Wayne Angell, Chief Economist at Bear, Stearns & Co., Inc., and a former member of the Federal Reserve Board, argued that the promotion of trade and open markets is far more significant than U.S. aid programs and that the basic concept should be "trade not aid." Ilya Oshman, Vice President of the Fund for Large

Enterprises in Russia, cautioned against overreliance on development financing from government sources. Private sector funds, he said, are not subject to the "political whims" of public-sponsored programs whose commitments can be interrupted, creating enormous problems for the development efforts in a country like Russia.

Others took the view that a more integrative approach to U.S. trade, investment, and aid policies is needed. F. William Hawley, Director for International Government Relations at Citicorp/Citibank, raised the concern that foreign aid is often framed too narrowly to be an effective development instrument. The reality, he observed, is that the United States uses different tools to foster development—technical assistance, trade, and investment—that have been extremely beneficial to the process of economic liberalization taking place throughout the developing world, especially in Southeast Asia. He emphasized the importance of maintaining this broad view of supporting development.

Finally, business participants in the NPA Project expressed concern over other governments' aid practices, such as tying assistance to procurement of goods and services from national companies or emphasizing infrastructure development projects. These practices provide direct benefits to foreign businesses, often at the expense of American firms trying to compete in the same area. Irwin Treiger, for example, discussed the relatively low levels of U.S. assistance to Asian nations compared with Japanese levels, which extend the Japanese economic dominance of the region. Similarly, Judge Morris noted the declining element of commodity import programs and the relative absence in USAID programs of capital projects that benefit American companies and help build a stronger domestic constituency in favor of foreign aid. Taking a somewhat different approach, John Crowser thought that the Agency could provide the most aid by tying the technical assistance and engineering elements of projects, the technology and equipment components, to American businesses. The former, he observed, affords U.S. firms the opportunity to gain experience in a particular sector or country where they can become more knowledgeable and more competitive in securing follow-up parts of the project.

Labor Concerns

Labor participants focused their concerns about U.S. aid programs on a different set of issues. Labor representatives underscored the need to develop a policy strategy that will encourage economic

growth in the developing world and protect the rights of workers in these nations, promote the expansion of civil societies and democratic reforms, and solidify respect for human rights standards globally. Another concern raised by labor participants was that foreign aid programs should work to secure opportunities for American workers without creating job losses at home.

Members of labor consistently emphasized that U.S. assistance, as well as trade agreements, should be conditional on a government's respect for the fundamental rights of its workers. Echoing the sentiments of several speakers, Ronald Blackwell of the Amalgamated Clothing and Textile Workers Union (ACTWU) said at NPA's symposium in New York on January 27, 1994, that his organization's support for the Clinton Administration's foreign aid reform effort hinges on this issue. "Without supporting fundamental worker protections, USAID cannot serve its mission in the world, and it certainly cannot justify asking for more U.S. taxpayer dollars, particularly when those dollars are coming out of the pockets of American workers." ACTWU President Jack Sheinkman praised the Administration's proposed foreign aid legislation for including restrictions on aid to countries that violate the human rights of its citizens, but he expressed dismay that similar language regarding labor rights was not part of the draft. Many speakers criticized the North American Free Trade Agreement for excluding provisions that focused on worker rights, and Sheinkman expressed hope that this lack of compromise in the NAFTA debate would not enter the discussions of reforming U.S. foreign assistance. If such disregard of workers rights continues, he warned, private sector support for what he termed a "vital dimension to the future of U.S. foreign policy" will be severely weakened.

At several NPA Aid and Development Project events, a spirited debate developed concerning whether countries and governments can pursue economic and political liberalization reforms simultaneously. John Sewell, President of the Overseas Development Council (ODC), set the stage for this discussion at one of the first NPA working breakfasts by observing that the advancement of democratic forces often unleashes difficult pressures on developing country governments. In the past, many argued that democratization efforts are so destabilizing that to undertake economic and political reforms at the same time can permanently jeopardize a government's ability to remain committed to difficult and often painful economic restructuring prescriptions. However, with the collapse of the Soviet Union and the emergence of new democratic forces, along with some evidence in the developing world of increasing acceptance of broader public

participation in the political process, many in the international development community have concluded that both economic and political reforms should be promoted simultaneously.

This latter perspective was a consistent theme from labor participants at NPA functions. Richard Wilson, affiliated with the AFL-CIO and the Free Trade Union Institute, argued that economic reforms in Russia are not enough: "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." Some speakers, most notably Thomas Callaghy of the University of Pennsylvania, rejected the notion that democratic liberalization should be a condition of receiving external aid, at least until vigorous economic reform policies take hold; only the most egregious human rights violations should be countered with suspension of aid. In the long term, Callaghy argued, workers in developing countries will fare better if economic changes are given time to take effect. However, this thesis was strongly challenged by a number of participants, particularly from labor. As one observer asked during a discussion of the so-called Asian economic miracle, how can events in the region be portrayed as a "miracle" when the positive economic gains have been achieved at the expense of years of worker rights violations?

The plight of workers in the developing world was also part of the discussion of the necessity for foreign aid programs to incorporate the needs of American workers as well as those abroad. Jesse Friedman, Deputy Executive Director of the American Institute for Free Labor Development, commented that workers in the United States should not have to compete with products made by those who do not have "freedom of association or basic human rights and whose goods are produced under conditions much less favorable than our own." As participants pointed out, the larger issue concerns whether aid programs undercut the job security of Americans. This concern stems from a labor investigation and subsequent airing on "60 Minutes" in 1991 of reports that USAID projects promoting export processing zones (EPZs) and the expansion of manufacturing for export in developing countries were encouraging some U.S. firms to move operations offshore at the expense of jobs at home. Agency officials denied that this was the intent, but they removed EPZs and other export-oriented projects from their portfolio. Although several speakers from labor organizations expressed appreciation that USAID had ended these practices, they nevertheless urged U.S. policymakers to make certain that aid strategies do not undermine the domestic economy and workers in the United States.

Assessing the Impact and Benefits of Aid

Many Americans perceive foreign aid as wasteful and subject to mismanagement and corruption. They believe that in 50 years of experience, few successes exist outside of those in Europe and Asia. Throughout the NPA seminars and symposiums, USAID officials emphasized that a key management reform under way at the Agency is the establishment of a results-oriented evaluation system whereby markers are set in advance and performance is measured against those standards. USAID Administrator Atwood told participants that the Agency was moving out of countries where the governments are not serious about pursuing sound economic policies and therefore will not make good development partners.

Even though USAID has begun to implement the performance-based system, concern persists that U.S. foreign aid is not achieving its intended result of affecting development in the poorer nations of the world, especially in Africa. At the Chicago symposium, Ed Bullard, a long-time aid practitioner and head of TechnoServe, a nonprofit organization offering business organization and management know-how to groups in Africa interested in creating a profitable business, discussed what makes a successful development project. Bullard set out seven operating principles that he sees as crucial to fostering economic growth and development:

- (1) Commitment. Regardless of their level of poverty, participants must be willing to become stakeholders in the enterprise.
- (2) Expect a long engagement. Because the concept of entrepreneurship is totally new for most participants, they need a minimum of three years for knowledge to be transferred.
- (3) Hire from the host country for project implementation. Nationals, many of whom hold advanced business degrees, are a vastly untapped resource.
- (4) Select a process that affects the maximum number of people. The cost-benefit ratio accelerates by engaging as many in the local community as possible.
- (5) Emphasize organizational and financial issues early. Be clear as to who is responsible for what and who signs contracts and establishes rules for selecting leaders.
- (6) Charge the participants something for your consulting services. Even with the poorest commu-

nity, sign a written contract so that everyone is a partner.

(7) Never lead with money or other benefits. Help establish a general recognition among participants of what the problem is and let them invest in the solution so that they can assume credit for the project's achievements.

Bullard acknowledged that although many disagree with some of his principles, in his experience these steps have worked, and at the least they represent a framework from which to debate the optimum grassroots development strategies and how to assess their impact.

Policy Tradeoffs and Competing Priorities

Given the foreign aid program's multiple objectives and its constrained budget base, a continuing challenge for policymakers is to juggle competing priorities for scarce resources. In the process, they confront difficult choices and inevitably must make unsatisfactory tradeoffs.

Perhaps one of the most fundamental policy tradeoffs is found in the debate over how best to balance efforts to encourage economic restructuring and to promote democratic change. As mentioned earlier, many in the business community believe that a rigorous economic reform agenda is the most significant policy priority in helping developing nations. They believe that this agenda can be derailed when the often destabilizing process of political liberalization occurs simultaneously. Labor representatives and others disagree, believing that human rights and the creation of a civil society cannot be shortchanged as a nation develops.

Numerous other examples of policy conflicts in foreign aid implementation were identified in the discussions. Clifford Gaddy of the Brookings Institution commented on the tension between promoting change and maintaining stability that underlies the West's aid program in Russia. In the near term, he said, "we fear that stability and change are incompatible to a significant degree." He also raised another perennial dilemma facing foreign aid policymakers: the conflict between short- and long-term strategies. Most concede that the economic, political, and social development process requires a sustained commitment over what can be an extremely long period. However, donor nations, and especially the United States, may want to use foreign assistance to help resolve short-term international crises. Such diversion from long-term goals to address immediate needs remains a major concern of the international development community.

Nashieb Hallaby, Chair of Save the Children Foundation, identified another point of contention in foreign aid decisionmaking when he asked, at a time when "political obstacles to regional development are diminishing and economic requirements are rising, should we move toward multilateral investment rather than bilateral case-by-case, project-by-project aid?" William Quandt of the University of Virginia agreed that although a multilateral approach is attractive in principle, it has significant shortcomings in practice. Citing as an example international aid efforts for the Palestinians, he emphasized the substantial degree of politics that enters into aid decisionmaking. "Based on a purely economic World Bank standard, we do not want to provide very much money for startup costs for the Palestinian police who get around \$1,000 a month as salary. By regional standards, that's an enormous payoff; and it's pure politics, with nothing to do with economics."

A candid summation of these competing policy priorities occurred in a discussion between Robert Sutter of the Congressional Research Service and Benjamin Gilman of the House International Relations Committee. Citing Burma as an example, Sutter questioned how the United States should weigh suspending aid because of the government's human rights violations against seeking cooperation with Burma (a large supplier of heroin) on narcotics control activities. While Gilman noted that the United States should balance such conflicting policy interests, he admitted, "I daresay we haven't come up with a proper solution yet."

Budget Limitations

In the first symposium of NPA's Project on Aid and Development held in New York on January 27, 1994, ODC President John Sewell highlighted the substantial decline in U.S. foreign aid spending since the watermark of the mid 1980s and asked, "Are Americans witnessing the beginning of the end of the foreign aid program or the beginning of a period of renewed commitment to global development?" He stressed the need to take the budget crisis seriously, which might ultimately require tough decisions about whether American resources are better spent on defense and military programs or on promoting commercial interests overseas, protecting the global environment, and facilitating a peaceful transition in the former Soviet Union.

Thirteen months later at the seventh working breakfast, with Representative Gilman as the featured speaker, the foreign aid budget was again the focus of attention. By all measures, the budget crisis emphasized by Sewell had deepened. The new Republican majority in Congress had pledged to balance the federal budget by the year 2002, and all

sectors of government spending, including foreign aid, were to come under close scrutiny. As noted at the beginning of this issue of *Looking Ahead*, Gilman observed that the question now was not whether foreign aid would change, but how it would change, with the one certainty being the reduction in the budget. He noted that his Committee had recommended to the House Budget Committee a \$1 billion, or 5 percent, cut in total international affairs spending by the United States, and that proposals from other committees were much deeper.

Some participants were skeptical that budget reductions of that order could support a credible foreign aid program in the future. Carolyn Reynolds, representing Interaction, remarked that such funding cuts would decimate the programs supported by private voluntary organizations. Ted Weihe of the Overseas Cooperative Development Council observed that foreign aid budget reductions for 1996 were modest relative to projections over the next five to seven years, given House and Senate Budget Committees' plans to cut the international affairs budget from the current \$20 billion level to \$12 billion-\$13 billion. "That would wipe out everything," Weihe pointed out, "spelling disaster for U.S. leadership." Gilman responded by saying that "Five years is a long time away. We're going to try to maintain a reasonable level in the coming years." Whether that will be the case is a major concern for foreign aid supporters in the business, labor, and international development communities.

CONCLUSIONS

Speakers at NPA's Aid and Development Project symposiums and working breakfasts have been discussing a range of disparate issues bound together under the rubric of foreign assistance. Although the Project is only at midpoint, several conclusions can be drawn from the views of the many individuals who have taken part in the discussions.

U.S. Leadership

Participants agreed almost unanimously that the United States should provide leadership in the world. Their basic assumptions were that U.S. foreign policy is an instrument of world leadership and that U.S. foreign aid reinforces and conveys that leadership. Most participants perceived U.S. global leadership as necessary to ensure that the U.S. national interest is met.

What Is the U.S. National Interest?

Attendees at the NPA functions did not generally agree on what constitutes the national interest of

the United States. U.S. interests and objectives in the world are innumerable, reflecting the many crises and problems that call for U.S. leadership as well as the special interests of the many constituencies within this country. Business representatives tended to stress the promotion of U.S. trade throughout the world, including the encouragement of economic growth abroad as a way of creating markets for U.S. goods. Labor representatives tended to advocate democratic and human rights issues, but they also supported economic growth internationally through job creation. Some speakers argued for the promotion of U.S. interests in the Middle East, Africa, and Russia, while others emphasized the importance of defusing political and social instability in the post-Cold War era. Participants at NPA symposiums supported a variety of objectives for foreign assistance, including the promotion of peace, trade, and democracy, the reduction of poverty, the strengthening of population control, the expansion of trade, and the promotion of social justice.

U.S. Objectives Forced to Compete

Funds are insufficient for meeting the multiple national interests of the United States. Most speakers presumed that spending on foreign aid would likely be decreased because of overriding national concerns regarding the U.S. budget deficit. Funds that might have been available in the past to respond to most points of U.S. interest are disappearing, leaving the objectives of U.S. foreign policy to compete with each other for funding. Policymakers may thus be forced to put aside some U.S. interests, despite the possible negative consequences of ignoring them. Some NPA participants believe this would be a mistake. As noted earlier, John T. Joyce, President of the International Union of Bricklayers and Allied Craftsmen, stressed the need to make the "relatively small follow-up investment that's necessary to see both economic and democratic advancement around the world."

Sustainable Development Meets Multiple U.S. Objectives

Many of the objectives for foreign aid overlap, sometimes causing confusion about whether the aid programs have succeeded. For instance, as ODC's John Sewell pointed out, aid to Somalia or to Egypt may be judged unsuccessful on development grounds, but that was never the prime reason for those programs. One type of assistance can serve one or more purposes. The food aid program has both humanitarian relief and trade promotion aims. Egypt has received economic development aid,

rather than just a cash transfer that might alone sufficiently indicate U.S. support for the Middle East peace process, to further stimulate economic growth in the country and enhance stability in the regime.

Sustainable development activities can serve multiple U.S. objectives. In Eastern Europe and the former Soviet Union, development activities supporting the growth of democratic parties, the rule of law, and a private sector can help prevent future threats to U.S. national security. While contributing to the broad-based economic growth of countries, USAID projects that encourage policy reform, develop human resources through vocational and other training, and offer credit opportunities for small and medium businesses through enterprise funds also ultimately help to create an enabling environment for U.S. trade and investment. Sustainable development programs, perhaps especially those targeted to the agriculture sector, can also be viewed as preventing humanitarian crises. Some NPA participants suggested that broad-based economic growth can help the development of democracy. Sustainable development, therefore, may be a cost-effective means to reach a range of key U.S. foreign policy goals.

Government Needs to Articulate How Foreign Aid Serves U.S. Interests

Many participants at NPA events pointed out the need to improve the articulation of U.S. interests and how foreign aid serves them. Noting this view in his Chicago remarks, Tony Gambino, Special Assistant to the Undersecretary for Global Affairs, Department of the State, asked: "Why is there a feeling that there is not much support for international engagement and international activities, including foreign aid? Those of us who work in Washington for the State Department or USAID are not surprised. During the Cold War, for all intents and purposes, we did nothing to try to build support for these activities. We didn't have to. We could go to Congress and say that we needed this aid because of our struggle against communism. For 40 years that logic allowed us to drive aid levels through, and there was no perceived need to build support among people throughout the country."

Participants stressed almost unanimously that foreign aid should be explained on the grounds of self-interest. An exception is humanitarian concerns, which were generally viewed as a fixed interest of Americans. Some participants implied that making the case for foreign aid on the grounds of self-interest would not be difficult. At the Chicago symposium, as Charles Stott of the AFL-CIO argued: "I think there are very clear benefits. One is that it is

in the economic self-interest of American workers and the American people to create markets abroad, to create consumers who are able to purchase the products that we manufacture and export to countries. Second, with the arms race being history, it is important that the American people understand there is a very strong security reason for the kind of economic development assistance that we think ought to be provided. With populations increasing dramatically, particularly in the cities of Third World countries, and with the shift of people from rural to urban areas in Third World and developing countries, we've got a ticking time bomb of dispossessed people. These people don't have the means of survival or sustenance, and if we can provide them with the economic means of raising their standard of living, there is less likelihood of having the kind of conflict that otherwise, in my view, is inevitable."

Many participants believe that if foreign aid is to be explained as an investment in the U.S. national interest, there should be some obvious return on that investment, and its effectiveness should be measurable. Clearly, many Americans think that foreign aid is not effective, making the issue of how it

supports U.S. priorities immaterial. In this respect, it was often pointed out, as Ed Bullard said in Chicago, that "the successes are not being covered." Network news, as well as the rest of the media, always discusses aid in terms of waste, not what it has accomplished.

During the final year and a half of the Aid and Development Project, NPA will continue to hold meetings throughout the country focusing on U.S. foreign aid leadership and the interrelationship between global and domestic policy goals. The issue of whether foreign aid has been successful in achieving the objectives of U.S. foreign policy will also continue to be explored during future NPA programs.

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NPA's Aid and Development Project: Seminars and Working Breakfasts Through February 1995

SEMINARS

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

Topics included:

- The Post-Cold War Shift in Aid and Development Policies
- Clinton's New Aid Proposal
- The Impact of Development Assistance on Economic Success and Failure in the Developing World
- Aid and Development Goals and Strategies in the CIS and Eastern Europe
- Business and Labor Views on Post-Cold War Era Aid

Sponsors: Citibank and Amalgamated Clothing and Textile Workers Union

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

Topics included:

- The Clinton Administration's Vision for Aid
- How Does the United States Compare with Other Aid-Giving Nations?
- Are Lessons from East Asia's Development Transferable?
- International Trade and Human Rights in China—The Implications for Aid and Development
- Views on Aid and Development from the Business, Labor, and Environmental Communities

Sponsors: Trade and Development Alliance of Greater Seattle, Seafirst Bank, and Region IX of the AFL-CIO

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

Topics included:

- Sustainable Development or Food Aid?
- Agricultural Reform—Precursor to Growth in Developing Nations

- Sustainability—The Outlook for Agricultural Policy in the Developing World
- Lessons to Be Learned from Two Decades of Experience

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

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

Topics included:

- From Foreign Aid to Economic Growth: Policies and Realities
- Private Sector Involvement in Development
- Attacking Poverty and Creating Jobs: The March 1995 U.N. World Summit on Social Development
- The Politics of Foreign Aid and Economic Development
- Promoting Sustainable Economic Growth: Business and Labor Perspectives
- Setting Priorities for Sustainable Economic Development

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

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

Topics included:

- U.S. Foreign Assistance Strategies: Addressing Global Crises
- The Effectiveness of Past Efforts—What Works, What Doesn't
- The Politics of Humanitarian Intervention
- Policy Options for the Future: Creating Priorities for Humanitarian Relief Programs

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

WASHINGTON WORKING BREAKFASTS

What Should U.S. Aid and Development Priorities Be? (November 16, 1993)

Speakers: *John Sewell*, President, Overseas Development Council
Larry Q. Nowels, Specialist, Foreign Affairs, Congressional Research Service

The Clinton Administration's Restructuring of Foreign Aid and Development Assistance Policy in the Post-Cold War World (March 1, 1994)

Speakers: *J. Brian Atwood*, Administrator, USAID
Judge Morris, Senior Director, International Trade, National Association of Manufacturers
John T. Joyce, President, International Union of Bricklayers and Allied Craftsmen

Democracy and Free Markets: What Are Our Priorities? (April 18, 1994)

Speakers: *Wayne Angell*, Chief Economist and Senior Marketing Director, Bear, Stearns & Co., Inc., and former Governor, U.S. Federal Reserve Board
Ronald Blackwell, Assistant to the President for Economic Affairs, Amalgamated Clothing and Textile Workers Union

Population Growth and the Global Environment: U.S. Foreign Assistance Priorities (July 11, 1994)

Speakers: *Tom Merrick*, Senior Population Advisor, World Bank
William Klinefelter, Legislative Director, Industrial Union Department of the AFL-CIO
John Shlaes, Executive Director, Global Climate Coalition

U.S. Foreign Assistance Priorities in the Middle East (September 20, 1994)

Speakers: *William B. Quandt*, Byrd Chair in Government and Foreign Affairs, University of Virginia
David L. Rboad, Deputy Director, Office of Middle East Affairs, USAID
Morton Babr, President, Communications Workers of America

U.S. Foreign Assistance Strategies in the Former Soviet Union (November 18, 1994)

Speakers: *Clifford Gaddy*, Research Associate, Brookings Institution
Richard Wilson, Director of the Office for Eastern Europe and the Former Soviet Union, Free Trade Union Institute, AFL-CIO
Ilya Oshman, Vice President, Fund for Large Enterprises in Russia

U.S. Foreign Assistance Policies: A Congressional Perspective (February 28, 1995)

Speaker: *Benjamin Gilman* (R-NY), Chair, House International Relations Committee

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