

**U.S. FOREIGN AID IN A CHANGING WORLD:  
OPTIONS FOR NEW PRIORITIES**

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**R E P O R T**

**PREPARED FOR THE  
SUBCOMMITTEE ON EUROPE AND THE MIDDLE EAST**

**OF THE  
COMMITTEE ON FOREIGN AFFAIRS  
U.S. HOUSE OF REPRESENTATIVES**

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## FOREWORD

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HOUSE OF REPRESENTATIVES,  
COMMITTEE ON FOREIGN AFFAIRS,  
*Washington, D.C., January 15, 1991.*

In 1988 the Committee on Foreign Affairs undertook a year-long review of U.S. foreign assistance policies and programs. That review culminated in a report to the committee in January, 1989, and House passage in June, 1989, of H.R. 2655, legislation reformulating and rewriting the Foreign Assistance Act of 1961. The Congressional Research Service provided a number of studies and background information which supported the committee's review.

This report, prepared by Mark Lowenthal of the Congressional Research Service, identifies current issues in U.S. foreign assistance policies and highlights changes which have taken place in the international environment since 1989. It is a further contribution by CRS to the committee's ongoing oversight of U.S. foreign assistance activities.

The findings of this report do not necessarily reflect the views of the Committee on Foreign Affairs or its members.

DANTE B. FASCELL, *Chairman,*  
*Committee on Foreign Affairs.*



## LETTER OF SUBMITTAL

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OFFICE OF THE DIRECTOR,  
CONGRESSIONAL RESEARCH SERVICE,  
*Washington, D.C., January 2, 1991.*

Hon. Dante B. Fascell,  
*Chairman, Committee on Foreign Affairs*

Hon. Lee H. Hamilton,  
*Chairman, Subcommittee on Europe and the Middle East*

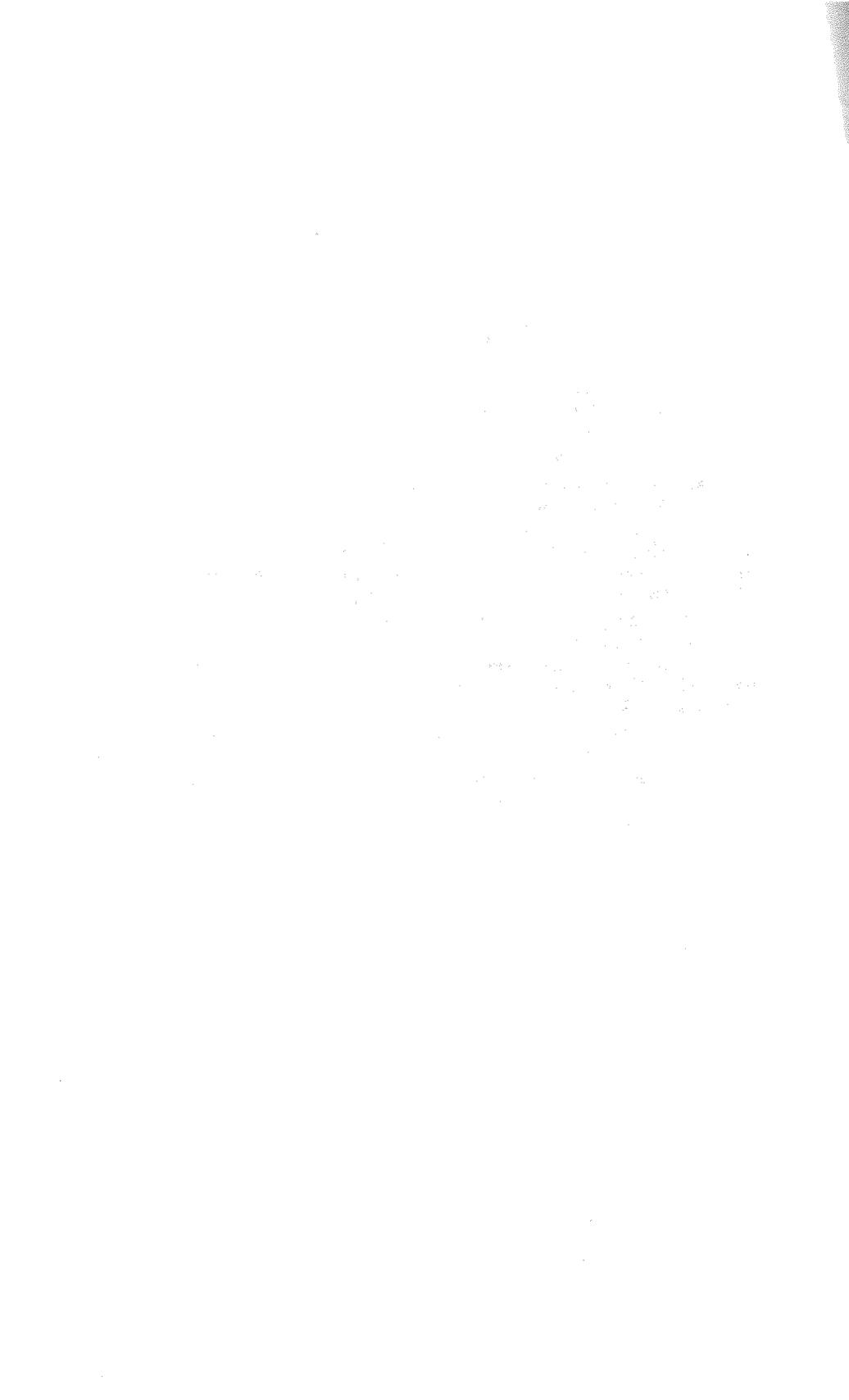
DEAR MESSRS. CHAIRMAN: I am pleased to submit to you "U.S. Foreign Aid in a Changing World: Options for New Priorities." In conformance with your request, this study examines the dramatic changes that have taken place in international affairs since 1989 and their ramifications for the U.S. foreign assistance program, along with the options available to Congress in restructuring and reforming the program in order to take account of the new international environment.

This report was prepared by Mark M. Lowenthal, Senior Specialist in U.S. Foreign Policy, Office of Senior Specialists, Congressional Research Service.

We value the opportunity to work with you on this important issue. I hope our analysis will serve the needs of your committees and prove useful to others in Congress concerned with the future of the U.S. foreign assistance program.

Sincerely,

JOSEPH E. ROSS, *Director.*



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# U.S. FOREIGN AID IN A CHANGING WORLD: OPTIONS FOR NEW PRIORITIES \*

## PURPOSE AND SCOPE

This study was initially undertaken at the request of Representatives Dante Fascell, Lee Hamilton and David Obey. Although there have been many recent studies of the U.S. foreign aid program and recommendations on why and how it should be reformed, all of these had been written before the dramatic events of late 1989, which apparently brought to an end the sharp division of the world usually referred to as the Cold War. Since then, other events, primarily in the Middle East, have added a further dimension to the issue of foreign aid reform, reintroducing older concepts and creating new ones.

The views in this study were obtained during an extensive round of interviews with experts in Congress, the Executive and various parts of the private sector concerned with foreign aid. The study was further refined during a workshop sponsored by the Congressional Research Service. The participants were a number of those originally interviewed and other key players in the foreign aid policy process, brought together with a view towards attempting to define ways in which foreign aid could be made more responsive to changing world conditions and to U.S. foreign policy needs and goals.

## INTRODUCTION

Foreign aid has been, for a long time, one of the most controversial and perhaps least understood aspects of U.S. foreign policy. It has evolved, with changing expectations, changing funding levels and changing goals over almost five decades. Dissatisfaction with current programs cuts across the political spectrum, embracing even those who favor certain types of foreign assistance.

"Foreign aid" is an umbrella term for a wide variety of programs: security assistance, many types of development assistance, anti-narcotics efforts, refugee aid, etc. These various programs respond to different U.S. and recipient interests. This very diversity has helped maintain some base level of support for the overall foreign aid program by having sufficiently broad appeal to attract multiple, more narrowly focused interests to the larger program. This consensus, however, has eroded significantly over the last several years, particularly among development assistance advocates who have felt that the increased emphasis on security assistance (foreign military financing and economic support funds) has made

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\* Prepared by Mark M. Lowenthal, Senior Specialist in U.S. Foreign Policy, Congressional Research Service.

their support of the entire package questionable, in essence aligning some with that smaller segment that has been opposed to the entire concept of foreign aid, arguing that it wastes U.S. money, brings no benefits to the U.S. and fails to achieve its stated purposes. Indeed, this internecine warfare among several of the distinct groups who support one aspect or another of foreign aid has grown more serious as funding levels have either frozen or fallen, or as potential reforms are sought.

In the last several years a number of studies,<sup>1</sup> while supporting the general concept of foreign aid, have criticized fundamental aspects and principles of the foreign aid program, its management and how it is crafted and debated by both the Executive and Congress.

International events since mid-1989 have had a mixed effect on the premises that underlay foreign aid. The demise of communist regimes in Eastern Europe and the Soviet military withdrawal have added new vibrancy to critiques, potentially altering many of the premises that have driven and shaped much of U.S. foreign aid over the past several decades. These events may also offer an opportunity to reshape the program in ways that were not possible to envisage in the various studies that were prepared prior to the autumn of 1989.

At the same time, more recent events in the Persian Gulf have added a new twist to efforts to reform foreign aid, likely reinforcing some of the emphasis on security assistance, albeit on a more regionalized basis that is not driven by the Cold War. Should the Gulf crisis end in conflict, the attendant worldwide economic dislocation and regional post-war requirements would add yet another dimension to the foreign aid debate.

### THE EVOLUTION OF U.S. FOREIGN AID GOALS

The concept of foreign aid as we have known it for the past 45 years is historically unique. Although there is a long history of more powerful states subsidizing lesser ones, largely for military or diplomatic support, the concept of assistance *in part* unrelated to such unilateral military or diplomatic goals (and apart from disaster-related humanitarian aid) stems only from the end of World War II.

There is broad agreement that the 1947 Marshall Plan marks the beginning of the modern U.S. foreign aid program.<sup>2</sup> Like all subsequent foreign aid, the Marshall Plan was marked by a number of motives: an altruistic motive of helping Europe recover from its wartime devastation; a security concern over the potential for Communist political subversion based on economic and social dislocation; the vision of an economically dynamic and free-trading world;

<sup>1</sup> Among the most prominent are: (1) U.S. Congress. House. Committee on Foreign Affairs. Report of the Task Force on Foreign Assistance. House Document 101-32. 101st Congress, 1st Session. (2) U.S. Agency for International Development. Development and the National Interest: U.S. Economic Assistance into the 21st Century. Washington, February 17, 1989. (This report is customarily referred to as the Woods Report, after then-AID Administrator Alan Woods.) (3) The Phoenix Group. Reforms Needed in U.S. Assistance to Developing Countries. Washington. February 1989.

<sup>2</sup> Stanley J. Heginbotham and Larry Q. Nowels. An Overview of U.S. Foreign Aid Programs. CRS Report 88-288F. March 30, 1988. p. 1.

and a calculation that if the recovery of a vibrant Europe could be assured and hastened, such unilateral assistance would be cheaper for the United States in the long run than the potential costs of more overt conflict with the Soviet Union over Western Europe.

There is also broad agreement that the Marshall Plan was very successful, but that its success remains largely untranslatable to other economic aid programs. By 1953 the economies of Western Europe had largely recovered and Communist parties no longer threatened with major electoral successes. However, the Marshall Plan was applied to a region that already had long traditions of entrepreneurship and technical expertise, and possessed the necessary infrastructure for sustained economic growth. The Marshall Plan was *reconstruction*, not basic development.

Two factors influenced the further development of foreign aid. The first was the expansion of the Cold War from Europe to Asia, as evidenced by the Korean War. Asia became the main focus for foreign aid as the Marshall Plan drew to a successful conclusion in Europe, but this shift did not alter the basic anti-Communist motives of the overall U.S. policy. The second factor was the rapid decolonization of Asia and Africa in the late 1950s and 1960s.

Decolonization resulted in numerous *political* entities that did not have the economic framework for growth and development. The need to foster such growth introduced a more altruistic motive for foreign aid. However, to a large extent this altruism was also viewed through the prism of the Cold War. As both the United States and the Soviet Union competed for allegiance and advantage in the Third World, foreign aid became one means of influence. Moreover, within the United States, the Cold War concepts that guided much of the Marshall Plan in Europe (i.e., the assumption that economic and social unrest were attractive breeding grounds for Communism and that foreign aid could alleviate these tensions towards a desirable political outcome) were then applied to these emerging nations as well.

In addition to this partially altruistic motive, advocates also argued that the U.S. would ultimately benefit from the economic development of the Third World as a source of new markets, access to raw materials and investment opportunities.

The Cold War goals of security assistance—as opposed to those of development aid—remained fairly constant over the next forty years (largely consonant with the concept of “containing” Soviet expansionism), although they became more subject to debate as the actual level of hostility between the United States and the Soviet Union waxed and waned, and as various administrations in both countries and pundits declared or debated the proposition that “the Cold War was over.”

The goals of the development component of foreign aid grew over time, but never attained the independent internal coherence that Cold War motivations had. Some analysts of foreign aid have aptly described a struggle between the “Cold Warriors” and the “Do-Gooders,” but even so-called “Do-Gooders” have tended to discuss the purposes of development aid in largely Cold War terms: i.e., aid promotes social and economic stability and therefore enhances U.S. security.

Most historians of development assistance, however, describe distinct periods in this part of the U.S. program, based on shifting goals.<sup>3</sup> Indeed, these shifting and often overlaid goals have been a major source of criticism within foreign aid. Both the House Foreign Affairs Committee Task Force on Foreign Assistance and the Woods Report noted the problems created by too many goals and objectives for foreign aid written over the years, most of which fall into the development category.<sup>4</sup> The program has been seen as trying to do too many things, not all of which are consistent with or supportive of one another.

### CURRENT CRITIQUES OF FOREIGN AID

A major problem hampering the development portion of foreign aid, beyond a multiplicity of shifting goals, concerns that portion of programs ostensibly devoted to promoting development, i.e., sustained economic growth. The requirements for this portion of assistance remains despite decades of practical applications, theoretical. When pressed as to whether or not development assistance achieves its purposes, advocates will invariably answer affirmatively, but will often demur when pressed for specific examples. Too often, the response is that only case-by-case examples can be given, but these are often seen as being anecdotal and not necessarily representative. There are examples of specific programs achieving goals in specific countries, but these do not add up to a coherent basis upon which to assess ongoing programs, potential recipients or new program designs. Indeed, many theories about development aid have been crafted largely to explain away the absence of results in past programs and to justify further efforts.<sup>5</sup>

Some observers believe that the connection between aid and successful development is tenuous. They argue that foreign aid is an *external* process that seeks successful "formulas" that can be applied from country to country, but that successful development is an indigenous and unique process in each instance. Others point out that theories about development are often derived largely from the political requirement to justify aid and to point out its benefits—either tangible or moral—to the United States as the donor. Finally, others point out that development is a long-term process and that searching for short-term results from aid belies this.

The tenuous connection between aid and successful development highlights an internal conflict within the overall foreign aid program that is of particular concern for development assistance: how

<sup>3</sup> A convenient summary of the changing strategies can be found in Theodore W. Galdi, *Development Assistance Policy: A Historical Overview*. CRS Report No. 88-285F, April 6, 1988. In brief, development assistance began in the early 1950s, albeit without one unified strategy. In 1956-57, a more coherent strategy of aid for "objective economic criteria" and long term development projects as opposed to tactical foreign policy purposes evolved. In 1973, largely at Congress's behest, the New Directions strategy took over, emphasizing assistance to meet basic human needs rather than large-scale capital transfers. In 1983 the Reagan administration announced its Four Pillars concept, stressing market economies and structural reform for the recipients and greater reliance on private sources of aid and assistance, among other concepts.

<sup>4</sup> HFAC Task Force on Foreign Assistance, pp. vii, 29; Development and the National Interest (the Woods Report), p. 25. Beyond the inconsistencies within the development portion of aid noted by these two reports, there is also strong criticism that the individual components of aid packages for any one country are inconsistently designed for an integrated approach, such as development assistance vs. military assistance, development vs. anti-narcotics programs, etc.

<sup>5</sup> Heginbotham and Nowels, *An Overview of U.S. Foreign Aid Programs*, p. 5.

does the United States balance self-interest and broader values in shaping foreign aid? The question is important but is rarely addressed directly. Most participants in the foreign aid process would agree that self-interest is a necessary starting point for any government program, and that it is especially important if a program is to have any broad political or popular support—both of which are seen as lacking in foreign aid. However, such an approach can ignore more humanitarian values and goals that are also part of the U.S. foreign policy rhetoric and ethos, and may be worthwhile in their own right as the basis for some portion of foreign aid. Moreover, advocates of this “values approach” would argue that this is also a successful and necessary means for rallying support to foreign aid. These two goals—self-interest and values—need not be mutually exclusive, but they do result in different rationales for programs, different levels of aid and sometimes in different programs.

#### FOREIGN AID IN A CHANGED AND CHANGING WORLD

The current debate over the future of U.S. foreign policy, and thus of foreign aid, has been dominated by two sets of events, the collapse of communist hegemony in Eastern Europe and the ongoing crisis in the Persian Gulf. These changes have also given added impetus to ongoing concerns about foreign aid.

The rapid and unexpected political change in Europe, most recently codified by the Conventional Armed Forces in Europe (CFE) Treaty, is generally seen by both NATO and the Soviet Union as the end of the bipolar division and rivalry known as the Cold War.

However, “the end of the Cold War” is a shorthand expression that fails either to capture or to limit the extent of recent changes. Certainly, the political landscape of Europe and the armed confrontation of two hostile alliances has been altered. Within Europe, what remains of U.S. military assistance is closely associated with U.S. base rights in Greece, Portugal and Turkey. The role of these bases in a European defense context is clearly less important, although they have now been useful in the logistics aspects of Operation Desert Shield. However, Desert Shield is a more ephemeral problem than was the NATO-Warsaw Pact confrontation. Thus, this assistance, which at times is thought of by the recipients as rent, will be subject to change as part of some broader restructuring of U.S. facilities worldwide.

Beyond Europe, the collapse of the Warsaw Pact and the continuing Soviet pre-occupation with internal issues has also changed much of the past international ideological and political competition. Communism is clearly no longer seen as an attractive political/economic alternative to Western values in most of the developing world. The Soviet Union, whose aid to the Third World had been decreasing prior to more dramatic recent developments, is now an unlikely alternative aid source.<sup>6</sup> Moreover, several Warsaw

<sup>6</sup> In a report to the Supreme Soviet, the Soviet government announced that “gratuitous assistance to foreign countries will be cut by 75%” in the coming budget. According to press reports, Soviet foreign aid amounted to \$21.6 billion, 25% of which went to Cuba. See Ginsberg, Thomas. Soviets to cut overseas aid, defense. Washington Times, November 27, 1990, p. 7.

Pact states who once served as surrogates for or adjuncts to Soviet policy in the Third World have withdrawn their advisers and reversed the basic thrust of their foreign policy. Regions where rivalries were fueled, in part, by Cold War tensions, may reflect these changes by being less confrontational and less able to garner aid by exploiting the old U.S.-Soviet rivalry. Thus, potential changes in foreign aid, both in terms of types and amounts, become possible if not imperative in the post-Cold War world.

At the same time, as recent events in the Persian Gulf illustrate, the absence of competing Cold War patrons may also mean a decline in whatever control the United States and the Soviet Union exercised on the behavior of their client states via aid programs. It may also mean, regardless of how this specific crisis is resolved, a continuation or even an increase in security assistance for smaller states threatened by large, aggressive states in their region.<sup>7</sup> Certainly, the United States will not want to and probably cannot hope to replicate the Desert Shield effort again and again in various regions. An alternative will be giving threatened nations, or groups of nations, sufficient means to deter such aggression independently. Such a decision would best be made as part of some broader U.S. policy with a global view, rather than as a reaction to each new crisis.

But such a broad policy is unlikely to emerge until the current crisis over Kuwait plays itself out. Nor would a commitment to such a policy end the debate over U.S. security assistance. There would still be a vague line between the level of assistance necessary for self-defense and assistance that could fuel regional arms races. There would also be the problem of political stability: the most volatile regions are often most susceptible to unstable governments, leading to concerns about unintended uses of security assistance.

The economic and humanitarian needs of the Third World seem less affected by recent changes—save for widespread abandonment of the Marxist-Leninist development model—but no nearer to solution, although the Cold War concept that underpinned part of our development aid is now largely gone without any coherent replacement. Moreover, a perceived U.S. interest in using aid to support the political and economic changes in Eastern Europe, Central America, and potentially the Soviet Union, creates new competitors for ever more limited resources, as will programs created to respond to other favorable political changes, such as those for Namibia and Chile, a renewed commitment to the United Nations, etc.

Finally, the U.S. “victory” in the Cold War has removed the central focus and overarching theme of our broader foreign policy. We are left now with a series of important questions that remain unanswered:

—What do we do with our Cold War “victory”? What policies do we create to form a new international framework towards what ends?

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<sup>7</sup> Assuming cuts in some of the “big ticket” security assistance recipients for reasons stemming from the end of the Cold War, an increase in such assistance to smaller states could likely be easily accommodated by those funds now freed up.

—Which of our past programs and policies seem applicable, even in adapted forms, to the new political realities?

Although many recognize the importance of these questions, no one, in the government or out, has yet answered them, let alone crafted an answer as coherent as was our Cold War policy. That, in itself, may be the answer, i.e., that future U.S. policy will be more kaleidoscopic than before, that it will not have any overarching, unifying theme. Crafting a U.S. policy—and its supporting programs—to operate successfully in that milieu will be daunting.

Ironically, there is a sense among some observers—which others strongly challenge—that, having achieved its purpose in resisting communist expansion, the United States is now more marginal to world events than it has been in the past. Recent events in the Persian Gulf, in which the U.S. has clearly been a leading actor and catalyst for others, have tempered this view temporarily and may have similar long-term effects. On the other hand, the way in which this crisis is resolved may give added impetus to the “marginal player” view, especially if, after a recourse to war, there is a strong sense that the American public will not support such efforts in the future.

Although the inward-turning that there has been to date is more muted in the aftermath of the invasion of Kuwait, it remains a factor. It has led to a reassessment of our global position, recognizing that economic strength will be of increasing importance as military needs decline. Here, however, the dominant voices are pessimistic, raising concern over our declining industries, our share of world trade, our ability to compete regionally and internationally. Thus, one of the rationales that has always been part of U.S. foreign aid—that it was of economic benefit to the United States by creating markets for exports as foreign economies improved—has become more important as a means of responding to these new concerns. Indeed, the desire to “tie” aid to the purchase of U.S. goods and services is likely to have growing political appeal in the coming years despite concerns among some in the development community about the effects this will have on development programs. The old competition of “Cold Warriors versus Do-Gooders” may be replaced by “Economic Warriors versus Do-Gooders.”

#### THE SHAPE OF THE CURRENT U.S. FOREIGN ASSISTANCE PROGRAM

The Bush Administration's FY 1991 foreign aid budget was widely excoriated for being written in Cold War parlance that was obsolete, although this proposal was conceived and crafted before the events of late 1989 began transforming the international scene. Whatever the shortcomings of the FY 1991 Administration proposal, it offers a convenient benchmark from which to analyze recent U.S. priorities and aid rationales. Three “snapshots” of the proposal follow:

#### FY 1991 Foreign Assistance Request

(millions of dollars)

Multilateral Aid.....	\$2,031	(12.8%)
Bilateral Development ..	\$1,792	(11.3%)

### FY 1991 Foreign Assistance Request— Continued

(millions of dollars)

Food Aid.....	\$ 898	( 5.6%)
Other Economic Aid.....	\$1,940	(12.2%)
Economic Support Fund.....	\$3,558	(22.4%)
Military Aid.....	\$5,100	(32.1%)
Mandatory.....	\$ 587	( 3.7%)
<b>Total.....</b>	<b>\$15,906</b>	

### FY 1991 Foreign Assistance Request— Regional Distribution of Aid\* Allo- cated to Specific Countries

Middle East.....	48.4%
Latin America.....	16.4%
Asia.....	15.2%
Europe.....	12.3%
Africa.....	7.7%

\* Note: Allocations to specific countries represent about 65% of the total foreign aid budget.

### FY 1991 Foreign Assistance Request—Major Recipients

(millions of dollars)

Israel.....	\$3,000	(18.9%)
Egypt.....	\$2,266	(14.2%)
Turkey.....	\$ 599	( 3.8%)
Pakistan.....	\$ 574	( 3.6%)
Philippines.....	\$ 455	( 2.9%)
El Salvador.....	\$ 375	( 2.4%)
Greece.....	\$ 346	( 2.2%)
Eastern Europe.....	\$ 300	( 1.9%)
Nicaragua.....	\$ 200	( 1.3%)
<b>Total.....</b>	<b>\$8,115</b>	<b>(51.0%)</b>

In brief, the FY 1991 request was a continuation of the trends that have been dominant over the last 10 years: an emphasis on security assistance (military aid and ESF = \$8.658 billion, 54.5% of the total) and on the Middle East (48.4% of total bilateral aid, with 33% of bilateral aid given to Israel and Egypt).

The nine largest recipients listed above account for \$8.115 billion (51% of the total). Whether or not these are the right priorities can be and is debated. Aid to Israel has been justified largely by the perceived threats to Israel's continued existence, its economic problems and the role Israel is said to play as a major U.S. ally and reliable partner in the region; aid to Egypt has been justified to a large degree as a continuing result of Egypt's participation in the Camp David Accords with Israel and the United States and for the moderating role Egypt plays in the Arab world. Recent events in the Persian Gulf both undermine and buttress some of these argu-

ments. Egypt has certainly been a key and necessary active supporter of U.S. goals in Operation Desert Shield. On the other hand, the U.S. has clearly preferred Israeli inaction rather than overt support in order to maintain a U.S.-Arab coalition against Iraq.

Given the near-disappearance of a Warsaw Pact threat to NATO, aid to Greece and Turkey becomes more difficult to sustain on that basis. However, Turkey remains one of two NATO allies that border the Soviet Union—a border area that is now one of the most volatile Soviet regions. Turkey also abuts the Middle East, which—as recent events in the Gulf illustrate—may become a more dominant concern. To a large degree current aid to Greece and Turkey, and to the Philippines, is related to maintaining U.S. bases in those countries. The value of Greece and Turkey as part of the Desert Shield operations may be short term and insufficient to sustain comparable aid once the crisis in the Persian Gulf is past. Aid to the Philippines is also justified by the ongoing communist insurgency, which is also the dominant factor in aid to El Salvador.

The rationales for aid to Pakistan had been more vague. Most prominent among them were continued support of U.S. policy in Afghanistan, assistance for the Afghan refugees in Pakistan, counterbalancing India's Soviet-equipped military, providing conventional alternatives to the nuclear option, and counternarcotics assistance. These have become largely academic in the aftermath of the Bush Administration's refusal to certify Pakistan's continued "non-possession" of a nuclear device, which, under Section 669 of the Foreign Assistance Act (the Symington Amendment), forbids aid to nations that deliver or acquire from other nations nuclear enrichment equipment, materials or technology not under international safeguards.

Aid to Eastern Europe, and to Nicaragua, is justified as a necessary underpinning to the ongoing processes of political and economic realignment and reform.

None of these rationales are inherently insupportable, although most of them (Eastern Europe and Nicaragua excepted) respond more to past events—with a strong Cold War emphasis—than to current ones free of the bipolar rivalry. Each of the regions in question bears close watching by the Executive and by Congress as areas for potential political change in the aftermath of the Cold War and the Persian Gulf crisis. It is conceivable that the need for security assistance will alter when viewed in a wholly regional context rather than a broader Cold War one.

As noted, of the major programs listed above, aid to Eastern Europe, Nicaragua and Panama are probably the most responsive to recent developments, although—in the case of Eastern Europe—it is not clear that the size or type of U.S. aid is a necessary contributor to continuing reform. Given the prevalent view that the changes in Eastern Europe are irreversible, does U.S. aid play any role beyond alleviating some of the dislocation attendant to the transition from communism to a market economy? Aid to Eastern Europe is currently envisaged as a short-term commitment, to be phased out as private sector investments increase.

In short, the country allocations of the current program reflect more of a world that was than the world that now exists. Many in the Executive branch responsible for shaping the aid program at

the working level perceive this and have been working to reshape the program to reflect that Branch's view of new realities and changed U.S. priorities and needs.

It should be noted that Congress took some steps towards reshaping the FY 1991 program. Congress reduced the President's request by \$237 million overall and also reallocated funds: adding \$262 million for bilateral development assistance, with emphasis on programs for children, the environment, refugees and population; adding \$140 million for Eastern Europe and \$240 million for Africa; adding \$250 million for export and trade-related programs to assist American exporters against unfair competition; reducing ESF by \$300 million, resulting in sharp cuts for Central America, the Philippines, the Caribbean *et al.*; and reducing military assistance by nearly \$300 million.

### OPPORTUNITIES FOR CHANGE

Changes within the bounds of the current program are one alternative. However, many see this as a second-order issue. These observers believe the first step must be the creation and enunciation of new, over-arching goals for U.S. foreign policy in the post-Cold War world, after which decisions about various programs—defense as well as aid<sup>8</sup>—will follow in support of these goals. Many participants in both the Executive and Congress tend to agree that such a review of both foreign policy and foreign aid must be led by the Executive if it is to have determinative effect. Some are pessimistic about this actually happening with regard to foreign aid, noting that foreign aid reform *per se* is not high on any administration's agenda, especially as the program has, in the recent past, basically given Presidents the security assistance levels on which they placed the highest priority.

The question of post-Cold War foreign policy goals is being discussed in both government and private sectors, albeit on fragmented and disparate bases. To date, the dominant discussion has been the need noted above, i.e., to replace the Cold War policy of containment with something equally overarching. Recently, a new thought has begun to emerge: what if no such broad U.S. policy can be created to respond to the new international scene? If this is the case, what policies should the U.S. promulgate, and how do programs buttress these less coherent needs?

Regardless which of these two approaches becomes the dominant one (overarching policy versus multiple policies), the fundamental need for a reassessment of goals, largely led by a committed Executive branch, remains before any programs—defense or aid—can be confidently reshaped.

<sup>8</sup> One person interviewed for this paper noted, with some bewilderment, that the defense budget had been the immediate subject of debate and review upon the "end of the Cold War," but the foreign aid program had not. One explanation may be that there is simply much more money in the defense budget, making it a more worthwhile area to explore budget savings or reallocations, than is foreign assistance, which is roughly one-twentieth the size of the defense budget.

## WHO SHAPES THE PROGRAM?—THE ISSUE OF EARMARKS

A major focus for participants in the foreign aid debate today is the issue of Congressional earmarks. For approximately the first twenty years of U.S. foreign aid there were no earmarks. Beginning in the early 1970s with Israel, Congress began to mandate specific allocations for specific recipients. Current earmark levels are high: for FY 1990, over 90% of ESF and over 80% of FMF were earmarked. In FY 1991 the percentages that were earmarked remained roughly the same, although the number of countries designated decreased.

"Earmarks" also affect development aid in the conflict between the Executive's desire for a lump-sum appropriation versus the Congress' practice of specifying allocations among specific programs, as well as restrictions and conditions on aid of all sorts to various countries.

Critics of earmarks, including some Members of Congress,<sup>9</sup> note that earmarking reduces flexibility in foreign assistance to meet new contingencies, that by guaranteeing recipients certain aid levels it reduces any political leverage the U.S. hopes to accrue and that it tends to funnel aid to a few recipients at the expense of many others. Supporters of earmarks note that Congress has a legitimate role in determining priorities for all programs, including foreign aid, and that these are a major means of Congressional influence on foreign policy.<sup>10</sup>

Many observers identify the broad issue as a matter of trust, i.e., if the Congress believed that the President would allocate funds to some of their priorities, they would not have to earmark. Others note that earmarks also reflect differing interests in foreign aid in the two branches. The constituency for development aid in the Executive is fairly small and clearly not as influential as are those advocating security assistance or aid to advance political interests. Congress, however, reflects a much wider diversity of interest on foreign aid, with more development advocates, and is clearly more responsive to non-governmental supporters of development programs. Others also note that earmarking has only become a problem over the last few years, as the number of earmarks grew and the overall size of the foreign assistance budget declined, thus creating an earmark-dominated budget.

However, much of the debate over earmarks misses a more fundamental issue: to what degree do they represent simply one facet of the broader tug between the two branches on *all* aspects of policy, including foreign aid? Or, put another way, is there a significant rationale that can be given to exempt foreign assistance from the debate between the two branches that shapes all other government programs? Put in these terms, earmarks—regardless of their effect on foreign assistance—become more difficult to dismiss out of hand. Nor is it likely that Congress will agree to end them without compensating structures to for Congressional priorities. Indeed, if we are entering a period in which a number of programs may be

<sup>9</sup> Report of the Task Force on Foreign Assistance, pp. 27, 31, 39-40.

<sup>10</sup> New Directions for U.S. Foreign Aid Policy. Remarks in the Senate by Senator Patrick Leahy. Congressional Record, daily edition. June 11, 1990. p. S7674.

liable to significant change, the pressure for Congress to earmark some favored projects may actually increase, unless or until it is satisfied with the shape of a revised foreign aid program.

Among suggestions that may merit further investigation are the following:

(1) As noted earlier, as part of a re-definition of U.S. policies and goals that includes a genuine Executive-Congressional dialogue, much like that in 1946-47 that defined our Cold War policies, agreement may be possible on certain priorities within the foreign assistance budget. It may be possible to reach agreement on types of programs and on some specific recipients, with sufficient flexibility left to the Executive to determine allocations.

(2) Similarly, such a process can allocate funds to those larger goals or programs that are agreed, leaving a smaller remainder of funds to be distributed among several less important programs.

(3) Decrease the size and scope of earmarks to some extent while also increasing the overall size of the foreign assistance budget to restore some flexibility to the President without abandoning Congressional priorities. In an era of budget stringency this may prove to be a difficult option to exercise.<sup>11</sup>

(4) Create a contingency fund that the President may draw on to allow him the flexibility the Executive says is required. Again, this can be problematic during a period of declining budgets.<sup>12</sup>

#### MULTILATERAL AID

Some critics, focusing on development aid, decry what they see as unnecessary duplication in the various foreign aid programs run by each donor country. They argue these bilateral national programs subject foreign assistance to political pressures and goals that warp donations or direct them to recipients or sectors that may not be the most needed, and that these numerous programs can create waste, both in what is given and by inflating local bureaucracies designed to deal with them. Critics also note that these various programs tend to be run from the donor nation's capitals, rather than by individuals more conversant with local conditions.

The basic defense of bilateral aid is that the donors should have the right to set their own priorities for aid, and that multilateral aid is not by definition any more cost-effective in achieving desired goals. Critics of some multilateral institutions also note that they tend to be over-centralized and somewhat remote from the development problems they are attempting to address,<sup>13</sup> much like the criticism levelled against bilateral aid.

The United States, like most aid donors, contributes to multilateral assistance programs. As noted above, over \$2 billion (12.3%) of

<sup>11</sup> Under current law (P.L. 101-508, the Budget Enforcement Act of 1990), the foreign assistance budget could only be increased at direct cost to State Department operations and U.S. contributions to the United Nations.

<sup>12</sup> The FY 1991 foreign aid appropriation (P.L. 101-513, Sec. 588) actually increased the contingency fund and altered the language restricting the use of these funds.

<sup>13</sup> Stephen Hellinger, Douglas Hellinger, Fred M. O'Regan (The Development Group for Alternative Policies). *Aid for Just Development*. Boulder, CO, 1988. pp. 123-57, *passim*.

the FY 1991 proposal was designated for multilateral aid, including the World Bank, the Asian Development Bank, the International Development Association, and the newly-created European Bank for Reconstruction and Development. However, it becomes clear in speaking to a variety of participants and observers that multilateral aid, whatever its attractions, is unlikely to supplant direct bilateral programs, largely for domestic political reasons.

Foreign aid is unlikely to be determined entirely or even largely by purely altruistic imperatives; nor does multilateral aid offer a basis for improving the public support for foreign aid (see below). In short, for all of the verbal support that is given to multilateral assistance as a preferable alternative, it ignores the political aspect of foreign aid and in this respect is not practical. Although the level of U.S. contributions to these multilateral institutions may be debated, such aid is unlikely to offer major acceptable alternatives to reshaping foreign aid. Indeed, proponents of tied aid (see below), would argue that greater concentration of U.S. aid on multilateral efforts would aggravate the disadvantages that even our own bilateral aid creates by further diluting any potential for direct benefit to the U.S. Multilateral aid proponents argue, however, that multilateral aid tends to result in the purchase of U.S. goods, and that such aid tends to fund big infrastructure projects that require expensive U.S. capital goods, a goal often shared by tied aid advocates.

Multilateral aid can continue to play an important role in terms of guiding the economic structural reform in the Third World that many observers believe is necessary. Observers who emphasize this aspect of multilateral aid tend to cite one of two primary concerns: the need to deal effectively with Third World international debt or the view that aid is most effective in countries that have relatively free and competitive economies. If there is validity to this view of the role to be played by multilateral aid, steps could be considered to ensure that the programs of these institutions dovetail with the unilateral goals of U.S. aid. Indeed, multilateral aid can also be an effective means of "burden sharing," by leveraging a small amount of U.S. along with grants from others. Recent U.S. efforts to get other states to join in the financial costs of Desert Shield could prove to be a model for this in the future.

#### RESHAPING RECIPIENT CATEGORIES.

The majority of U.S. foreign assistance as proposed by the Executive and shaped with a high degree of specificity by Congress, is bilateral and allotted by fairly narrowly defined functional categories. There are small portions that are regional (Africa, Latin America, the Caribbean) or more macro-functional (international narcotics control), addressing issues that are truly transnational.

Some have proposed greater emphases on regional and macro-functional approaches—either as the mainstays of foreign assistance, or the basic framework under which bilateral aid is given—as alternatives to the current program. Support for either of these two approaches is not necessarily mutually exclusive of the other.

Proponents of regional funding argue that such an approach is preferable because it recognizes that many development problems

are not easily isolated within one country and could benefit from an approach that addresses these problems in a broader context that may also lead to better applications of aid. They also argue that such an approach would reduce the effects of earmarking in which a few favored recipients capture much of the aid.<sup>14</sup>

The functional approach recognizes that U.S. aid is largely shaped in this manner already, but would change the categories, broadening them greatly, and hopefully the mechanics or both. In essence there could be a mix of functional categories. A few macro-development categories could be created to address transnational concerns corresponding to major U.S. policies (health programs to combat specific diseases, such as AIDS; ecological concerns; counter-narcotics; counter-terrorism; non-proliferation of various types of weapons). The development categories would be shaped to meet both Executive and Congressional guidelines for the areas on which aid should concentrate, but narrowing them so as to end the internecine competition for resources among too many goals. If an element of agreement could be reached, assuring Congress that its broad areas of concern were being addressed, then some of the specific earmark allocations within these categories could be dropped. At least part of the aid given to individual nations would be determined by the contribution they can make in support of the U.S.-supported transnational policies. As noted, the United States is already doing this with international narcotics control, for which the Administration requested \$150 million for FY 1991, distributed among fifteen nations.

Some proponents of this approach believe that this not only offers a useful means of directing U.S. aid, but also an aid program capable of garnering broader political and popular support. These observers would couch such a program along the following lines:

These various problems are global in nature and affect the United States along with other nations. Given that the U.S. cannot isolate itself from these problems, it is in our interest to attempt to combat them overseas *before* they become domestic problems for us.

Proponents of this approach believe that such arguments would create the necessary sense of U.S. (versus "foreign") imperative for aid, as the Cold War once did. They do not believe that such arguments have been well-advanced to date. They concede that such an approach requires a longer term view of U.S. interests and takes the program away from its current bilateral framework and the various groups supporting special interests and earmarking. Aid designed to promote environmental goals is frequently mentioned as a potential area for added emphasis that would also attract wide political support. Others, while not disagreeing with the importance of environmental concerns, have questioned whether such an approach, despite the merits of individual components and causes, is sufficient to build greater support *overall* for foreign aid, or whether it will simply add new antagonistic constituencies. Advo-

<sup>14</sup> A discussion of the regional approach and some of the functional categories noted below can be found in Economic Assistance Reform Act. Remarks in the Senate by Senator Nancy Kassebaum. Congressional Record, daily edition. March 16, 1989. pp. S2878-79.

cates respond that a hybrid approach, where a significant portion of development assistance (perhaps 50%) is devoted to functional aid, may help create a new base of support. There is already a trend in current funding towards an arrangement of this sort.

An alternative towards the same end would be to move some of these programs out of foreign aid and add them to the international programs of other agencies (e.g., environmental concerns to EPA). Such an approach, however, would aggravate both the atomization and the intense bureaucratic competition that some see as an already large and growing problem in foreign aid.<sup>15</sup>

Critics of the functional approach argue that it is not very different from the system that now operates, both in terms of the tug of war between the branches and in terms of dispersing limited aid funds across too many programs. They also raise concerns that such an approach can result in programs that are technically correct but irrelevant to local conditions, or may force aid to address problems at the wrong time in terms of recipient conditions.

The following questions also arise from the functional approach: Given the diverging views of worthwhile development assistance, who would determine the functional categories? What effect would such an approach have on programs and initiatives earmarked in development assistance that enjoy the support of different segments of the foreign aid community? For functions created to correspond to U.S. policies, what is the likely degree of consonance between our goals and recipient cooperation?<sup>16</sup> How would such a system avoid becoming a fig leaf for continued earmarking? What mechanisms would be necessary to evaluate the degree and value of recipient nation cooperation? Would such a program require regular "report cards" on recipient policies for future aid? If so, how would such a reporting system operate to ensure objectivity?

The regional approach raises questions, some of which have already been addressed regarding the Development Fund for Africa. Would such an approach dilute the effect that aid has by treating countries as a single bloc? To what degree would it actually be *less* responsive to local conditions, a criticism of many of our current bilateral programs, by viewing these problems regionally? Assuming such an approach was tried for several years, how would it be adjusted as recipients showed disparate levels of attainment: would more money be given to the successful states to spur greater achievement, or to those lagging behind to maintain some sort of regional parity? Given the likely differences in political regimes from state to state, how would a regional approach be affected by, for example, differences in human rights practices? Finally, what

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<sup>15</sup> The "traditional" bureaucratic rivals in foreign assistance have been AID, the State Department and the Defense Department, and, at times, the Agriculture and Commerce Departments as well. Many see this problem as growing. For example, the Support for East European Democracy (SEED) Act (P.L. 101-179), specifically mandates participation by the following agencies: AID, State Department, Labor Department, Peace Corps, Agriculture Department, Overseas Private Investment Corporation, Export-Import Bank, Environmental Protection Agency, Energy Department.

<sup>16</sup> For example, the United States and Peru recently failed to come to terms over proposed U.S. anti-narcotics aid. Reportedly, Peru objected to the military emphasis of the aid, preferring more development assistance to offer peasants alternatives to growing coca. Peru rejected the \$37.5 million aid package, which the U.S. decided to transfer to other countries. See Isikoff, Michael. Talks Between U.S., Peru On Military Aid Collapse. Washington Post, September 26, 1990. p. A29.

would prevent those nations already receiving large earmarked funds from continuing to dominate the allocation within their region?

#### AID IN SUPPORT OF U.S. ECONOMIC INTERESTS

As noted above, there is growing support for reshaping U.S. aid so that it contributes more directly to U.S. economic interests in an increasingly competitive world. The increase in the FY 1991 appropriation for such programs by Congress is indicative of this sentiment.

One focus is the growing interest in increasing the amount of U.S. aid either "tied" or used in mixed credit arrangements. Tied aid involves attaching conditions to U.S. assistance so that it must be spent on American goods and services. In a mixed credit scheme, economic grants or highly concessional loans are blended with more costly U.S.-backed exports credits that enable exporters to offer potential overseas purchasers more attractive, more competitive financing packages.

Proponents of tied aid and mixed credits argue that other major aid donors, particularly Japan, France, et al., already extensively utilize significant portions of their aid for such purposes as a means of supporting their national economy, while the U.S. does not, thus adding to our economic burdens. They also argue that aid linked to U.S. exports would increase public support for foreign aid overall, as it would respond to the criticism that the U.S. gets nothing in return for its aid. Finally, they argue that there is no evidence that such an approach to aid results in "bad development."

Opponents of tied aid argue that it warps the aid program, largely converting it from one of development assistance to export support. Some of these critics also take issue with plans to increase tied aid or to expand mixed credits as a response to other donor nations' programs, arguing that the U.S. commitment to do so will not act as a deterrent or impediment and will have little effect on donors while harming recipients. There is also concern among those interested in development assistance that the emphasis on commercial aspects of assistance will simply replace the Cold War as the major framework for aid, thus "squandering" any benefit from recent international changes (i.e., reducing security assistance in favor of development).

There is also a middle ground that argues that imposing such conditions on aid can be of value to the U.S. and not badly misshape the aid itself, but only if the goal is long term markets able to absorb U.S. products and not short-term approaches designed as a "quick fix" for the near-term U.S. trade deficit. Others note that tied aid and mixed credits only deal with capital transfers and that many areas where U.S. aid works best—technical assistance and expertise—are tied by their very nature.

A related issue is the types of programs that the U.S. supports. The U.S., since the early 1970s, has not supported aid in any large way for capital projects. Proponents of aid related to U.S. economic interests argue that such projects are useful for development and require the sorts of resources that favor the U.S. economy. Opponents in the development community argue that such projects are

not the programs most likely to aid in development, a debate that has been ongoing for decades.

Relating aid more closely to U.S. economic interests may become a political imperative if the U.S. foreign assistance program is not to shrink further. Although many recognize how such an approach can significantly alter aid programs, it is unlikely that such arguments will deter many political leaders from lending support to some sort of tied aid scheme. If so, several questions need to be addressed:

- How much aid should be tied or utilized in mixed credit schemes? Should there be a fixed ratio within aid of tied versus untied aid or specific earmarks for aid blended with export credits?
- If large-scale capital projects are to be revived, which nations and which types of projects will be considered?
- To what degree will aid projects then be shaped by U.S. local economic interests? (One observer called this “domestic pork barrel driving foreign pork barrel.”)
- Will the effort to compete with other donors’ tied aid programs result in U.S. programs that are too concessionary? Or, if such an approach is eschewed, will U.S. offers be less attractive and therefore not competitive?

#### BEYOND THE HOMILIES: ASSESSING AID PROGRAMS

As noted above, there are no hard and fast rules as to which types of aid programs succeed or which types of recipients are the best bets for success. It is striking, in talking to various participants in the aid community, the degree to which one hears the same broad rationales for U.S. foreign assistance and, as noted, an inability to cite many clear examples of successful development programs.

An examination of the major premises of our past and current aid program reveals that many—beyond aid’s contribution to the politics of the Cold War—are subject to debate:

*“Development aid promotes political stability.”* The process of development is, by its very nature, a process of change, perhaps major and fundamental change. Therefore, aid that has some significant effect on development will likely create some economic and social *instability*, along with the risk of political ramifications. Much depends, in the end, on the recipient nation’s ability to make political changes that alleviate and accommodate this instability.

*“Development aid helps create democracy.”* Successful aid may create economic pluralism and opportunity, but is this necessarily the same as political democracy? The most striking victories for democracy in the last 50 years, the collapse of Communism in Eastern Europe, though abetted by comparative systemic economic failure, took place internally; foreign aid played no role in this political upheaval. As noted above, economic change can lead to political demands that create instability that the government cannot easily absorb. Indeed, periods of economic and political

unrest often lead to demands for strong—if not authoritarian—leadership. We may need to distinguish between the limited democratic results of development aid and those more direct political programs now being undertaken to promote democracies in less developed countries.

*“Security assistance promotes regional stability.”* Although security assistance can enhance indigenous military capabilities, it cannot, by itself, correct major regional disparities or imbalances. In some regions, U.S. security assistance became part of a surrogate competition with Soviet programs in neighboring states. Recent events in the Persian Gulf call into question the degree to which such assistance achieves its geopolitical purposes, enhances U.S. influence, or serves as a substitute for direct U.S. intervention. There is a broad difference between security assistance that serves as a sign of political friendship and assistance that substantially enhances a nation’s self-defense capabilities.

*“Aid is a major means of U.S. influence.”* This concept has several components. One is the confusion of influence with gratitude. There is an expectation, perhaps more prevalent among the U.S. public at large than in political circles, that aid recipients should be grateful and perhaps even compliant to U.S. requests. Unfortunately, aid—or, in the case of prolonged aid, dependency—can also breed resentment. A second component is the wielding of influence. Aid is most useful as a “carrot” before it is given; it is useful as a “stick” only when the U.S. threatens to remove it. Overall, the record of added U.S. influence to our unilateral advantage (as opposed to cooperation when the aid recipient’s own interests are perceived as being threatened) as a result of aid is uneven.

To many observers the cause and effect of security assistance lies in the basic rights that the U.S. has acquired and the role these have played in U.S. and Western security. However, critics have noted that these relationships have led to large increases in the payments demanded by the basing countries and that this “security assistance” is, in effect, simply rent.<sup>17</sup> Moreover, as the U.S. reassesses its national security requirements in the post-Cold War world, our international basing structure is bound to be re-evaluated, leaving the benefits to the U.S. of security assistance more open to question.

Although there are agreed basic economic components necessary to development, it is unlikely that development aid theory (i.e., a reliable body of concepts and data with which to shape programs to circumstances in order to promote sustained economic growth) will be more than theory for the foreseeable future. As noted, there is little certainty in predicting which programs work or work best or are most appropriate. To a certain degree this is acceptable, as it leaves room for flexibility from recipient to recipient. At the same time, it creates a major political problem for foreign assistance in

<sup>17</sup> HFAC Task Force on Foreign Assistance, pp. 40-41.

that donors and their political processes that allocate funds wish to see guidelines by which funds can be allocated and programs assessed as well as some concrete, positive results. Again, there is a gap here between the political requirements for short-term results and the more long-term nature of sustained development.

Thus, defining those results is hobbled first by unclear or competing definitions and measurements of successful development. Moreover, the aid process itself works against efforts at objective analyses of results. Recipients can become dependent on aid, leading to rationales that are self-perpetuating: "We give now because we gave before and they have come to rely on it."

If the U.S. foreign assistance program is to be viable, new mechanisms likely have to be created to provide regular, objective assessments of the results of programs, along with a willingness either to reshape or to abandon programs that are deemed unproductive. Ideally, such a process should be free of faddish vagaries in development theory and narrow political pressures that control so much of our current program. Among the suggestions that have been made are:

(1) multi-year, long-range programs with clearly defined goals, perhaps along the lines of the functional approach outlined above.

(2) alternatively, annual zero-based budgets for all foreign aid, i.e., a hard-nosed annual review on the results of aid and the benefits to the U.S. of continued aid, with no programs or recipients guaranteed from year to year.

(3) a joint Executive-Congressional-NGO review panel to review programs and progress on a periodic basis, perhaps in conjunction with each new Congress.

(4) setting minimal levels of assistance, either unilaterally or multilaterally, that will be given to certain nations to meet their basic needs but not larger development schemes (a version of triage and reduced care) in the event that they fail to meet program standards.

In any of these approaches the way in which programs are assessed will be a key factor and a likely area of intense debate. This will hinge, in part, on the recognition that successful development is usually long-term and may not be reflected in short-term data. There are also different ways to assess the effects of aid on recipients. For example, one can choose a "macro" approach, looking at various standard economic indicators to assess the progress of development. Alternatively, one can choose a "micro" approach, focusing on improvements in various health and social indicators. Neither is inherently wrong; they essentially reflect an ingoing preference for capital projects and structural adjustment (macro) or basic human needs (micro). No regular assessment process will be successful unless the majority of interested participants believes that the assessment itself accurately reflects the goals of foreign aid.

#### THE POLITICS OF FOREIGN AID

At \$15 billion, foreign aid is not one of the larger government programs. Yet it has become one of the most controversial, perhaps

far in excess of the actual dollars being spent. Most observers agree that the political consensus in support of foreign aid is weak and perhaps dwindling. Indeed, some have suggested that, at current levels, "foreign aid is not worth fighting over." This reflects not only the relatively small size of the overall foreign assistance package, but also its minimal political importance in the United States beyond very limited and fragmented (if not competing) constituencies.<sup>18</sup> One interviewee noted that foreign aid is largely an "inside the Beltway" issue.

Assuming that the United States does not abandon foreign assistance altogether or reduce it to a barebones level, most observers believe that steps have to be taken to depoliticize the program domestically (by which they mean ending the way in which foreign aid is treated as a political football largely divorced from either U.S. or specific program goals) and to build greater public support for it. In reality, this is a two-fold problem, involving both how the Executive and Congress jointly handle foreign aid, and how the American public perceives the program.

Some suggestions have been noted above to reduce the rivalry between the branches. Much of what follows is equally applicable to this political problem and also addresses the broader public issue.

A major problem in foreign aid is one of expectations. What is it we expect foreign aid to do, both for the United States and for recipients? This is a first order question closely tied to that of redefining policy goals and programs. At present, however, most observers would argue that U.S. foreign assistance is overburdened with goals and expectations that either reflect international conditions that no longer pertain, or cannot be met, or are so numerous as to be contradictory. Moreover, many participants in the process believe that U.S. expectations far exceed the amount of aid that the U.S. gives. These people believe that it is unrealistic to expect current levels of U.S. development aid to effect major change or even to act as a significant catalyst. The absence of realistic goals also makes it very difficult to assess program effectiveness.

The very nature of a program called "foreign" aid deprives it of much political support. Advocates of foreign aid as a general policy who are skeptical of current specific programs or political processes note that foreign aid needs to be put in some broader policy context and perhaps relabelled as well ("international leadership and cooperation" would be one alternative). Beyond various *competing* interest groups and experienced practitioners of foreign policy, there is no broad U.S. domestic constituency for "foreign" aid. For years AID has tried to "sell" foreign aid by demonstrating that large percentages of economic assistance (the figure 70% is often used) are actually spent in the United States. Some observers now question the reliability of these figures. Others note that, ultimately, this does little to create broader support for foreign aid: if aid is being defended as money spent in the United States, the question then arises, why not spend it on U.S. needs and projects?

<sup>18</sup> One participant in the process asked the pointed question: "What is the penalty for being wrong in foreign aid?" Another noted that foreign aid is not a likely source of domestic political victory or defeat.

However, efforts to create domestic support for foreign aid can create as many problems as they solve. For example, appealing to various ethnic lobbies only deepens the earmarking problem and tends to fragment support, not build it. The net result tends to make foreign aid an overseas "pork barrel" bill. Similarly, arguments that aid can benefit U.S. economic interests largely translates into more arguments for tied aid, which others oppose. Some argue that U.S. aid results in U.S. influence abroad, in terms of contacts, introducing U.S. methods and expertise, in educating foreigners. It is recognized, however, that influence is intangible and does not equate, in many people's minds, to "real results or benefits" for the U.S. Also, as noted above, "influence" is too often mistranslated as "gratitude," which adds a further burden to the program rather than an additional base for support.

Many observers also note the gap between the willingness of U.S. citizens to give humanitarian aid and their lack of support for foreign aid. However, these same observers readily concede that it is unlikely that the predisposition for humanitarian aid—which largely expresses itself as disaster relief—can be translated into some broader support.

Popular and political support for foreign aid today is minimal and fragmented. Although proponents argue that there are U.S. interests to which foreign aid responds, these are not well articulated and therefore are not understood by the public at large. In the absence of a redefinition of U.S. policy goals and a re-examination of how all current programs fit into these goals, it is unlikely that the contribution that foreign aid makes to U.S. policy will outweigh the political problems for both the Executive and Congress inherent in managing such a program.

#### CONCLUSION: THE NEED FOR A "PSYCHOLOGICAL BREAK"

One participant in the process noted that what was needed was a "psychological break" with the past foreign aid program. If recent events mark a watershed between the Cold War and the post-Cold War world, then that break may have already been achieved in broad political terms but not in terms of a successor U.S. policy or policies, or its component programs. There are many ideas for redefining and reshaping foreign aid afloat in the various sectors of the foreign aid community. None would wholly dismantle the current programs; each has the inherent burden of attacking some sacred cows, a sacrifice that is palatable if, as an end result, foreign aid achieves greater relevance to U.S. needs and objectives along with greater political and public support.

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