

THE HERITAGE LECTURES

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Foreign Assistance
and Foreign Policy

By Rep. Mickey Edwards



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FOREIGN ASSISTANCE AND FOREIGN POLICY

by Representative Mickey Edwards

Neither Fiji nor Botswana faces a serious military threat, either from internal opposition or from superior external forces. Neither is central to our defense planning. Yet both received military aid from the United States last year. And so did 100 other countries.

Countries that repress and murder their citizens get U.S. aid to help keep their repressive governments in power.

Countries that oppose U.S. foreign policy consistently and vocally receive U.S. foreign aid.

Countries that cannot meet their debt payments and refuse to meet the terms of loans they have already been given receive, through third parties, still more U.S. money in the form of still more loans.

In the southwestern United States, federal regulators are closing dozens of banks which make loans that contain any degree of risk, but the United States continues to pump billions of dollars into international banks which then loan that money to foreign governments which are in such bad financial shape that, if a loan were offered to an American citizen in the same kind of financial shape, the loan officer would be fired, and might even go to prison.

American farmers see their farms seized and sold at auction because the same federal government which encourages Peru or Poland to renege on loan commitments will not let a family farmer in the United States renegotiate a loan for a longer payout or lower interest rates.

No Interest Loans. And while an American businessman, banker, realtor, or farmer is held to current payments at contract interest rates, the United States, through international agencies, provides 50-year, no-interest loans to foreign governments and pours tens of millions of dollars a year into international agencies to help train foreign farmers and businessmen to take business away from the American farmers and businessmen who paid for their training.

"Sophisticated" people, of course, know that this is all essential, and they shake their heads in dismay at the resistance to foreign aid among the rednecks outside the Washington Beltway. But the rednecks may be right; because they are farther from the forest, maybe they can see more clearly that the trees have no leaves.

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His lecture, on April 9, 1987, was sponsored by The Heritage Foundation's Center for International Economic Growth.

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The Case for U.S. Aid. Is it important for the United States to have a program of providing assistance to foreign governments? Yes, probably so. And for a number of reasons. For example:

First, a number of countries that are friendly to the United States, and which play an important role in preventing the Soviet Union from gaining a military advantage and increasing the threat to our national security, do not have the resources to provide the help we ask of them without help from the United States. For example, nations such as Greece and Turkey, in the NATO alliance.

Second, a number of countries provide the United States with important basing rights which allow us to maintain important forward positioning of our defense forces (for example, the Philippines), and whether you consider it blackmail or merely the advantage held by the seller in a seller's market, the United States at times provides substantially more than the rental price to "reassure" these host nations that we are "friends" with whom they will want to continue doing business at the expiration of the current agreements.

Third, there are countries which neither provide basing nor play an important role in our own defense calculations but which, in the hands of forces friendly to the Soviet Union, could provide a fairly substantial threat to our security and which, therefore, must be supported against either external aggression or armed overthrow by forces supportive of (and supported by) the Soviet Union. El Salvador is a good example. Nicaragua, after the fact, is probably a better one.

Fourth, there are countries which are both in serious financial trouble and either economically interwoven with the United States, to a high degree, or in the category of nations we simply cannot afford to see fall into pro-Soviet hands, and in those cases we must sometimes provide economic assistance to keep a nation afloat.

Finally, there is a clear and compelling case to be made for using U.S. assistance to do what good people ought to do--to keep children from starving to death, for example. And so we provide money to keep essential services going after earthquakes, or to provide emergency famine relief, or finance the PL-480 program, which sends U.S. grain overseas to help feed the starving populations of places such as India. (But one must be careful not to lump every conceivable humanitarian act under the same heading: for example, the issue becomes more complicated when funds for a government hit hard by earthquake go beyond maintenance of essential services and provide the financing for rebuilding shops, office buildings, and houses, which are services the federal government provides only sparingly to homeowners and businessmen who suffer from natural disasters in the United States.)

So--and I suspect that the people in my district, and in a score of other distant places, realize this--there is a proper and justifiable role for the providing of assistance by the United States to other governments. But in each of the cases I have listed above, the instances are all either humanitarian or related to our own national interest in a clear and easily discernible way.

But these guidelines do not lead one to provide military assistance to 102 nations, at a cost of \$5.8 billion, at least 7 percent of it or nearly \$450 million to nations which face no immediate threat and play no critical role in the U.S. defense. They do not justify the United States providing \$11 million in various kinds of foreign aid to Mozambique, which

voted against the United States 94.1 percent of the time last year in the United Nations, or \$63 million to Zaire, which voted against us 90 percent of the time. Yet, more than \$1 billion, or 13.6 percent of all the money spent by the United States on bilateral foreign aid last year, went to nations which voted against the United States at least 50 percent of the time in the United Nations. What is more, the United States last year provided close to \$1 billion to the World Bank, or 14 percent of the money the World Bank spent through its various agencies, such as the International Development Association, and about 30 percent of the World Bank's loans went to nations which oppose U.S. policies more than half the time.

Working against U.S. Interests. There is an interesting argument that goes like this: the United States ought to contribute heavily to international organizations such as the World Bank, rather than concentrating exclusively on its own foreign aid agencies, because there is a multiplier effect: in other words, for every dollar it puts in, 10, or 20, or 60 additional dollars are spent, because of the pooling of the resources from various countries around the world. That is all very true, but it is absurd logic. If a nation is hostile to the interests of the United States and we would not, or should not, want to give a nation even a single dollar of the taxpayers' money, why should we be pleased to learn that instead of getting one dollar they will get ten, or whatever multiplier a particular agency claims? If I would be foolish to spend a dollar to hire someone to work against my own interests, why am I to be persuaded that it is possible, if I play my cards right, to spend nine to ten times as much to hire people to work against my interests? Granted that a certain portion of the money spent through such international organizations will go to nations friendly to the United States, much of that will not go for purposes which further the best interests of the American taxpayer, and that which does can better be provided through direct bilateral assistance by our own Agency for International Development. There is a "multiplier effect," but what is being multiplied is the overhead: we may be paying something like \$1 into these international or multilateral agencies in order to get \$.30 of good for the United States. It is questionable logic and unquestionably bad arithmetic.

Foreign aid is an important part of U.S. global strategy: it arms others, who provide our first line of defense, and because a strong military is an essential component of effective diplomacy, it helps secure U.S. interests without resorting to military means; it helps assure us that countries essential to the military advantage of the Soviet Union will not fall into pro-Soviet hands; and it demonstrates that the United States, by responding to dramatic and urgent need in time of flood, famine or earthquake, is a nation that can be trusted to care about the welfare of the rest of the world--which, too, is a help to diplomacy.

Vocally Oppose the U.S. But in the world of Washington politics, what so often separates the "sophisticate" from the "redneck" or uninformed provincial--to the detriment, I fear, of the sophisticate--is a sense of perspective. It is one thing to know that it serves the interests of the United States to appropriate some of the money taken from the taxpayers to further the interests of the United States, and something quite different to use that money to provide weapons and military training to nations that are neither threatened nor important to our national security. And it is something quite different to provide the financial support for those nations that most vocally and most consistently oppose the policies of the United States.

If 60 or 70 or 80 percent of the money spent by the United States on foreign aid does, in fact, fall into the categories of assistance which are justifiable, then it is irrational to spend the additional billions of dollars which do not fall into those categories.

If 70 percent of all the money spent by the United States on foreign aid last year falls into one of these categories of justifiable expenditure of taxpayers' dollars, that means we spent nearly \$4 billion through our foreign aid program last year which either did not benefit the United States or benefited nations hostile to our interests. As a member of both the Appropriations and Budget Committees in the House of Representatives--one of only four members to serve on both committees--I am acutely aware of the difficulties we are having in trying to deal with a federal deficit that threatens to drown the American economy and of the severity with which federal programs in health care, education, and housing are being affected by the frantic scramble to find places to cut federal spending. And if we assume we wasted \$4 billion on foreign aid, think how much education or defense we could have bought with that money.

If we start with two basic premises, that some foreign aid is essential and that much of our current program is either wasteful or counterproductive, then it is clearly essential that the architects of these programs go back to the drawing boards and produce, instead of pleas and complaints, a new and more rational program for meeting this element of our foreign policy.

Let me suggest some starting points:

1) **Officials of the State Department and the Treasury Department--the agencies of the federal government which administer most U.S. foreign assistance programs--should develop a measuring stick to gauge which programs (a) do the most (b) to further those U.S. interests (c) which are most critical. Proposed expenditures should be held up to this measurement not only in terms of how much each proposed beneficiary shall receive, but whether the beneficiary shall receive anything at all.**

2) **We should limit military assistance, and we should particularly limit military assistance to nondemocratic nations. We often hear arguments that security assistance is needed to demonstrate American support for countries with which we want military cooperation, usually in terms of access to military bases. But our security needs are not always fulfilled when it is necessary to purchase the cooperation of strategically important nations. I do not believe we have the obligation to treat U.S. aid devoted to any security objective as compensation on an indefinite basis. One of the problems when we do is that, when locally supported insurgencies develop, we often view the threat to our "allies" as a requirement to provide them with more arms--when those are used against their own citizens resisting government policies which we ourselves condemn. If we want to look at our long-term interests, supporting nonsupportable governments is not a reasonable foreign policy response.**

3) **It should be a standard rule-of-thumb that U.S. foreign assistance participation will be exclusively in the form of bilateral aid unless changes can be made in the internal structures of multilateral organizations to permit effective use of U.S. vetoes or other means of ensuring that the money contributed by American taxpayers does not go to work against our own national interests.**

4) **No-interest or low-interest loans should go only to the neediest of nations that fit these criteria for U.S. assistance. IDA loans now go to credit worthy and unfriendly**

nations. Almost 40 percent of IDA VII credits will go to India and China. Another third goes to African nations, many of which vote with us from 5 to 15 percent of the time in the U.N. and receive substantial Soviet bloc assistance.

When it first began receiving zero-interest IDA loans, the PRC was among the world's top seven foreign currency holders. It bought large amounts of foreign bonds and invested heavily in foreign development projects. The PRC was a net creditor, lending more to the world than it borrowed. It makes no sense to have IDA grant zero-interest loans to the PRC, which turns around and provides credit to other countries at market interest rates.

India also has ready access to commercial credit. It has the tenth largest GNP in the world and a low debt-service ratio. Part of the reason India has a good credit rating is that it has shunned borrowing in private capital markets in favor of concessional multilateral aid. What is more, India has been a leader in the Third World of distinctly anti-American policies.

5) Foreign governments should not find our own government more generous than Americans do. Disaster relief for people in San Salvador should not be more comprehensive than that offered to people in Oklahoma or New Jersey, and we should not forgive contractual obligations incurred by the Peruvian government if we are not willing to do the same for a businessman in Philadelphia.

Given these starting points, it is possible to develop a new foreign assistance approach that will both meet our national needs and win increased public support. But without such changes, that support will be neither forthcoming nor deserved.

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