

RUSH!

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TIME TO RESHAPE THE STATE DEPARTMENT

America's foreign policy bureaucracy needs to be overhauled. The current system, rooted in the Cold War, is a maze of overlapping departments, bureaus, and agencies whose duplication and inefficiency lead to squandered opportunities that should not have been tolerated even during the Cold War. Its continuation today is scandalous. America should abolish agencies and bureaus that are Cold War relics and streamline those that remain so that U.S. foreign policy will be more effective and will better serve American interests.

America also needs to overhaul its foreign aid program. Despite tens of billions of dollars spent on economic aid over the last 30 years, most recipient countries in the developing world remain mired in poverty. Put simply, economic aid has not worked. It has not been the main factor in producing economic growth in poor countries that have "graduated" to the developed world. Nor has it served U.S. security interests. A majority of countries receiving U.S. foreign aid have voted consistently against the U.S. in the United Nations.

Senator Jesse Helms (R-NC), Chairman of the Senate Foreign Relations Committee, is moving to address these problems with America's foreign policy bureaucracy and foreign aid program. Senator Helms will be offering State Department and foreign aid authorization bills that eliminate ten foreign policy agencies and fold many of their functions into the State Department. This will eliminate many duplicative functions. Specifically, Senator Helms's plan would:

- ✓ **Eliminate** the Agency for International Development (AID), the Arms Control and Disarmament Agency (ACDA), and the United States Information Agency (USIA) and move their functions into the State Department;
- ✓ **Transfer** the On Site Inspection Agency, an independent agency responsible for conducting treaty inspections, to the Department of Defense;
- ✓ **Abolish** the Inter-American Foundation and the African Development Foundation, which make development aid grants for projects in less-developed countries, and replace them with a new, consolidated International Development Foundation located within the State Department;
- ✓ **Consolidate** the Trade and Development Agency, the Overseas Private Investment Corporation, and the Export-Import Bank into a new Agency for Export, Trade Development, Investment and Promotion within the State Department.

Senator Helms's plan will eliminate wasteful duplication and enhance the coordination of U.S. foreign policy. There is no need for an independent Arms Control and Disarmament Agency, for example. A relic of the Cold War, ACDA should be abolished, with any functions that are still relevant folded into the State Department. The Agency for International Development, established by President Kennedy as a temporary agency, should not be independent either. There are needless duplications between AID and the State Department abroad; moreover, AID and State Department personnel are often at odds over U.S. policy toward particular countries. The biparti-

san 1992 President's Commission on the Management of AID Programs recommended that AID be integrated fully into the State Department.

Senator Helms's State Department and foreign aid reorganization plans will address the problem of foreign aid. According to language being considered for both bills, the executive branch will have to certify that foreign aid 1) serves the national security interests of the United States, 2) promotes free-market reforms and economic growth, and 3) will lead to the "graduation" of aid recipients from dependence on foreign aid. Countries that fail to meet these conditions will not receive any aid. The Helms proposal exempts humanitarian assistance from any such presidential certification.

The certification of progress toward free-market reform is a revolutionary concept for the U.S. foreign aid program. Under such a plan, economic assistance will be given only to those countries that are making progress on implementing free-market economic policies—for example, by lowering trade barriers, protecting private property, and allowing the market to set wages and prices. These policies are necessary to economic growth. Without them, all the economic aid in the world would be wasted. In fact, giving economic aid to countries with unfree economic policies actually retards progress toward economic growth, by creating a dependency which often precludes economic reform.

These are the conclusions of The Heritage Foundation's *Index of Economic Freedom*, an analysis of economic freedom in 101 countries. The *Index* demonstrates an indisputable correlation between economic freedom and economic development. Taiwan and Singapore, two of the most unlikely candidates for economic development 40 years ago, have prospered because of economic freedom, but such large recipients of foreign aid as Tanzania and Zimbabwe have stagnated because, despite the aid, they have remained wedded to outdated socialist economic policies.

Unfortunately, AID, the agency responsible for dispensing most U.S. foreign assistance, continues to aid countries which nationalize land, control wages and prices, and tax income excessively. For example, of the 15 countries examined in the *Index of Economic Freedom* that received the largest amounts of U.S. development aid last year, 12 are rated "mostly unfree," one has a "repressed" economy, and two are "mostly free." Overall, more than 40 of the 58 economies classified by the *Index* as "mostly unfree" or "repressed" have been significant recipients of U.S. development aid. American taxpayers have a right to ask why their hard-earned money is being spent on countries that refuse to help themselves by reforming their economies.

The Helms concentration on free-market reforms gives the U.S. foreign aid program a desperately needed focus. By no means does it mean an end to all economic aid. Senator Helms asks merely that it contribute to economic growth. What could be more humanitarian than a program that induces a country to create jobs, build businesses, and generally raise the standard of living for all its people? If this free-market focus does not survive the legislative process, however, the Helms foreign aid prescription would be worse than the disease — an illusion of reform and a sanctioning of the foreign aid status quo. Foreign aid reform, in short, would be an absolute failure.

With the end of the Cold War, a foreign aid program which buys the goodwill of foreign leaders while devastating their economies can no longer be justified. If focused on free markets, Senator Helms's reform plan not only will reduce some of the abuses of the foreign aid program, but also will give it a focus. His plan also will focus the State Department's bureaucracy. Secretary of State Warren Christopher has publicly acknowledged the need for reform at the State Department. Both the Secretary and Senator Helms deserve support.

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