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AID Perspectives

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Foreign Aid: What's in It for You?

U.S. foreign aid doesn't cost Americans—it pays: in jobs, in trade, in security.

- Seventy cents of every dollar spent on U.S. foreign aid goes to American businesses, creating thousands of jobs here at home.
- Developing countries buy 50% of U.S. cereal and grain exports.
- Many lucrative markets for U.S. exports are in countries that have "graduated" from the U.S. foreign assistance program.
- U.S. national security is enhanced by promoting economic growth and political stability in the Third World.

What's more, Americans continue to reap these and other benefits in spite of the fact that the U.S. share of total aid to developing countries is shrinking.

Americans Are the First to Benefit

Some critics of U.S. foreign assistance mistake it for an international welfare program. It's not. It is a cooperative effort in which the United States works with friends in less developed countries (LDCs) to build a stronger economy and a brighter future. And, as America's friends grow stronger, that's good news for U.S. economic and political fortunes.

"Development of the Third World is rooted in our humanitarian tradition. But, foreign aid is not a handout," explains Peter McPherson, Administrator of the Agency for International Development (AID). "It is a sound investment that benefits both Americans and the people of developing countries."

To make certain this investment pays off, programs are carefully planned and carried out by experts who know what works and what doesn't.

Most of the talent and tools needed in an ambitious foreign assistance program come from American business and industry. That's why 70% of the money appropriated for direct, or bilateral, U.S. assistance is spent here, not overseas. For instance, in 1985, U.S. foreign assistance directly generated almost $7 billion in purchases of U.S. goods and services.

In addition to bilateral assistance, the United States contributes to multilateral development agencies such as the World Bank or Inter-American Development Bank. It is estimated that fully one-half of the U.S. contribution to these organizations is spent on American goods.

The benefits from foreign aid are shared throughout the nation. Businesses, research centers or universities in 49 states received foreign assistance contracts in 1985. New York, Pennsylvania, North Carolina, Illinois and Texas ranked highest among the states in the total value of AID contracts received.

The United States offers food aid to many developing countries through Food for Peace. Of course, the primary purpose of this program is to help friendly nations make ends meet. So much the better if it provides a market for U.S. farm goods.

In 1985, $1.6 billion worth of U.S. farm products were exported through this program. Kansas, North Dakota, Illinois, Arkansas and Iowa had the highest export shares that year. All but four states exported agricultural commodities through Food for Peace.

These exports have created an important new market for U.S. agricultural commodities. Rather than existing as surplus, driving down the price of U.S. farm products, these commodities are feeding a hungry world, serving as a vital tool of American foreign policy and helping develop the Third World. Moreover, past recipients of this aid have become reliable paying customers for U.S. grain.

"Our foreign aid is not only a symbol of America's tradition of generosity and goodwill, but also a servant of our national interest."
President Reagan

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New Trade, New Jobs

U.S. trade with the Third World has created jobs for thousands of Americans and promises to generate even greater markets for U.S.-made goods. The numbers speak for themselves.

According to a recent report compiled by the U.N. Industrial Development Organization (UNIDO), the United States trades more with the Third World than with other developed countries.

In 1983, the most recent year for which comprehensive trade figures are available, U.S. merchandise trade with developed nations was valued at $230 billion. In that same year, U.S. trade with developing countries was more than $280 billion and produced a net gain in U.S. employment equivalent to 669,000 man-years, according to the study.

UNIDO reported that these jobs were created in U.S. industries that provide machinery, electrical products, transportation, chemicals, metal goods, precision instruments and printing services.

By helping build the economies of less developed countries, the U.S. foreign aid program is generating new markets for American goods. As a developing country prospers and modernizes its economy, U.S. trade with it increases, to the benefit of both countries. Brazil, South Korea, Mexico and Taiwan are countries whose economies have developed significantly with the help of U.S. foreign aid, making them major players in world trade.

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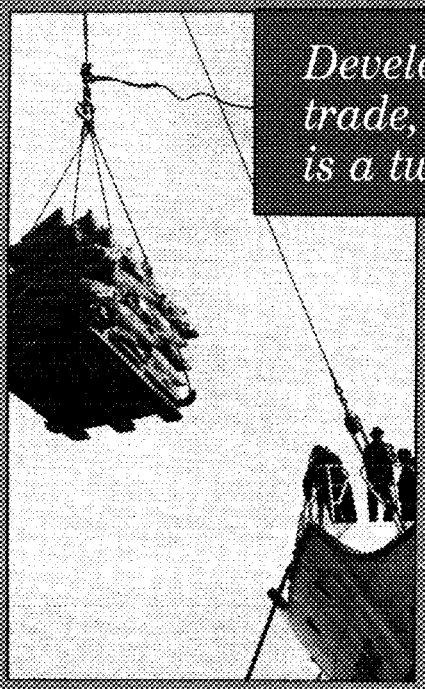


Developing countries prefer trade, not aid. And, trade is a two-way street.

For example, in 1950, Taiwan was barely in a position to be a trade partner with the United States. At that time, the annual per capita income in the island nation was less than $100. Thirty years later, after benefiting from an intensive U.S. foreign assistance program, per capita income had risen to $2,200. Today, Taiwan is America's seventh largest trading partner. And, trade means jobs—American jobs.

In fact, developing countries prefer trade, not aid. And, trade is a two-way street. In 1983 alone, Mexico received $78 million in assistance from the United States but bought $1.7 billion worth of U.S. products. In 1984, LDCs purchased 40% of all U.S. exports.

Of the roughly $40 billion in all U.S. agricultural exports, over 40% were marketed in less developed countries. Nearly one-half of all grain and flour exports and two-thirds of the wheat from the United States went to developing countries in 1984. This market is critical to America's ailing farm economy.

AID's efforts to help less developed countries increase farm productivity have been criticized by some who believe these projects undermine the overseas market for U.S. agricultural goods. On the contrary, a recent analysis by the University of Minnesota concluded that developing countries purchase more U.S. farm commodities as their domestic food production and per capita income increase.

Also, AID is very careful to emphasize food production programs that do not foster direct competition with the U.S. farm sector. To heighten sensitivity to this concern, the Agency sponsored a series of conferences late last year that brought together U.S. farm leaders and agricultural researchers to discuss the impact of foreign development on American growers.

These examples illustrate why economic assistance and cooperation is so vital to Third World development and how development pays off for the United States. Developing countries receive valuable technical assistance and trade opportunities, and the United States nurtures markets for U.S. products and obtains essential goods.

Supply and Demand

As a matter of fact, the United States depends on less developed countries for many materials that are absolutely essential to its economy and national defense. For instance, LDCs supply more than half of the tungsten, bauxite, tin and cobalt used by American industry. All of the natural rubber and cocoa imported to this country come from developing nations.

Some of the benefits of the U.S. foreign aid program show up on the shelves of corner grocery stores. With the emphasis today on healthy diets, many Americans are eating more seafood and tropical fruit. Unfortunately, supplies of these products from traditional sources have not kept up.

AID is helping people of the Third World make the most of their natural resources and, at the same time, is cultivating supplies of specialty products—above and beyond what Americans can produce—to meet consumer demand here at home.

For instance, crabs are such a

popular feast that overfishing has drastically depleted the crab catch from traditional sources and driven up the cost. AID has funded research aimed at increasing crab farming in Caribbean waters.

The Caribbean king crab grazes on a newly developed, fast-growing algae. It takes 12 to 15 months to grow a three- to five-pound crab, of which 30% is restaurant-quality meat. Not only does such an investment pay off for Caribbean fishermen, it also helps satisfy the cravings of seafood lovers in the United States.

Many Americans have developed a taste for conch meat, long a source of protein for Caribbean islanders. But, it's hard to come by because overharvesting during the last decade has nearly depleted the natural supply. The export of conch meat now is prohibited in the Bahamas, and commercial conch fishing off the Florida coast has been banned.

AID provided the seed money to research the conch in a first step toward developing more productive fisheries. In the Turks and Caicos Islands of the Caribbean, the Agency has invested in a hatchery and fishery that are on the cutting edge of new conch production methods. Related projects are under way in Haiti and Belize. These efforts will help provide a supply of conch for Americans and offer employment and a source of needed protein to local islanders.

AID also has encouraged the production of kiwi and other tropical fruits that are not easily produced outside the Third World. These enterprises are good for the developing country's economy and offer Americans nutritious and exotic foods.

Bringing the Benefits Home

Many of the ideas that are born on the front lines of international development with the help of AID have been brought home to serve the needs of the American people. In health and education, what works in the Third World often works in your own backyard.

A new oral rehydration therapy that was perfected in Bangladesh and India with AID support has saved thousands of lives in the Third World. Now, doctors in the United States use this simple, orally-administered solution to treat severe cases of diarrhea in small children here at home.

Those same children might eat bread of higher nutritional value, thanks to AID-funded research at Kansas State University that discovered the benefits of mixing soybean, chickpea and broadbean flours. Although it was developed for consumption in the Third World, it also is being used here.

Since 1980, AID educational programs, using radio, television and satellite links, have beamed the "3 R's" into Third World villages. Recognizing the efficiency of using modern technology to spread basic educational programs to folks off the beaten path, officials have adopted this method in some form from Alaska to Kentucky and from the Rocky Mountains to Appalachia.

With the support of AID, universities and research centers around the world have worked together to develop new agricultural technology for the Third World. However, these research networks help U.S. agriculture as well. For instance, in 1982 international research was credited with containing the peanut stripe virus that could have caused great damage to American peanut production.

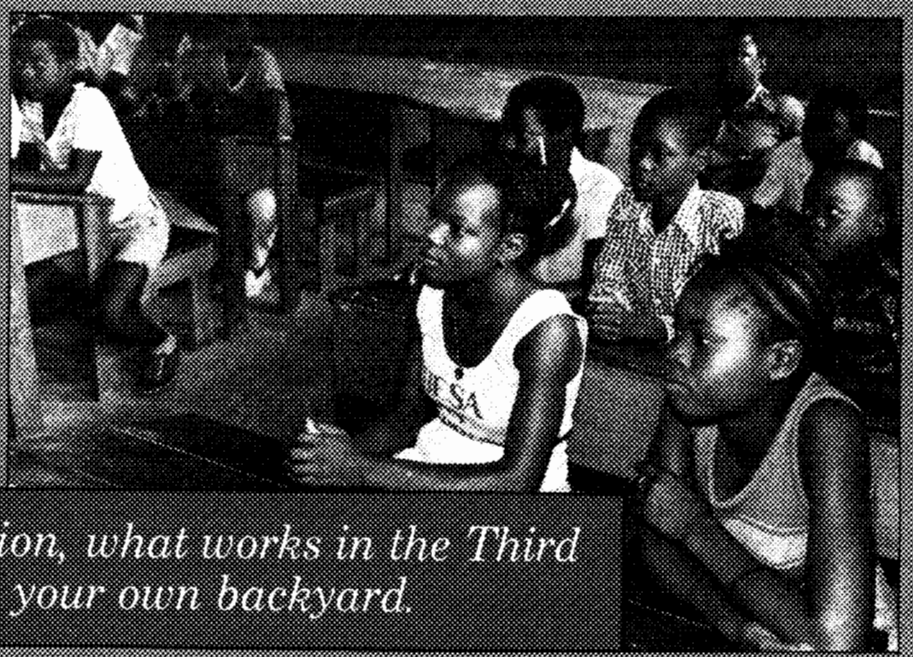
Working in cooperation with AID, international agricultural research centers in the Philippines and Mexico developed high-yield, semi-dwarf varieties of wheat and rice. Some of the wheat varieties now are being cultivated in the southwestern United States. Rice varieties developed from the Philippine strain have produced record yields in California.

These are just a few of the examples of how the U.S. foreign aid program has cultivated ideas that make the whole world—including your corner of it—a better place to live.

Building a Safer World

Then comes the bottom line: America's national security. In his State of the Union Address in 1985, President Reagan underscored the importance of U.S. foreign assistance, saying that, dollar for dollar, it "contributes as much to global security as our own defense budget."

In this interdependent and unstable world, the United States must cooperate with friendly nations for mutual security. However, some U.S. allies in strategic areas of the world lack the resources to tend to



In health and education, what works in the Third World often works in your own backyard.

their own development and security. For that reason, foreign aid is critical to developing countries that might otherwise be vulnerable to internal unrest or outside coercion.

Believe it or not, a Russian said it best. Arkady Shevchenko, the highest ranking Soviet ever to defect to the United States, identified foreign economic assistance as the West's "ace in the hole." Said Shevchenko, "Its weak economic position deprives the Soviet Union of certain options in the conduct of its foreign policy.... The West's great advantage is that, except in a state of war, in the long run economic assistance will always pay bigger dividends than military aid."

Two-thirds of U.S. aid to all foreign countries is economic, not military. For example, during the last five years, roughly three-quarters of U.S. help for important allies on America's doorstep in Central America has been in the form of economic assistance.

AID programs are intended to promote economic and political stability in the world, which is critical to U.S. national security. "America does best when we have a prosperous, growing world," McPherson explains. "The Soviets do best when things are in turmoil."

Another way in which the U.S. foreign aid program supports the country's national defense is by providing economic aid to countries where the United States maintains vital military bases. For example, Spain, Portugal, Turkey and the Philippines are among those host countries that will receive just over $780 million in Economic Support Funds this fiscal year.

Other examples include U.S. aid to Pakistan, which stands in the vanguard against Soviet aggression and provides safe haven for thousands of refugees from neighboring Afghanistan. In Central America, U.S. foreign aid shores up budding democracies that are threatened by severe economic problems, Nicaraguan militarism and, in the case of El Salvador, Marxist terrorism.

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In the long-run, U.S. security interests are served by foreign aid because it promotes political stability and economic opportunity in the Third World. To make the most of economic growth for decades to come, U.S. foreign aid is targeted to those developing countries whose governments are committed to building progressive, market-oriented economies that are compatible with those of Western democracies.

In summary, U.S. foreign assistance helps friendly governments build a democratic tradition, one day at a time. History proves that democracies make good neighbors and share the U.S. commitment to world peace and individual freedom.

'Servant of Our National Interest'

This is an interdependent world, with limited resources and diverse standards of living and levels of economic development. As good neighbors, Americans have helped those less fortunate make the most of their future. This is the sound humanitarian basis for the U.S. foreign aid program.

But there's more to it than that. As Americans help improve the world's economy, the far-reaching U.S. economy naturally profits from the investment. As America builds a more stable world neighborhood, it makes the American family more secure.

"By opening the door to economic opportunity, we have helped many nations turn from dependence to self-reliance," President Reagan said in celebration of AID's 25th anniversary.

"We believe that prosperity fuels the fire of freedom. Our foreign aid is, therefore, not only a symbol of America's tradition of generosity and goodwill, but also a servant of our national interest."

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