

January 31, 1997

FALSE ALARM OVER FOREIGN AFFAIRS SPENDING CUTS

The Clinton Administration claims that a declining foreign affairs budget is threatening the ability of the United States to conduct foreign policy. Referring to Congress's attempts to curb wasteful government spending, former Secretary of State Warren Christopher and his successor, Madeleine Albright, have stated that budget cuts have forced the closure of overseas embassies and other diplomatic offices.¹ To deal with this alleged threat to U.S. diplomacy, the Clinton Administration is calling for increased spending in the foreign affairs budget, which includes funding for U.S. embassies, consulates, foreign aid programs, and international institutions like the World Bank and the United Nations.

Secretaries Christopher and Albright are right to want a robust overseas diplomatic presence. Indeed, ensuring that the ability of the United States to conduct foreign affairs is unhindered should be a concern of every Administration. Christopher and Albright are raising a false alarm, however, about cuts in the foreign affairs budget. Funding for U.S. embassies, consulates, and other diplomatic programs is higher in real terms today than it was during most of the 1980s, in the time of the Cold War. In fact, current funding has remained fairly stable for the past few years and is greater than levels in 1991 (see Chart 1).

If more funding for embassies is needed because of pressing demands—like the need to open and operate new embassies in the early 1990s in the wake of the collapse of the Soviet Union—then there is plenty of money in wasteful and ineffective economic development aid and other non-essential accounts to cover the cost of these new operations. In short, there is no need for an increase in the overall foreign affairs budget.

¹ Remarks by Warren Christopher at Harvard University on January 15, 1997, and by Madeleine Albright at the Secretary of State Confirmation Hearings before the Senate Foreign Relations Committee, January 8, 1997.

THE TRUTH ABOUT THE FOREIGN AFFAIRS BUDGET

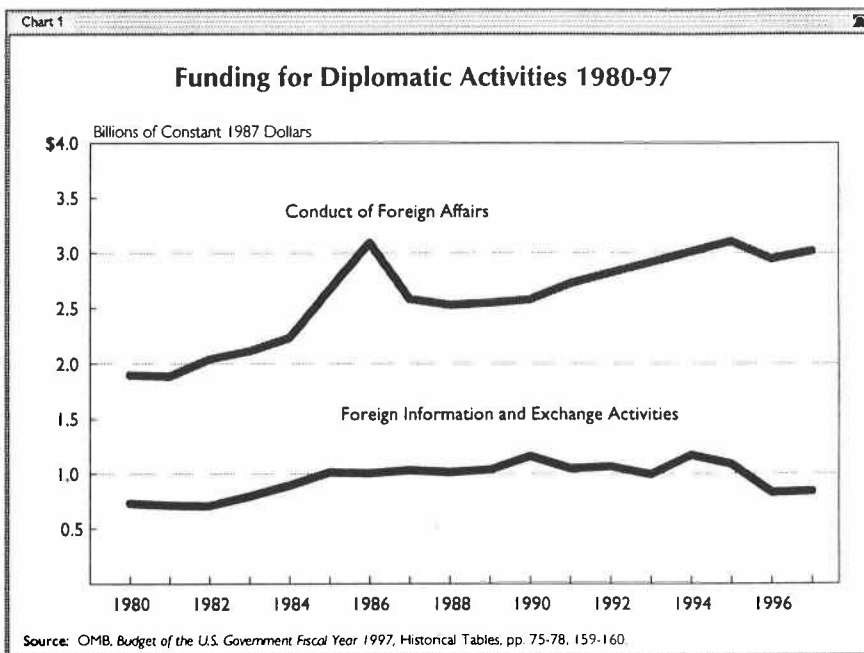
Secretary Christopher claims that “spending on international affairs has been slashed by 50 percent [since 1985].” He also insists that these “budget cuts have forced us to close over two dozen consulates and several embassies.”² The solution he advocates is the Administration’s proposal to increase the overall foreign affairs budget to \$19.3 billion in FY 1998, an increase of \$1.2 billion.

Real increases. Christopher’s assessment that the overall foreign affairs budget has decreased in inflation-adjusted dollars since 1985 is accurate. Close examination of the programs within the foreign affairs budget, however, reveals that embassies and consulates have not borne the brunt of reductions in the foreign affairs budget. In fact, funding for embassies and consulates has increased by 13 percent in real terms since 1985.³

Other diplomatic activities, such as student exchanges and public diplomacy, have seen only minor fluctuations in funding since 1985 (see Chart 1).⁴

In addition, the State Department also has seen a sharp increase in its budget. For example, current funding for the State

Department, once it is adjusted for inflation, is over 25 percent higher than it was in 1985 (see Chart 2). In fact, spending in real terms for the State Department has risen steadily since 1987, peaking in 1994 and experiencing only a slight decline since then. Despite this drop, current funding for the State Department remains well above Cold War levels in the 1980s. This situation is a far cry from the budget “hemorrhaging” described by Christopher.⁵



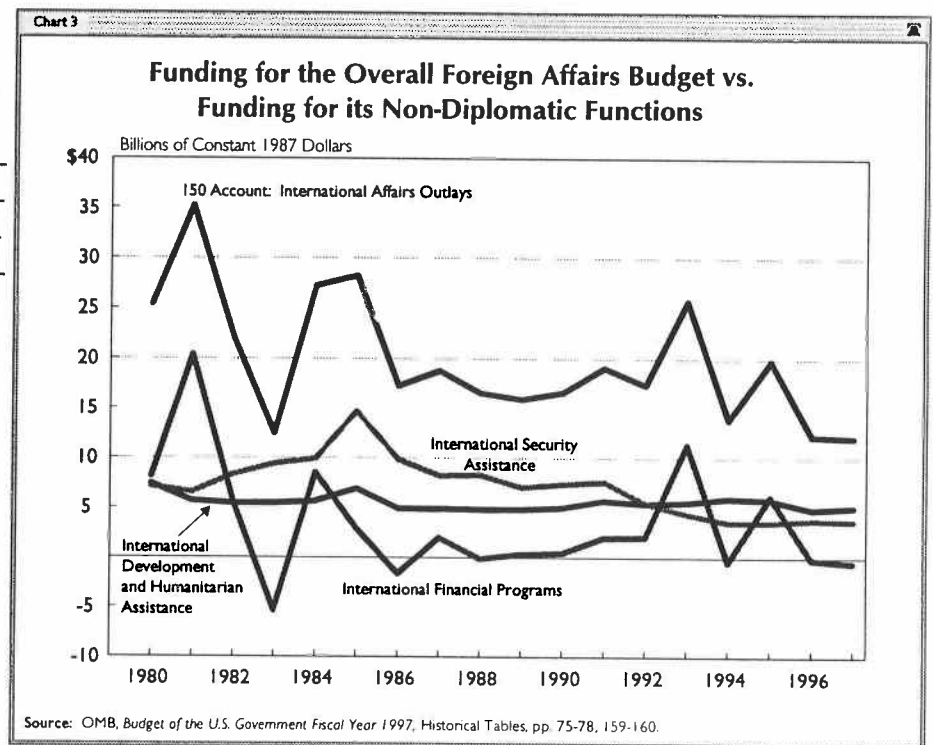
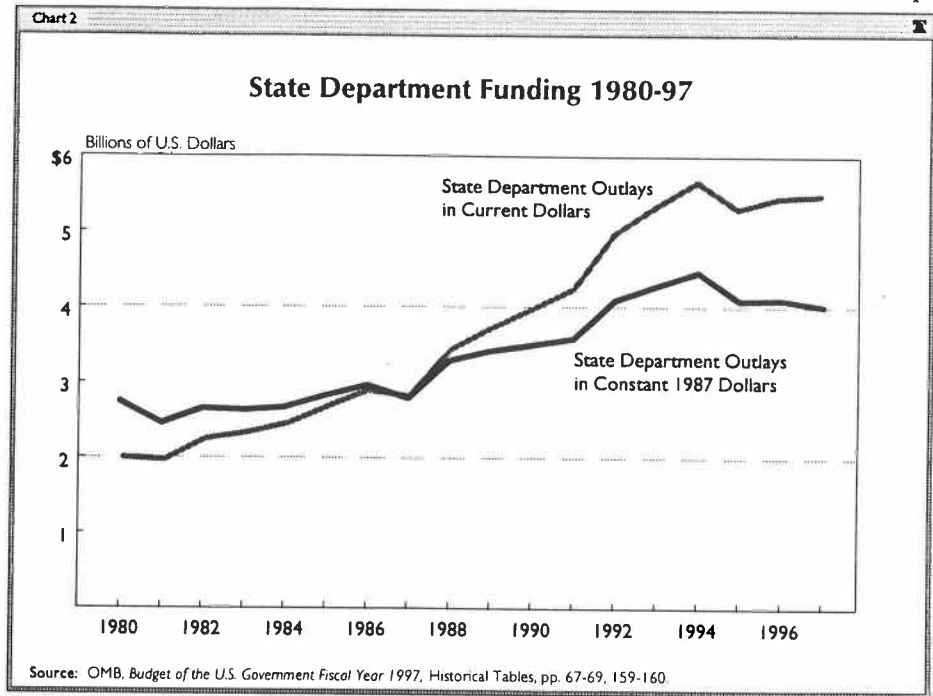
² *Ibid.*

³ Funding for U.S. embassies and consulates, contributions to international organizations, and some independent agencies such as the Arms Control and Disarmament Agency are included under the 153 subcode function in the budget. These expenses are generally called “Conduct of Foreign Affairs.” The “Foreign Information and Exchange Activities” category included in Chart 1 falls under the 154 subcode and includes funding for student and cultural exchange programs and foreign library, radio, or other media information activities that support public diplomacy efforts. These activities are generally overseen by the United States Information Agency.

⁴ Office of Management and Budget, *Budget of the United States Government, Fiscal Year 1997, Historical Tables* (Washington, D.C.: U.S. Government Printing Office, 1996), pp. 75-78, 159-60.

⁵ Christopher remarks, *op. cit.*

Where are the cuts? The foreign affairs budget includes funding for many diplomatic activities and programs. In addition to spending for U.S. embassies and consulates, it supports numerous international organizations, development aid, security assistance, and export financing. In fact, non-embassy spending accounts for approximately 70 percent of the entire foreign affairs budget. Although expenditures on diplomatic programs within the State Department have risen steadily, spending on international financial programs and foreign aid has dropped.⁶ Reductions in development aid, security aid, and international financial programs—not cuts in direct diplomatic funding—are primarily responsible for the overall reduction in the foreign affairs budget (see Chart 3).



⁶ Activities included in these programs are, among others: economic development assistance; international finance programs, such as export financing; and most international monetary programs, such as contributions to the International Monetary Fund and multilateral development banks.

It is true that increasing demands were placed on the State Department immediately at the end of the Cold War. The dissolution of the Soviet Union required the establishment of a number of new embassies and consulates. The startup costs for these offices, such as purchasing or constructing buildings, mandated increased funding. Congress recognized this need and increased funding appropriately. This spending increase is apparent in the Conduct of Foreign Affairs budget from 1992 to 1994 (see Chart 1).

The initial costs of establishing these embassies and consulates passed long ago, however. It is unlikely that expenses for embassies and consulates should far outstrip the funding requirements in 1991, which were higher than during most of the 1980s. Funding for embassies and consulates has remained stable for the past three budgets. No cries of critical funding shortages were heard until recently. Therefore, the claim that the relatively modest reductions in funding since 1994 have caused the closure of embassies and consulates is disingenuous.

THE FAILED LEGACY OF FOREIGN AID PROGRAMS

Instead of seeking to increase funding for the foreign affairs budget, the Clinton Administration should look to eliminate the numerous programs within the foreign affairs budget that are wasteful. The most likely candidate for elimination is economic development aid. Policymakers long have recognized that foreign aid programs are among the most inefficient and wasteful funded by the federal government. The Hamilton-Gilman Task Force Report of 1989, the *State 2000: A New Model for Managing Foreign Affairs* State Department report of 1992, and even Vice President Al Gore's "reinventing government" initiative concluded that U.S. foreign aid programs are in dire need of reform. These conclusions led Secretary Christopher to recommend in 1995 that the Agency for International Development (AID) be abolished and its activities merged with those of the State Department.

Why eliminate economic development assistance? The answer is clear: It does more harm than good to fragile, less-developed economies. For example, of the 66 less-developed countries that have received loans from the World Bank for longer than 25 years, 37 are no better off today than they were before they received those loans. Of these 37 countries, 20 actually are poorer than they were before receiving the loans.⁷

Neither does foreign aid necessarily advance U.S. interests abroad. In fact, most U.S. foreign aid goes to countries that frequently oppose U.S. interests. For example, two of every three recipients of U.S. foreign aid vote against the United States in the U.N. a majority of the time.⁸ If the Clinton Administration and Congress need to find foreign affairs items to cut, AID and economic development aid programs clearly are the best candidates.

7 Bryan T. Johnson, "The World Bank and Economic Growth: 50 Years of Failure," Heritage Foundation *Backgrounders* No. 1082, May 16, 1996, pp. 1-2.

8 Bryan T. Johnson, "Foreign Aid Wins Few Friends at the United Nations," Heritage Foundation *F.Y.I.* No. 101, May 13, 1996.

CONCLUSION

The United States needs to have a strong diplomatic overseas presence. Congress and the Clinton Administration should work to ensure that U.S. embassies, consulates, and other diplomatic activities are fully funded. But there is no need to increase the foreign affairs budget to keep these embassies open. More than enough funding would be available if the Agency for International Development were abolished and economic development aid ended. Savings from these cuts could be applied to embassy activities, if needed. Secretaries Christopher and Albright were correct to be concerned about funding U.S. diplomatic activities. But they were wrong in thinking that increasing the foreign affairs budget is the only way to achieve this goal.

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