

A TWENTY-FIRST CENTURY VISION FOR ECONOMIC ASSISTANCE

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Introduction

In a time of domestic economic uncertainty and stunning international change, U.S. foreign economic assistance programs are threatened by a lack of direction. Neither the Executive branch nor Congress has a clear and convincing answer to the question of why, with the end of the Cold War, America should still provide economic aid to poor countries engaged in difficult transitions. For America to continue providing economic assistance, it needs a vision that addresses fundamental national interests, projects American values, and faces squarely the global forces that it will confront in the twenty-first century.

This article proposes a credible strategic vision for U.S. economic assistance programs. It discusses the need for a new vision for economic aid; examines criteria this new rationale must satisfy; and provides strategic goals. It proposes a plan for reaching political agreement among the Executive branch, Congress, and the major interest groups concerned with economic aid. Only when America's aims are clear and agreed upon, will its aid institutions and mechanisms have long-term viability.

The Continuing Importance of Economic Aid

Most foreign policy analysts agree that military security, economic growth, and the promotion of democracy should be America's principal foreign policy goals.¹ In their confirmation hearings for the posts of Secretary and Deputy Secretary of State, Warren Christopher and Clifton Wharton proposed these

1. For pertinent discussions of U.S. interests and objectives in the post-Cold War world see: Carnegie Endowment National Commission on America and the New World, *Changing Our Ways: America and the New World* (Washington, D.C.: Carnegie Endowment for International Peace, 1992); The Heritage Foundation, *Making the World Safe for America: A U.S. Foreign Policy Blueprint* (Washington, D.C.: Heritage Foundation, April 1992); C. Fred Bergsten, "The Primacy of Economics," *Foreign Policy* 87 (Summer 1992): 3-24; Joseph S. Nye, Jr., "What New World Order?" *Foreign Affairs* 69 (Spring 1992): 83-96.

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same themes as "consistent principles . . . that should guide foreign policy" in the post-Cold War era.²

After 45 years of post-World War II American economic assistance, however, survival of these aid programs is seriously threatened. Weak Executive branch leadership, muddled aims, and growing public criticism have contributed to the perception that economic aid has little relevance to the world the United States will face in the twenty-first century. Since the end of the Cold War, neither the Executive branch nor Congress has answered convincingly why U.S. economic assistance to other countries is still important to American interests and values. Under the pressure of domestic spending cuts and tax increases, overall funding levels for bilateral and multilateral aid programs are likely to drop substantially, unless a fundamental question is addressed: Why provide economic assistance at all?

Two Reasons for Economic Assistance

The first reason for maintaining economic assistance is that economic aid remains an important and flexible foreign policy tools for achieving American objectives in the developing world and in the transitional economies of Central and Eastern Europe and the former Soviet Union. These countries' importance to the United States is growing rapidly. Their ability to maintain healthy economies and political systems and to provide basic needs for their people will determine much of the tenor of international relations in the next century. Stable developing countries provide the fastest growing markets for U.S. exports and investment, accounting for 35 percent of all U.S. exports.³ They offer fertile ground for democratic reform and generate fewer transnational hazards — such as regional conflict, terrorism, environmental destruction, and nuclear proliferation. Successful transitions by the Central and Eastern European countries, the republics of the former Soviet Union, and China, to pluralist political and economic systems will reduce the potential for conflict in the world's most dynamic markets.⁴

The second major reason for continuing economic aid lies in the substantial contributions aid programs have made to U.S. national security, development, and humanitarian objectives over the post-World War II period. In spite of media and congressional criticism, and contrary to popular belief, economic aid

2. Warren Christopher confirmation testimony before the Senate Foreign Relations Committee, 13 January 1993. Secretary Christopher stated the need to: (1) "advance America's economic security"; (2) "maintain a strong defense"; and (3) "encourage the global revolution for democracy that is transforming our world." Deputy Secretary of State Clifton Wharton, in his 22 January 1993 confirmation hearing stated that the administration's key foreign policy objectives are: (1) "national security," (2) "economic competitiveness," and (3) "the promotion of democracy and free markets abroad."

3. Francis G. McFaul, *U.S. Foreign Trade Highlights 1991*, International Trade Administration, (Washington, D.C.: U.S. Department of Commerce, May 1992): 11.

4. "China: The Titan Stirs," *The Economist*, 28 November 1992: special supplement.

has achieved major success when there have been clear objectives and strong leadership. This was true of the Marshall Plan and of aid to Korea and Taiwan. In these cases, economic aid supported national strategic interests. U.S. bilateral and multilateral development assistance to enhance education and child survival, and to reduce fertility has improved the lives of millions. Agricultural surpluses from high-yielding rice, corn, and wheat in Asia and Latin America have grown from the work of agricultural research institutions established with a substantial share of American aid.⁵

Need for a New Strategic Vision

Conflicting political and economic objectives — as in the Vietnam War or in the Middle East — have demanded too much from modest aid programs. Economic aid also has found itself in conflict with trade, debt, and other U.S. international economic policies. Over time, Congress has legislated numerous country and program earmarks (or funding limitations) combined with increased legal requirements and complex accountability. Designing any project in the U.S. Agency for International Development (A.I.D.) for instance, requires that it satisfy at least three lengthy statutory checklists. Congress and the Executive branch have cut staff and increased restrictions. As a consequence, agencies like A.I.D. have become less able to function effectively.

To maintain a significant economic assistance program, the Executive branch must reverse the trend of declining political and public support. To do so, it must formulate a new strategic vision for economic aid that links economic assistance to fundamental American interests and values. Such a vision can attract bipartisan support from Congress and the American people.

Congressional leaders, such as the Chairman of the Senate Foreign Aid Appropriations Subcommittee, Patrick Leahy, and administration policymakers agree. Senator Leahy has urged a “top to bottom reexamination of our entire foreign aid program.”⁶ In his confirmation hearing, Deputy Secretary of State Clifton Wharton agreed that the United States first needs to “come to some preliminary closure on what we believe should be the true goals and objectives of A.I.D. in the current world context.”⁷ A new aid framework is essential because only a coherent and rigorous strategic vision will tie economic aid to national interests. By identifying clear objectives for aid, the Clinton Administration can define more concretely what it wants to achieve through aid programs. A coherent vision provides a sound basis for coordinating aid pro-

5. Anne O. Krueger, *Economic Policies at Cross-Purposes: The United States and Developing Countries* (Washington, D.C.: The Brookings Institution, 1993):53-55.

6. Senator Patrick Leahy, *A Strategy for Foreign Aid Reform*, *Congressional Record — Senate*, 28 January 1993: S-870. In a 4 November 1992, letter to President-elect Clinton, Senator Leahy urged that key individuals in the Congress and the Executive branch meet to “work together to reshape” the overall aid program.

7. Deputy Secretary of State Clifton Wharton, 22 January 1993 confirmation testimony in response to a question from Senator Jesse Helms.

grams with other instruments of international economic policy as well as with other donors, especially Europe and Japan.⁸ Specifically, a new vision with congressional backing will enable the administration to build support for economic aid in the American public, and to communicate that vision more easily to the developing world and other aid donors.

The Current Range of Economic Aid Programs

To succeed, a new vision for economic aid must cover the full range of economic assistance and related programs. Congress appropriates funds annually for at least 16 separate economic assistance agencies and programs. Of the \$12.3 billion appropriated for economic assistance and cooperation for fiscal year (FY) 1993, \$3.1 billion are allocated to development assistance, \$3.5 billion to the Economic Support Fund and similar programs, \$1.1 billion to other bilateral economic assistance, \$1.9 billion in food aid,⁹ \$0.8 billion in export and trade promotion,¹⁰ and \$1.9 billion in multilateral assistance.

A.I.D. is technically responsible for providing \$7.6 billion or about 62 percent of the total assistance. However, of that \$7.6 billion appropriated, more than half is actually allocated by the State Department or Congress for political objectives.¹¹ Development assistance, over which A.I.D. has substantial control, was actually less than 25 percent of FY 1993 economic aid appropriations. Although the most visible player, A.I.D. is only one of a large number of responsible parties in the arena of economic aid.

In FY 1993, the State Department had direct responsibility for allocating \$830 million in bilateral migration and refugee, and anti-terrorism and anti-narcotics funds. It also oversaw \$310 million in voluntary contributions to U.N. specialized organizations like UNICEF. The Treasury Department manages U.S. participation in the multilateral development banks such as the World Bank and regional development banks. The Agriculture Department manages a substantial part of food aid. For export and trade promotion programs, the principal

8. See C. Fred Bergsten, "The Primacy of Economics," and Jeffrey E. Garten, "The 100-Day Economic Agenda," *Foreign Affairs* 72 (Winter 1992/93): 26-31.

9. Food aid includes \$1.9 billion in commodities provided under Public Law 480, Section 416(b), and Food for Progress.

10. In addition to the appropriated funds for the Export-Import Bank and the Overseas Private Investment Corporation, the appropriations bill applies limitations on direct and guaranteed loans of \$650 million for O.P.I.C. and \$15.5 billion for the Export-Import Bank.

11. The FY 1993 foreign aid appropriations bill totaled \$26.4 billion, of which \$12.3 billion was a quota increase for the International Monetary Fund (I.M.F.) and \$4.0 billion was for military assistance. The appropriations bill does not include an estimated \$1.9 billion in appropriations for the PL 480 Food for Peace and Section 416 programs, which are included in the Agriculture and related agencies appropriations bill. An increased proportion of Food for Peace Programs is now managed by A.I.D. under reforms legislated in 1991 and should be added to the economic assistance programs in the appropriations bill. These adjustments leave a figure of \$12,278,000,000 or about \$12.3 billion for what could be considered regular appropriations in FY 1993 for economic assistance. See *Conference Agreement on the FY 1993 Foreign Aid Appropriations Bill*, 4 October 1992.

agencies are the Export-Import (Exim) Bank, the Overseas Private Investment Corporation (O.P.I.C.), and the Trade and Development Agency (T.D.A.).

A New Strategic Vision for Economic Assistance

In recent years, think tanks, congressional committees, and interest groups have made a number of proposals for restructuring economic assistance, although most plans are not politically viable. Recent proposals for overhauling economic assistance range from a single clear objective to many strategic goals.¹²

If economic assistance strategy is based on a single objective — such as broad-based and environmentally sustainable growth — aid can address only part of America's interests in the developing world. In East and Southeast Asia, where economic growth is quite rapid, trade and investment objectives may be relatively more important than development objectives. Yet an aid program based on sustainable development would allow little room for political risk insurance and loan guarantees to help American corporations compete for those markets. In the Middle East and South Asia, economic aid may help prevent future regional conflicts. In assisting the transitional economies of Eastern Europe and the former Soviet Union, the United States should employ its aid to maintain a stable and secure Europe.

On the other hand, the present economic assistance program with 33 congressionally mandated objectives and limited resources has little credibility.¹³ Such a program promises too much and delivers too little.

A viable twenty-first century strategic vision for economic assistance must meet at least four criteria. It must: (1) support a national economic and security strategy and project fundamental American values; (2) cover all significant bilateral and multilateral economic assistance programs; (3) focus on a minimum set of strategic objectives; and (4) enable the United States to respond to the global forces sweeping this country into the twenty-first century.

Economic aid should address immediate and basic U.S. interests, such as jobs, export markets, and security in order to be acceptable to major constituencies including business and labor. In addition, aid programs must promote American values and improve the lives of poorer populations by helping to expand freedom, protect human rights, and alleviate poverty.

Second, a broader vision for aid will include goals that cover all U.S. aid programs and widen the current debate beyond narrow issues of management systems of a single agency like A.I.D. or its successor.

12. Among the most authoritative and informative discussions of options for restructuring economic assistance are: *A Report to the Secretary of State, The [Carlucci] Commission on Security and Economic Assistance* (Washington, D.C.: November 1983): 8-9; *Report of the Task Force on Foreign Assistance to the Committee on Foreign Affairs*, U.S. House of Representatives, House Document 101-32, February 1989, p. vii; James Gustave Speth, "A Post-Rio Compact," *Foreign Policy* 88 (Fall 1992): 155; *National Security Strategy of the United States* (Washington, D.C.: The White House, January 1993): 10-11.

13. Hamilton-Gilman, *Report of the Task Force on Foreign Assistance to the Committee on Foreign Affairs*, U.S. House of Representatives: 27.

Third, with more limited resources, America must focus on fewer objectives and on more modest achievements. This may mean fewer countries with significant programs. It also means combining economic assistance with other aspects of foreign economic policy — such as trade, investment, and debt — to have broader impact.

Fourth, in a world of constant surprises, America must have the ability to respond to natural and health disasters and surging ethnic and religious conflicts with an array of instruments, including economic assistance.

A new strategic vision that meets these criteria can secure bipartisan congressional support and make sense to the American people. Nevertheless, developing public support will require mutual commitment by the administration and Congress, as well as a vigorous media and public education campaign by all major stakeholders.

A Viable Framework for Economic Assistance

To meet the criteria discussed above, U.S. economic assistance programs should focus on four objectives: (1) seeking sustainable growth; (2) expanding America's share of emerging markets; (3) supporting regional security and democratic transitions; and (4) confronting global issues.

These four objectives should be pursued in a broader framework of U.S. foreign policy and, particularly, American international economic interests. Indeed, these objectives are interrelated, sometimes complementary and sometimes competing, supported by other foreign policy instruments, such as trade, investment, debt, and technology transfer.

Although this set of broad objectives does not include the promotion of democracy as a separate tenet of aid strategy, two of the four objectives in fact stress democracy. Moreover, A.I.D. and other aid donors are increasingly placing more emphasis on progress toward democratic governance and economic liberalization in setting countries' aid levels. Recent examples are Kenya and Malawi, which have been pressured to move towards multiparty elections. The combination of economic and political liberalization promotes broad-based growth and the more equitable and efficient use of scarce resources.

Seeking Sustainable Growth

The most important strategic goal of U.S. economic assistance is to seek market-oriented, broad-based, and sustainable economic growth in pluralist political systems. Development theory and practice have agreed on the need for a sound macroeconomic framework, private sector growth in urban and rural areas, and major investments in basic social services (health, education, and family planning).

In addition to investments in people, a stable macroeconomy, and private investment, sustainable development also means investments in rural infrastructure, such as rural roads, small-scale irrigation, clean water supplies, and rural telecommunications. These efforts contribute to increased productivity

and incomes. Finally, seeking sustainable development means protecting and rehabilitating the natural resource base through environmental assessments (and redesign) of infrastructure projects, reforestation and agro-forestry, and grassroots activities to protect endangered national forests, parks, and species.

Efforts to establish sustainable growth can both complement and compete with the other three strategic aid objectives. Sustained growth creates a favorable climate for U.S. investments and expands markets for exports.¹⁴ In conflict-prone regions, equitable growth is necessary for permanent peace. Successful sustainable development efforts could help prevent humanitarian crises and breakdowns of civil order, such as in Somalia and Haiti.

Commercial and strategic interests may also conflict with sustainable development, especially among constituency groups, such as environmental business interests. Where a conflict exists among aid policy objectives, the United States must determine the relative priority of American interests and follow them consistently. For example, U.S. interest in supporting moderate Russian leadership will likely win out in the short run over the question of whether the Russian government is doing all it can to reform its economy.

Supporting sustainable development is more effective if other international economic policy instruments such as debt reduction, private investment, and favorable trade policies are applied to the same objective. Fast-growing Asian economies, such as Thailand and Indonesia, are now likely to benefit more from increased flows of investment, debt relief, and advanced technology transfers than from continued aid flows. Yet prior aid helped set the stage for these countries' higher rates of growth.¹⁵

Existing U.S. aid appropriations aimed at sustainable growth include \$6-7 billion in annual bilateral and multilateral development assistance and food aid provided through A.I.D., the World Bank, and U.N. specialized agencies. These efforts should concentrate on fewer development problems and build up the capacity of private grassroots organizations.

A broad range of interest groups focuses on diverse aspects of sustainable development. These include the largely church-based coalition of development organizations such as Bread for the World, other humanitarian relief groups, landgrant universities, much of the environmental coalition, and a significant part of the congressional foreign affairs establishment. Most of them, however, emphasize poverty alleviation and environmental protection rather than macroeconomic growth.¹⁶

14. International Trade Administration, *India: Foreign Economic Trends and Their Implications for the United States* (Washington, D.C.: Department of Commerce, August 1992): 8.

15. Some developing countries appear to be benefiting from private investment in independent power projects (I.P.P.) where demand for power is growing and profits look possible. See: Jeannie Mandelker, "The Global Surge in Independent Power," *Institutional Investor* (December 1992): 139.

16. For example, Bread for the World, which represents a coalition of 60 private development and environmental organizations, is currently undertaking a campaign entitled "Many Neighbors — One Earth," aimed at making the leading purpose in aid that of "reducing poverty and hunger in environmentally sound ways." See: Kathleen Selvaggio, *Many Neighbors — One Earth: Transforming Foreign Aid*, Bread for the World Background Paper No. 128 (March 1993): 2.

Expanding the United States' Share of Emerging Markets

The second broad objective for economic aid aims at U.S. economic interests. Aid can help increase exports and create jobs by supporting more aggressive business involvement in dynamic, emerging markets and in their fastest growing sectors, such as telecommunications and power. In the new field of independent power projects, investment banks are funding multibillion dollar power facilities in Pakistan, China, the Philippines, and elsewhere.¹⁷ With greater involvement of American business and investment banks, these power projects can result in billions of dollars in increased U.S. exports — not only of construction and engineering services and capital equipment, but also of sophisticated technology and services in telecommunications, data processing, banking, and insurance.¹⁸

American business and financial institutions must seek a larger share of these opportunities. But they will need U.S. governmental assistance in providing increased political and commercial risk insurance, investment and loan guarantees, equity participation and assistance in operating in regions where they have not operated before. American corporations and investors also need early access to new projects when technical, financial, and legal feasibility specifications are being developed. This means expanding the activity of the Exim Bank, O.P.I.C., and T.D.A. These trade promotion programs should build better relationships with U.S. corporations and financial institutions — especially investment bankers and venture capitalists — so that American business may compete on an equal footing with Asian and European investors.¹⁹

In relation to other objectives, expanded American trade and investment in developing and transitional economies can strengthen indigenous private sectors and lead to more rapid and sustainable growth. In Central and Eastern Europe and the former Soviet Union, Western investment can facilitate transitions to market economies and the emergence of a more stable and secure Europe. To help meet global environmental challenges, the United States can offer the latest environmental technologies and systems and improve water resource and transportation planning.²⁰

Although increased trade and investment often complement American strategic interests, as in Russia, greater trade can also conflict in the short run with equity and environmental objectives. Large investments often benefit higher income groups earlier and more directly. New manufacturing plants can bring substantial pollution problems. As noted above, where conflicts among aid

17. Jeannie Mandelker, "The Global Surge in Independent Power," *Institutional Investor* (December 1992): 139.

18. See Miriam Bensman, "Latin America's Year of the Deal," *Institutional Investor* (March 1992): 103-117, and Jeannie Mandelker, "The Global Surge in Independent Power," *Institutional Investor* (December 1992): 139-141.

19. See Francesca Carnevale, "Eximbank and the Global Bundle," *Trade Finance* (January 1993): 23; Lori Ioannou, "Power Bankers," *International Business* (February 1993): 45-51; and Steve Coll, "Japan's Hands-On Foreign Aid," *The Washington Post*, 13 January 1991: H-1,4.

20. James C. Clad and Roger D. Stone, "New Mission for Foreign Aid," *Foreign Affairs* 72 (1993): 201-203.

objectives cannot be resolved, decision-makers must decide the relative priority of American objectives and act accordingly.

Seeking a larger share of emerging markets also overlaps with other aspects of international economic policy beyond aid, particularly trade, investment, and technology transfer. This necessitates both a more integrated international economic strategy and clear authority for deciding which economic objective has priority with respect to individual countries. For some time, it has not been clear who is responsible for U.S. international economic policy — the Secretaries of State, Treasury, or Commerce, the National Security Council, or the newly established National Economic Council.

Enabling American firms and investment banks to challenge America's European and Asian competitors for new markets also requires two U.S. trade policy initiatives: first, to enforce observance of the new Helsinki-tied aid guidelines; and second, to conclude the Uruguay Round of the GATT talks. There is great potential for American exports in computer services and intellectual property, such as technologies and management systems. The State Department, the Department of Commerce, and the Department of Agriculture must all contribute to expanding U.S. export capacity and developing new markets for those and other products.²¹

Three existing programs funded under the 1993 Foreign Aid Appropriations Bill focus directly on increasing U.S. trade and investment in new markets: the Exim Bank, the O.P.I.C., and the T.D.A. In FY 1993, they received \$800 million in appropriations and distributed more than \$16 billion in loans and loan guarantee authority. Through development assistance and the Economic Support Fund (E.S.F.), A.I.D. currently funds some infrastructure projects — particularly in Egypt and the Philippines — that complement the Exim Bank and O.P.I.C. Further, the Buy American provisions of the Foreign Assistance Act tie most A.I.D. project assistance to procurement of U.S. goods and services. A.I.D.'s main contributions in this area should be: first, to help establish a favorable macroeconomic climate for private investment (both domestic and foreign); and second, to help facilitate indigenous entrepreneurs' capacity to develop sound business proposals and to negotiate mutually advantageous agreements with investors.

Supporting Regional Security and Democratic Transitions

The third strategic objective for economic assistance has two goals: first, helping prevent or resolve regional conflicts; and second, assisting the transitions of states in Eastern Europe and the former Soviet Union toward market economies and pluralist political systems. Sustained peace in the Middle East will require more than the current levels of \$5 billion annually in economic and military aid. In South Asia, the danger of future regional conflicts argues for innovative efforts to resolve Indo-Pakistani tensions.

21. "Let's Make a Deal," *Newsweek*, 23 November 1992: 45-46.

In Eastern Europe and the former Soviet Union, balance-of-payments support, infrastructure rehabilitation, guaranteed private investments, debt relief, and technology transfers can assist difficult transitions. The United States can condition assistance on progress toward market economies and democratic governance.²² For the nuclear weapons states of Belarus, Ukraine, and Kazakhstan, ratification of the START I agreement and transfer of their remaining strategic nuclear weapons to Russia should be a primary condition of economic assistance.

Supporting regional security bolsters other goals of economic assistance. Stable regional politics establish a positive climate both for investment and intraregional trade. At the same time, regional stability should reduce military spending, thus freeing up internal resources for more productive investments.

Many of the states involved in active or potential regional conflicts or in democratic transitions need help to avoid general breakdowns. If economic assistance is combined with other support, the United States and other aid donors can keep transitions moving. This can avoid the potentially much higher costs of coping with the breakdown of civil society, basic services, and economic systems.

As discussed earlier, security and commercial interests often go together well. Security and development objectives, on the other hand, can clash more easily. The U.S. desire to support the new Mideast peace agreements, for example, will likely overwhelm for a time any doubts raised about the economic sustainability of the Gaza Strip and the West Bank.

Since new regional conflicts and failed reform in Russia are the two principal security threats for the foreseeable future, supporting regional security and democratic transitions must also be a primary focus of U.S. diplomacy. The growing effort by the developed nations to assist the former Soviet Union and Eastern Europe requires generous debt relief, investment guarantees, broad-scale technology transfers, and favorable trade policies. Economic assistance can ready the investment climate for larger transfers of resources and expertise through private channels.

The main bilateral assistance programs currently available for supporting regional security and democratic transitions are appropriated under the Economic Support Fund and E.S.F.-like accounts. In FY 1993, these resources totalled approximately \$4.0 billion. However, other donors are providing substantial assistance to many of these same states, particularly for Central and Eastern Europe and the former Soviet Union. The multilateral aid from the World Bank, the European Bank for Reconstruction and Development, and the International Monetary Fund also include significant U.S. contributions. Guaranteed private loans for food and other commodities from the Agriculture Department's Commodity Credit Corporation supplement aid funds.

22. See Shafiqul Islam, "Russia's Rough Road to Capitalism," *Foreign Affairs* 72 (Winter 1992/1993): 59-66.

Addressing Global Issues and Trends

The fourth objective of economic assistance confronts the quagmire of transnational hazards mentioned above. Such problems represent relatively new trends and forces that will seize progressively more of the world's attention in the twenty-first century. In combination with other foreign policy instruments, economic assistance should help address these global problems.

Applying such assistance successfully to these difficulties means devising new models, institutions, and modes of assistance for what former Secretary of State Lawrence Eagleburger recently called "a world in crisis and in chaos, one in which it is impossible to be certain of anything six months ahead."²³ Economic aid programs also require a quick reaction capability to devise creative strategies and programs for dealing with new issues as they appear.

This goal of addressing global issues is clearly related to sustainable development; the distinction lies in focusing on global problems at a worldwide or country level. Without sustained development and regional stability, no new markets will emerge for U.S. trade and investment, and private capital flows will decline.

Conflicts may arise between this and other broad objectives of economic aid. For example, the need to reverse the destruction of tropical forests or to prevent the disappearance of significant animal species may clash with regional security interests or trade and investment opportunities. The need to address starvation in Somalia may conflict with the need to assess carefully what types of assistance will work in Somalia's varied ethnic and cultural settings. Again, the relative priority of U.S. interests or objectives in a particular country or a region should determine which objectives to pursue and when to pursue them. Dealing effectively with these and emerging trends requires public and private diplomacy to enlist the cooperation of other nations and international organizations. The growing international activities of U.S. domestic agencies — such as Health and Human Services' Centers for Disease Control and the Department of Energy — may lead to new strategies for preventing AIDS, or improved technologies for cleaning up nuclear contamination.²⁴ Moreover, national security policy should clarify the role of the Department of Defense in future humanitarian assistance activities — like Project Restore Hope in Somalia — which cost the United States more than \$580 million during its first three months.²⁵

Much of the \$5-6 billion in annual bilateral and multilateral development

23. Lawrence S. Eagleburger, *Charting the Course: U.S. Foreign Policy in a Time of Transition*, speech given to the Council on Foreign Relations, Washington, D.C., 7 January 1993: 14.

24. Susan Raymond, "Science and Technology for Development in the Federal Government: Organizational Sketches," See *The United States and Development Assistance: Background Papers for the Task Force on Development Organizations* (Carnegie Commission on Science, Technology, and Government, June 1992): 2-14.

25. The cost of United States troop presence in Somalia has exceeded United States economic assistance to that country in the period between 1961 and 1991. See Eric Schmitt, "U.S. Job in Somalia is Growing in Cost," *New York Times*, 17 January 1993: 7; and *U.S. Overseas Loans and Grants and Assistance from International Organizations 1 July 1945-30 September 1991* (CONG-R-0105), (Washington, D.C.: A.I.D., 1992): 132.

assistance directed to population, health and AIDS, and natural resource management is aimed at these global problems. The same is true for the \$830 million in foreign aid administered directly by the State Department. This funds migration and refugee assistance, counter-narcotics trade, and counter-terrorism efforts. Some E.S.F. resources for Latin America contribute to antinarcotics efforts, as do the resources of the Drug Enforcement Administration and Department of Defense. Emergency food aid resources and supplemental funds that are periodically voted during a major humanitarian catastrophe, such as the recent Southern Africa drought, target famine victims. Because American aid resources alone will never solve these problems, the United States should allocate aid resources to fashion more effective multilateral solutions.

This strategic framework and its four broad objectives meet the four criteria discussed earlier for a compelling twenty-first century vision for economic assistance. It covers a range of bilateral and multilateral economic assistance efforts, confronts global issues, constitutes a limited set of goals — which are usually mutually reinforcing, addresses fundamental national interests, expresses basic American values, and can attract wide support.

Building Political Support

What constitutes an effective political process for securing Executive branch consensus, congressional agreement, and public support for economic assistance? Formulating a credible vision requires political agreement among the contentious groups.

Gathering representatives of the Executive branch, Congress, and key interest groups to begin serious negotiations on a new aid rationale will require White House leadership. Accordingly, the leader of such an effort must have sufficient political clout to resolve turf battles among powerful Cabinet officers, settle issues with congressional leaders, and reach a wise political agreement. Involvement of Republican and Democratic leaders from the beginning is essential; it will increase the willingness of interest groups and Congress to convince the public and their constituencies to support a new approach for economic assistance.

Doubters can list a number of reasons why such a process will not work. First, the White House prefers to engage in domestic issues. Second, the U.S. foreign policy agenda itself is not clearly defined. Third, U.S. economic assistance is limited; the United States may prefer to concentrate on its economic relationships with Europe and Japan. Fourth, economic aid programs will continue to limp along with only a minor restructuring of A.I.D.

In spite of these objections, many actors involved in development assistance appear ready to work on a new approach to economic assistance. Although busy with domestic issues, the president has spent considerable time on aid to Russia and perhaps more time than he would like on addressing the economic and political problems of Somalia and Haiti. Congressional leaders are clearly ready to rethink economic aid. In the current legislative session, Congress is considering the first major revision of the Foreign Assistance Act since 1973.

In addition, the foreign policy and international economic strategic frameworks are becoming sufficiently clear to support rethinking of economic assistance. Yet no one person or department is clearly in charge of international economic or development policy.

Although relatively small, economic assistance remains a major foreign policy tool for the United States. As important markets and sources of global problems, developing and transitional countries are challenging the traditional importance of Europe and Japan in U.S. foreign policy. Further, the question of how Europe, Japan, and the United States deal with the economic, security, and global issues posed by the developing and transitional countries is filling more of the diplomatic agenda of the developed world.

Finally, A.I.D.'s problems are a symptom, not a cause, of the lack of a credible purpose for economic assistance. Far too much of the current debate over economic assistance has focused on restructuring A.I.D. But as discussed earlier, A.I.D. is only one of a number of aid agencies and effectively controls only about one-fourth of the annual economic assistance budget. The main organizational issue is that no single agency or body exercises effective leadership of economic assistance or development policy. If the present situation continues, more than 20 U.S. departments and agencies will implement economic aid and international programs in developing and transitional countries. No part of the Executive branch will exercise effective authority over this range of programs. This will leave the United States with a fragmented and ineffective set of aid programs just at the time when the developing and transitional countries' political and economic systems are changing rapidly. A single department, agency, or White House body should be responsible for policy and operational leadership on economic assistance programs.²⁶

With intense pressure, it may be possible to pass one or two more aid appropriations bills in the current muddled atmosphere. But the price may be increased congressional micromanagement, which will make effective implementation almost impossible.

Most U.S. economic assistance flows bilaterally. Some argue that relying on multilateral agencies, such as the World Bank, is more efficient and leverages more total resources from more aid donors. Others argue that bilateral agencies like A.I.D. have had more success in developing institutions and specialized human resources than multilateral agencies.²⁷ If we channel more resources through multilateral agencies, America will necessarily lose some of the focus on its aid objectives.

26. The President's Commission [Ferris Commission] on the Management of A.I.D. Programs, recommended a merger of A.I.D. with the State Department. See *Report to the President — An Action Plan*: 5.

27. *A Development Policy for the 1990s: Reducing Poverty through Education and Agricultural Science and Technology*, Highlights from a National Conference, 17-18 June 1991, sponsored by the Board for International Food and Agricultural Development and Economic Cooperation and the Citizens Network for Foreign Affairs: 25.

Conclusion

U.S. economic assistance programs aimed at the developing world and the transitional economies lack a credible rationale that addresses fundamental American interests, projects American values, confronts global forces leading into the twenty-first century, and that is an integral part of a revitalized national economic and security strategy.

Unless the United States develops a new aid rationale, it will make little or no progress in fashioning a more effective economic assistance program. Remaining public and congressional support for economic aid will continue to erode. Existing funding levels will likely decline. As funding declines, the promises made to secure congressional appropriations will continue to transcend possible achievements. At that point, the resources that remain will likely be applied to other national goals by the Congress.

Unless the Clinton administration formulates a viable framework for economic assistance, secures bipartisan agreement, and builds public support, the United States may soon find itself without a significant economic aid program. This loss of an economic assistance program will be more keenly felt because the stability and prosperity of developing and transitional countries are becoming increasingly important to America as it enters the twenty-first century and confronts new global challenges. Without economic assistance, the United States will have lost an essential instrument for strengthening economic, political, humanitarian, and security relationships with the world's fastest growing markets and more than half of the world's population.

