

**“US Foreign Policy &
International Development:
Mutually Exclusive?”**

Analysis of the International Affairs Budget

How much? For what purpose? How effective?

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About
www.USAForeignPolicy.info

The organization's mission is to contribute to a foreign policy that:

- o Fosters international development
- o Reflects American values
- o Is accountable to taxpayers

A foreign policy formulated behind closed doors in Washington and unaccountable overseas often leads to abuses of power causing persistent underdevelopment.

Whilst tax payers assume benevolence overseas and developing countries can be coerced into silence an accountability component is lacking.

www.USAForeignPolicy.info attempts to provide a platform for developing countries to expose these issues in order to promote a much needed corrective mechanism in Washington.

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“The United States has a proud history of bringing hope to the millions who live under oppressive poverty, face starvation, battle disease and suffer the consequences of conflict and insecurity.

In present times, improving the lives of others has become central to our national security.”

*President George W. Bush,
International Affairs Budget 2008*

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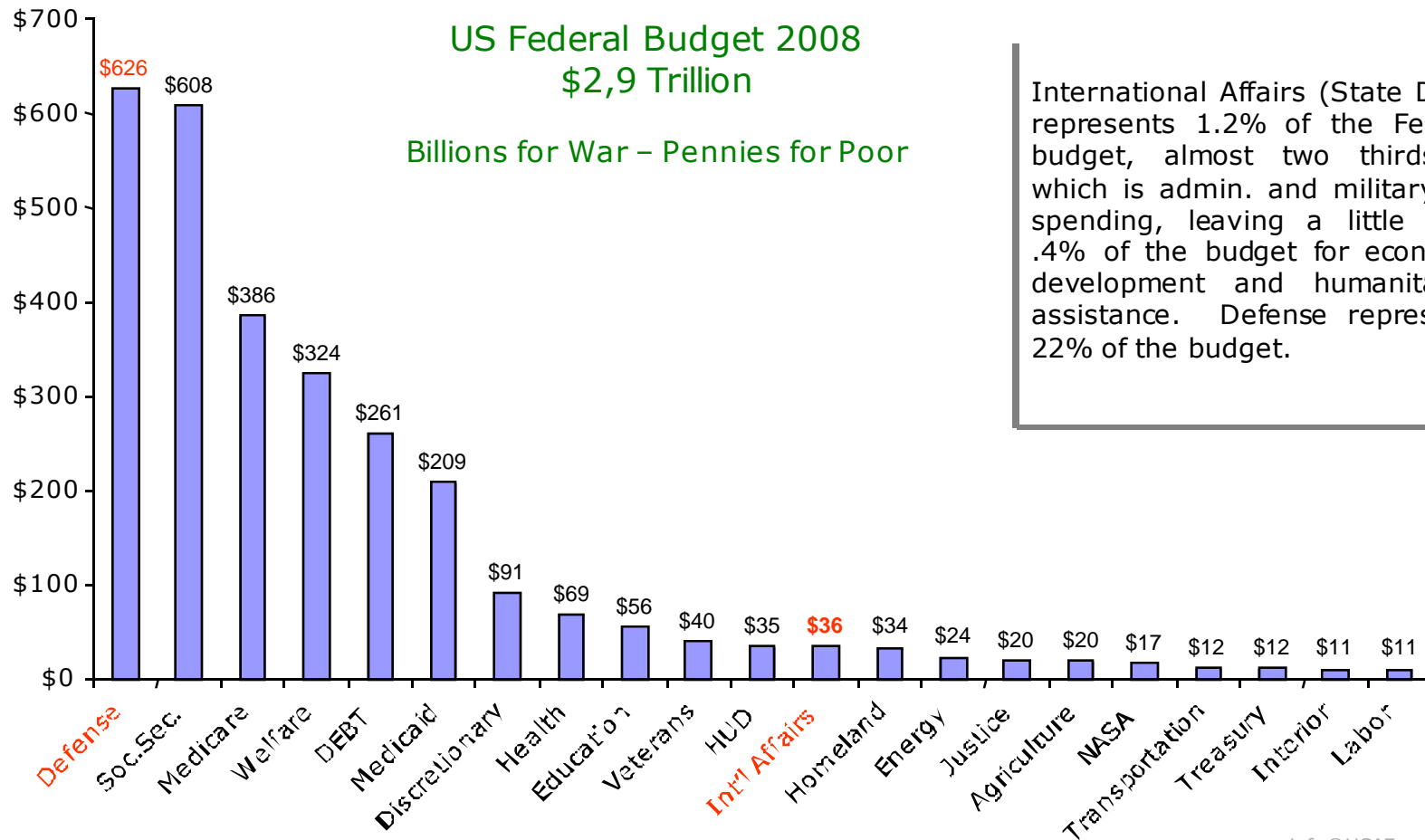
State Department

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International Affairs (State Dept) represents 1.2% of the Federal budget, almost two thirds of which is admin. and military aid spending, leaving a little over .4% of the budget for economic development and humanitarian assistance. Defense represents 22% of the budget.

Source: US International Affairs Function 150
Fiscal Year 2008 Budget Request (Analysis)

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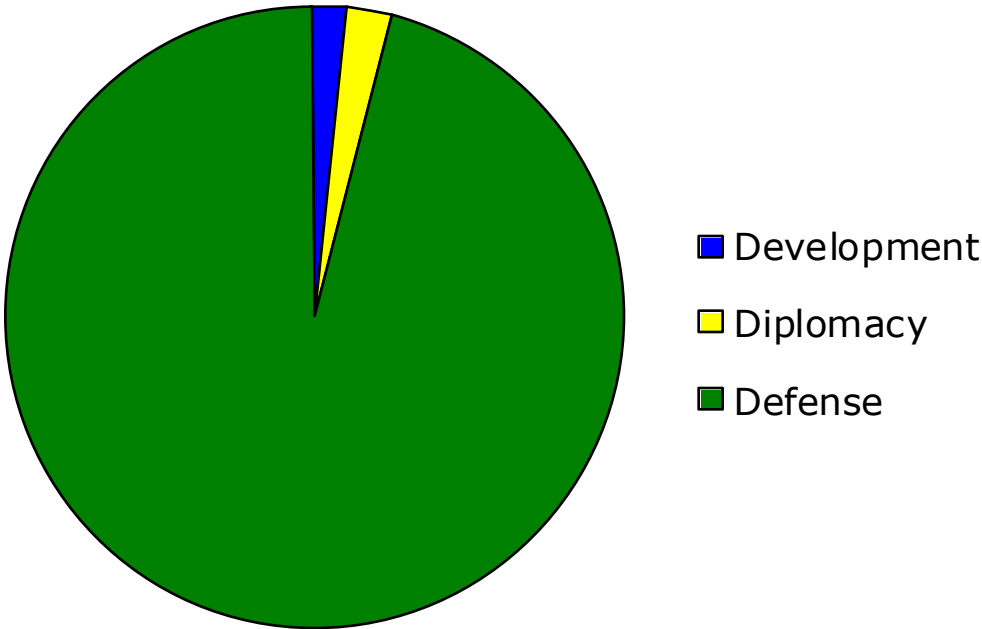
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America's Foreign Policy Strategy
3 D's (Defense, Development, Diplomacy)
\$657 BN 2008 Budget (1/4 of total budget)



Source: US International Affairs Function 150
Fiscal Year 2008 Budget Request (Analysis)

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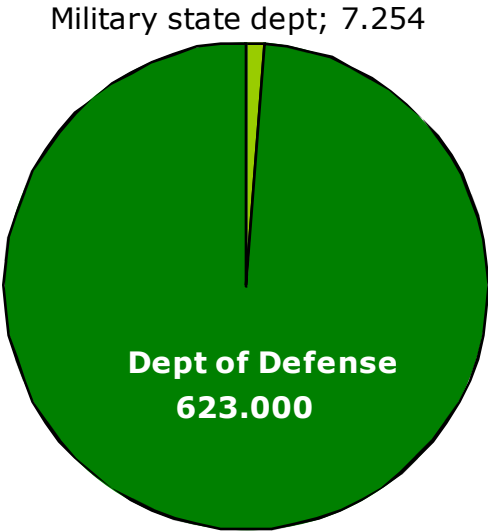
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Foreign Policy Strategy
Three Pillars of American Foreign Policy

The international affairs budget includes military, development and diplomacy

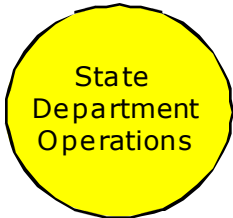
Defense

Dept of Defense & Military Aid
\$630 BN



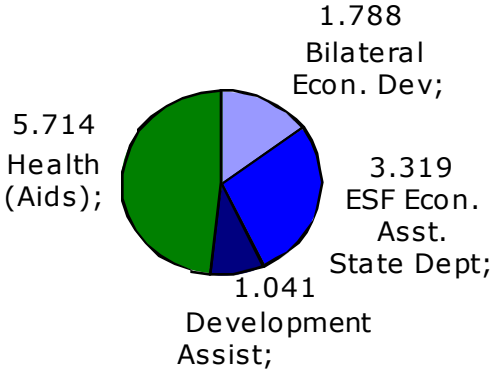
Diplomacy

State Dept. Operations
\$16 BN



Development

Economic & Health
\$12 BN



Source: US International Affairs Function 150
Fiscal Year 2008 Budget Request (Analysis)

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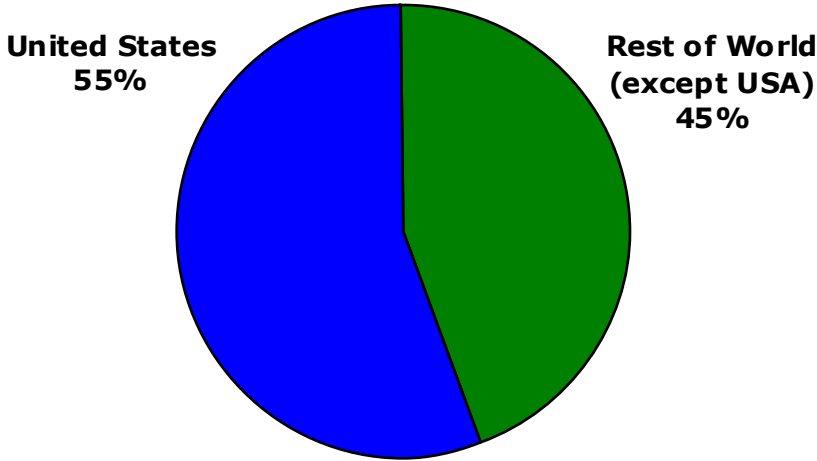
Observations



America's Market Share
Proportionality of Investments

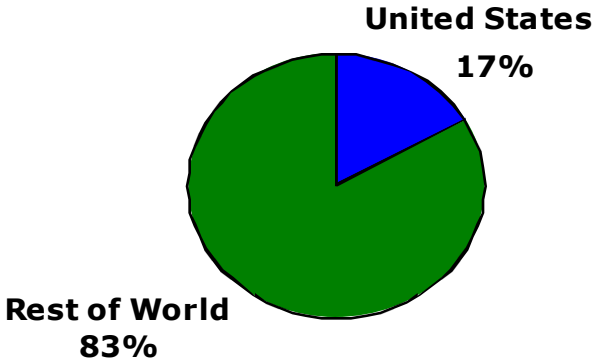
Share of Global Defense Spending

55% of
\$1,1 Trillion Industry



Share of Global Foreign Aid

17% of
\$110 Billion Industry



Sources: GlobalSecurity.org
OECD Database (DAC countries + China)

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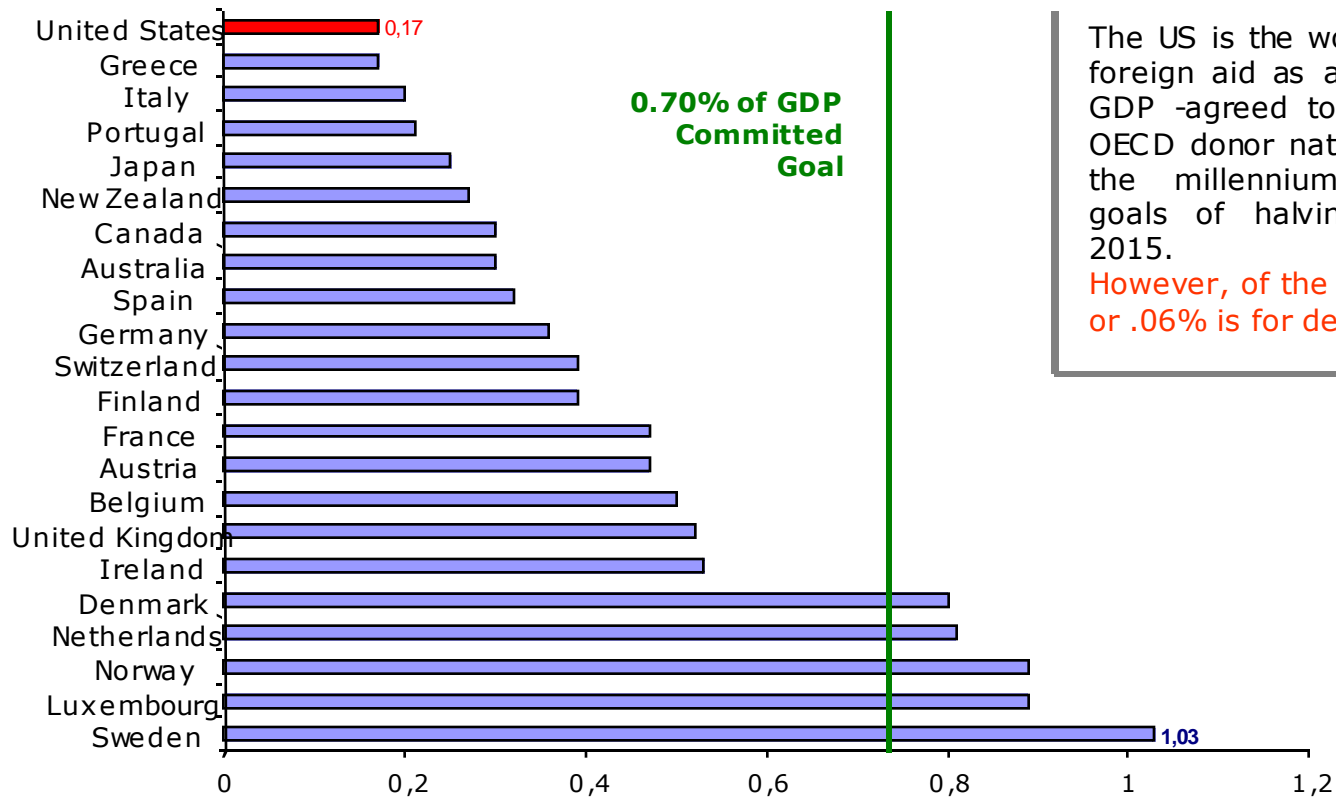
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How does America's share of development assistance compare to its peers as a percent of its GNI?



The US is the worlds laggard in foreign aid as a percent of its GDP -agreed to be 0.70% for OECD donor nations to achieve the millennium development goals of halving poverty by 2015.

However, of the .17% only 1/3, or .06% is for development.

Foreign Aid Challenges...

For no objective supporter of foreign aid can be satisfied with the existing program -actually a multiplicity of programs.

Bureaucratically fragmented, awkward and slow, its administration is diffused over a haphazard and irrational structure covering at least four departments and several other agencies.

The program is based on a series of legislative measures and administrative procedures conceived at different times and for different purposes, many of them now obsolete, inconsistent and unduly rigid and thus unsuited for our present needs and purposes. Its weaknesses have begun to undermine confidence in our effort both here and abroad.

To achieve this new goal we will need to renew the spirit of common effort which lay behind our past efforts--we must also revise our foreign aid organization.

- John F. Kennedy, President, 1961

...Little has changed since 1961

“Let me be clear. The current structure of America's foreign assistance risks incoherent policies and ineffective programs and perhaps even wasted resources.

We can do better and we must do better. We must align our activities more fully across the State Department and USAID and within the State Department itself. Increasing this alignment will enable us to be better stewards of public resources..... America's taxpayers must know that we are using their hard-earned dollars efficiently and effectively to improve our own security, but also to improve people's lives around the world.

American people are a compassionate people. They want a better world. But they want to know that those of us who are stewards of their resources are delivering on that task.”

- Condoleezza Rice, Secretary of State, 2006

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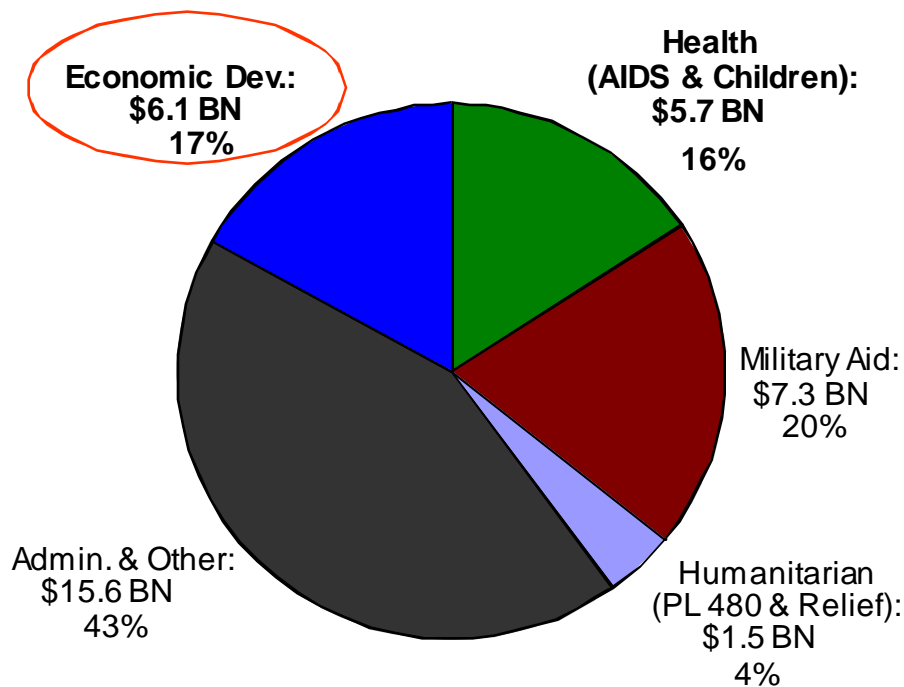
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Interpreting the \$36 BN International Affairs Budget Politics and Wars instead of Development



Budget line items reveal how operating expenses, embassy activities, military aid and agricultural subsidies (PL 480) make up 2/3 of the Int'l Affairs budget (\$24 BN)

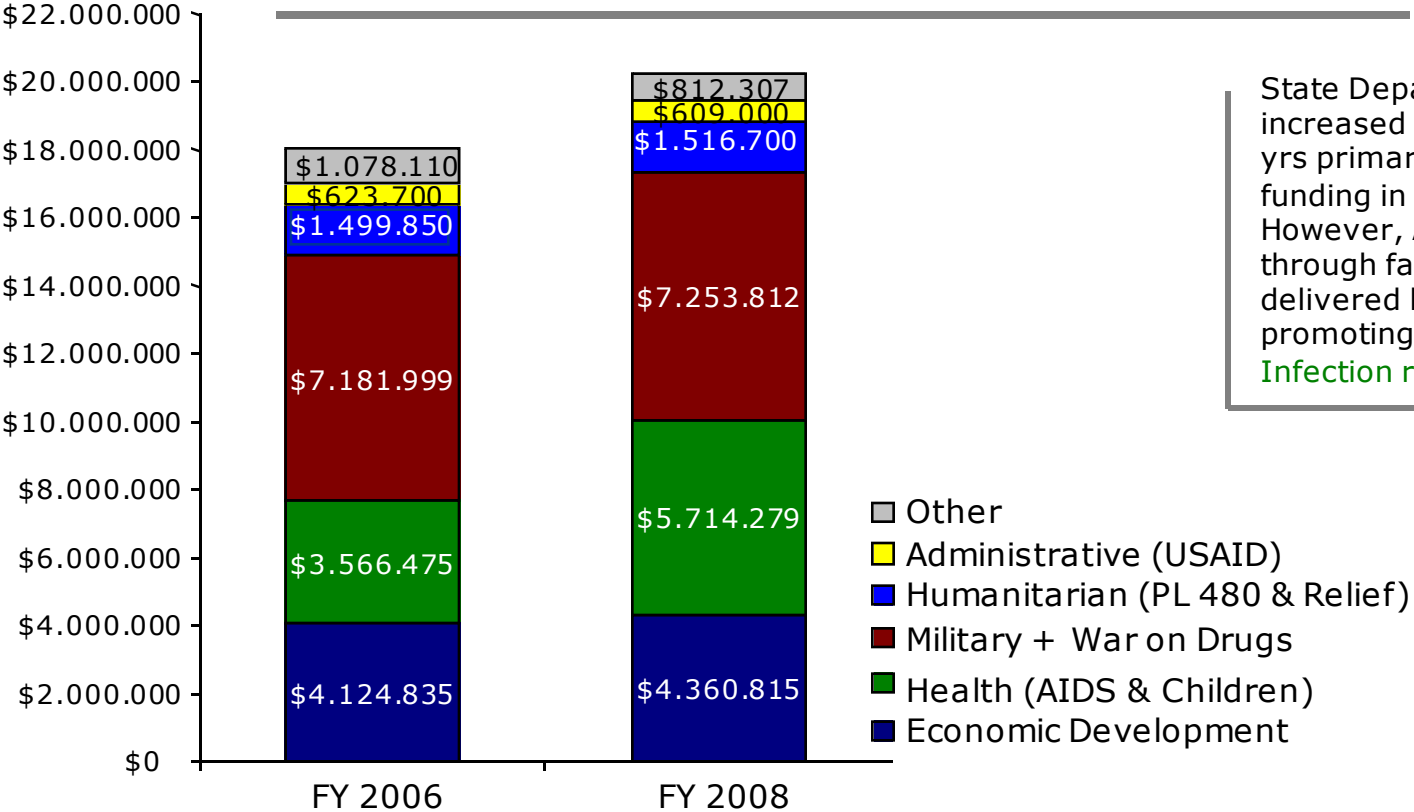
Only 1/3 of the budget is for health and economic development (\$12 BN)

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Interpreting the \$20 BN State Department Budget 2006 to 2008 Comparison



State Department budget has increased 11% in the past 2 yrs primarily due to HIV/AIDS funding in Sub-Sahara Africa. However, AIDS is prevented through faith-based initiatives delivered by US organizations promoting abstinence. Infection rates have increased.

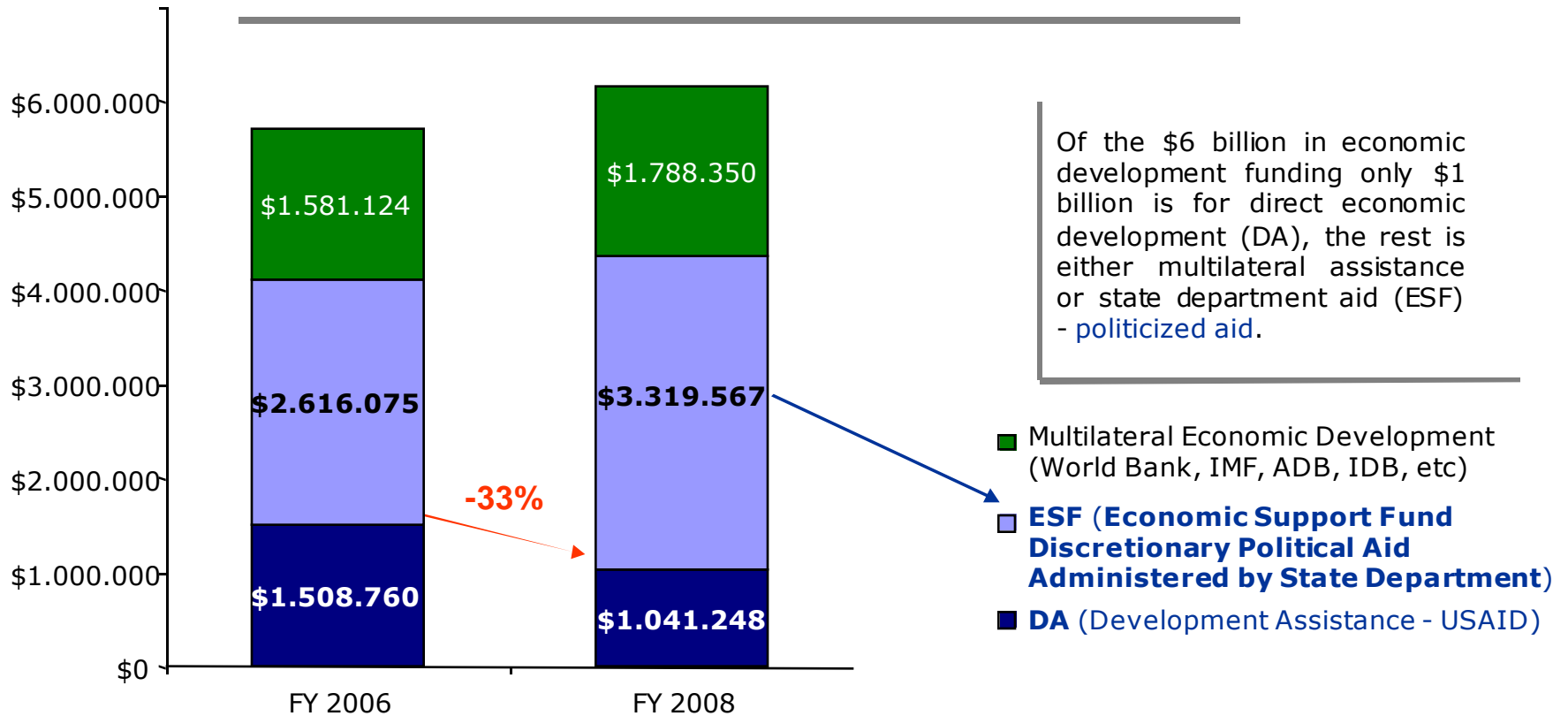
Source: US International Affairs Function 150 Fiscal Year 2008 Budget Request (Analysis)

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Interpreting the Politics of Development
Multilaterals & State Dept Distribute 5/6 of Econ. Dev. Assistance



America's Foreign Aid Policy Political Coercion & Economic Threats

"Nethercutt Amendment"

This provision mandates withholding antiterrorism funds and other aid from countries that refuse to grant immunity for U.S. citizens before the International Criminal Court.

The amendment **threatens aid** available under the **Economic Support Fund** —intended to help U.S. allies promote democracy, fight terrorism and corruption, and resolve conflict.

"The United States is bullying smaller, weaker countries because of an ideological obsession with an illusory threat," said Richard Dicker, director of the International Justice program of Human Rights Watch.

Soft Power

America's Dangerous Loss of Leadership

“The ability of a political body, such as a state, to indirectly influence the behavior or interests of other political bodies through cultural or ideological means”

– *Joseph Nye, Author of Soft Power*

“It is not for America to impose its own principles of government upon the rest of mankind, but rather to attract the rest of mankind through the example of the United States.”

- *John Quincy Adams, America's 6th President*

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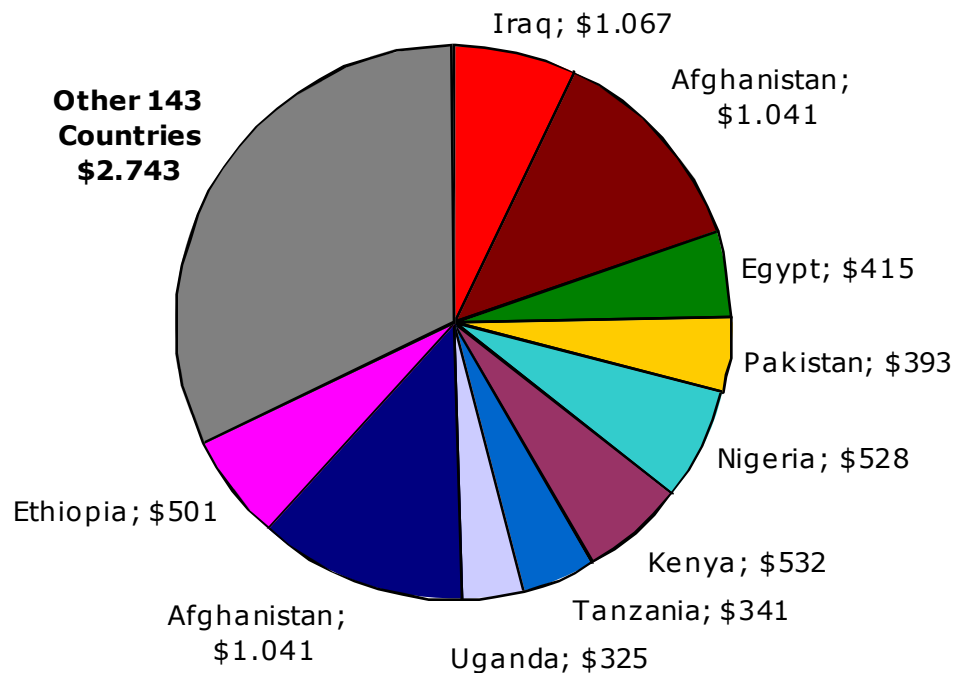
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Top Recipients of \$12 BN Foreign Aid Budget Is poverty part of the selection criteria for development assistance?



2/3 of foreign assistance is concentrated on ten countries and reactive to wars on terror and drugs. America is fighting in few countries and ignoring the rest, particularly failed and failing states – creating a threat to America’s security and economy.

Note: **Israel receives \$32 BN** in aid annually, which is not accounted for in the international affairs budget. Iraq, Colombia and Egypt are also allocated more funds through the Dept. of Defense.

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Top Recipients of Foreign Aid
What Criteria Drive Assistance?

Iraq	\$1.067	→ War - Debt forgiveness
Pakistan	\$393	→ War on Terror
Afghanistan	\$1,041	→ War on Drugs
Colombia	\$600	→ War on Drugs
Egypt	\$415	→ Middle East / Military
Nigeria	\$528	→ Oil producer
Ethiopia	\$501	→ AIDS
Uganda	\$325	→ AIDS
Tanzania	\$341	→ AIDS
Total	\$8 BN	

Top 10 countries receive 2/3 of Global Aid – which is driven by wars on (terror, drugs and AIDS).

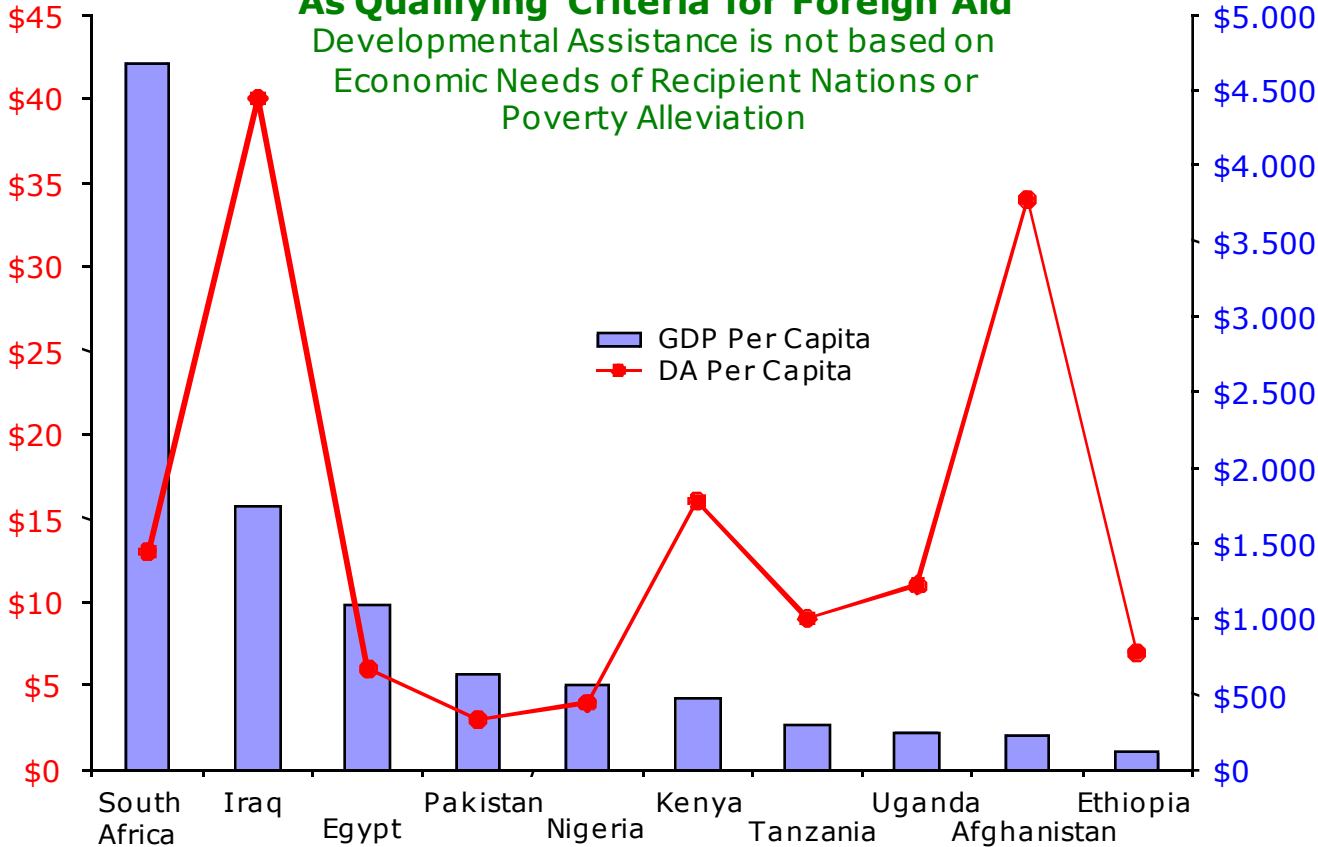
The remaining 5-BN poor receive \$2,7 BN (less than 50 cents per capita)

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War on Terror and Drugs As Qualifying Criteria for Foreign Aid Developmental Assistance is not based on Economic Needs of Recipient Nations or Poverty Alleviation



Source: US International Affairs Function 150 Fiscal Year 2008 Budget Request (Analysis)

Why Leadership Matters Failed States Threaten Freedom America Should Not Coerce States, Ignite Wars and Ignore Poverty

Why, then, should the United States continue a foreign economic assistance program?

"The answer is that there is no escaping our obligations: our moral obligations as a wise leader and good neighbor in the interdependent community of free nations--our economic obligations as the wealthiest people in a world of largely poor people....-and our political obligations as the single largest counter to the adversaries of freedom."

"To fail to meet those obligations now would be disastrous; and, in the long run, more expensive. For widespread poverty and chaos lead to a collapse of existing political and social structures which would inevitably invite the advance of totalitarianism into every weak and unstable area. Thus our own security would be endangered and our prosperity imperiled. A program of assistance to the underdeveloped nations must continue because the Nation's interest and the cause of political freedom require it."

- John F. Kennedy, 1961

Concluding Thoughts On American Leadership

As long as coercion is the diplomatic tool by which American foreign policy strategies support economic interests of a few American multinationals, the developing world will fail to develop –through America’s lack of leadership and abuse of power. And, America will remain threatened by dissidents, security risks may increase and the country will continue overly reliant on its military might –hard power. For the past sixty years, America has dominated the development agenda’s of multinationals (as the largest donor) as well as the foreign aid industry –and poverty prevails. American foreign policy provokes aggression against itself through its failure to lead the weak and vulnerable states out of poverty and oppression while successfully coercing them.

Economic development assistance for the poorest nations (not the wealthiest multinationals) in collaboration with the developed world would diminish security threats while achieving economic interests -trade and investments with a more prosperous world.

America’s abuse of hard power depletes its soft-power
–which is how leadership is lost.

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Key Observations on Budget

- ❖ **GWOT (Global War on Terror):** Through the international affairs budget as well as supplemental emergency funding Iraq and Afghanistan are poised to receive \$2,6 BN in aid for the war on terror, almost doubling its budget. The counter-effects of this are a clear danger to America as is the ability for these countries to process such large amounts of military aid.
- ❖ **PEPFAR (Program to Fight Aids):** Is set to increase funding to \$4,2 BN (a 110% increase over 2007). An important challenge here is to allow local customs and culture into the strategy to combat aids. Thus far, promoting abstinence through US faith-based missions has increased infection rates in UGANDA –one of the major recipients of aid.
- ❖ **MCC (Millennium Challenge Corp.):** MCC's 2008 budget is supposed to increase from \$1,1 BN in 2007 to \$3,0 BN in 2008. However, bottlenecks in the system have prevented disbursements. Less than 5% of the allocated funds are being distributed.
- ❖ **ESF (Economic Support Fund):** The ESF funds consistent increase in budget reflects the empowerment of the State Department as a provider of foreign aid. The 2008 budget is \$3,3 BN. This politicizes aid through the Nethercutt Amendment, which enables ESF funds to be used for blackmailing countries to support US exceptionalism.
- ❖ **DA (Development Assistance):** Dwindles to less than 1/3 of the ESF budget at \$1 BN, marking the reduced importance that is being placed on **USAID** –which continues to see its budget and staff levels fall for the fifth year in a row.

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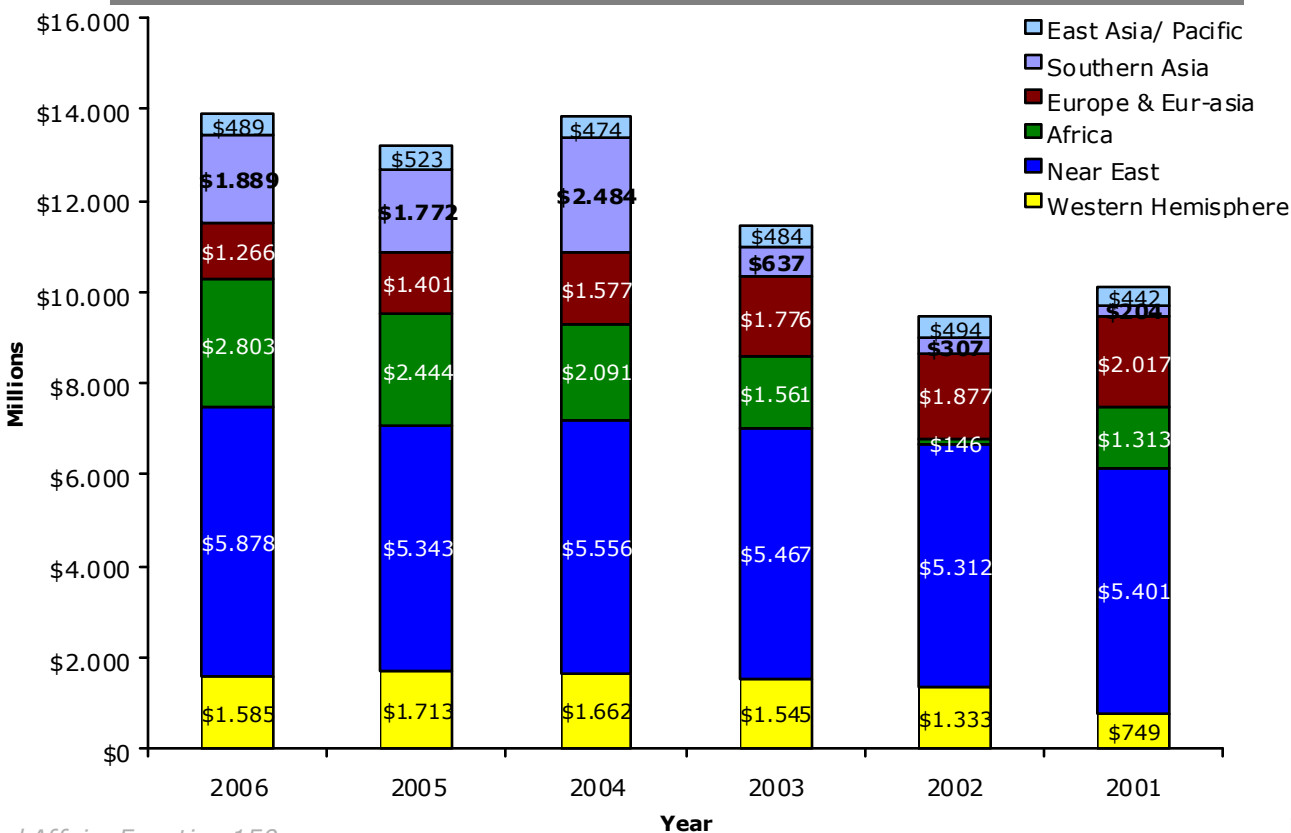
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Regional Distribution of US Foreign Aid
2001 - 2006



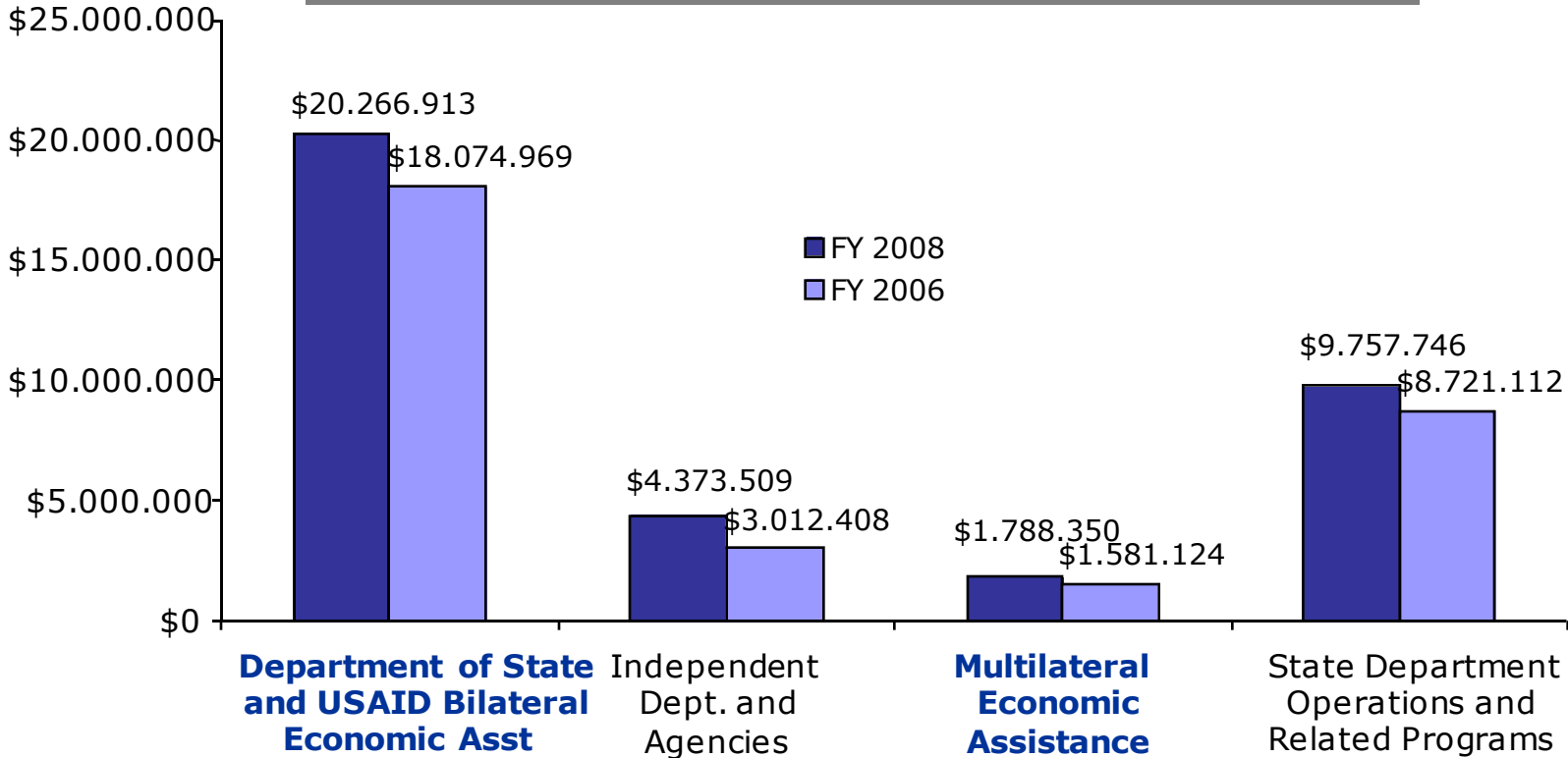
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International Affairs Budget \$36 B 2006 - 2008 Comparison

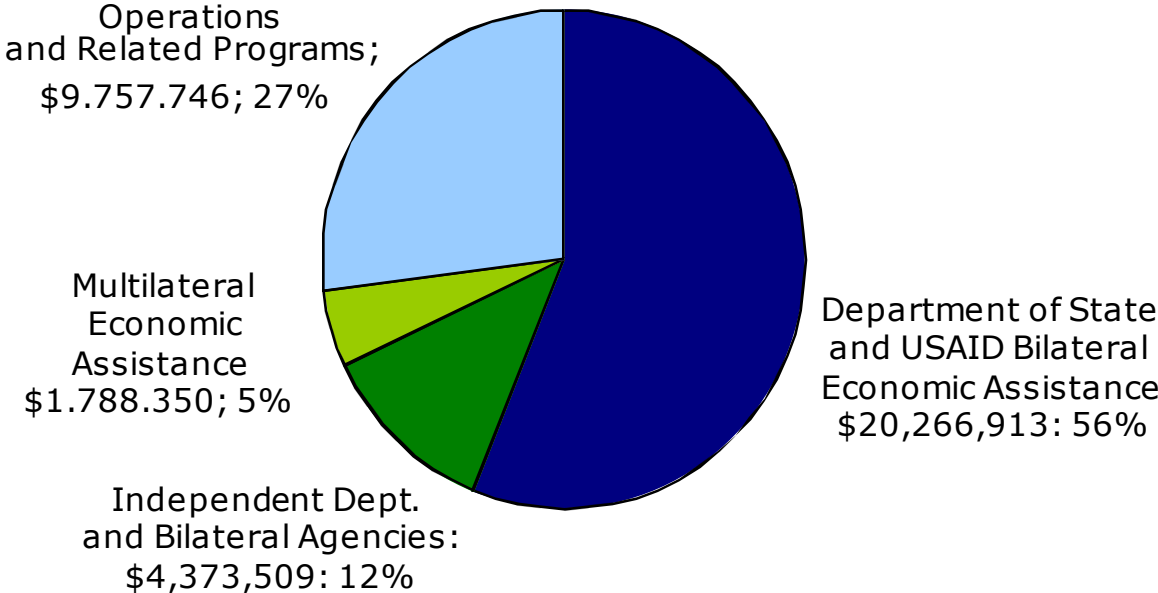


Source: US International Affairs Function 150 Fiscal Year 2008 Budget Request (Analysis)

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Official Classification of the International Affairs Budget \$36 BN Distribution



The budget for international affairs is divided into four categories with overlapping functions and inclusive of military aid (\$7,2 BN).

Analyzing the budget categories is necessary for understanding how the funds are spent by purpose / region.

Source: US International Affairs Function 150
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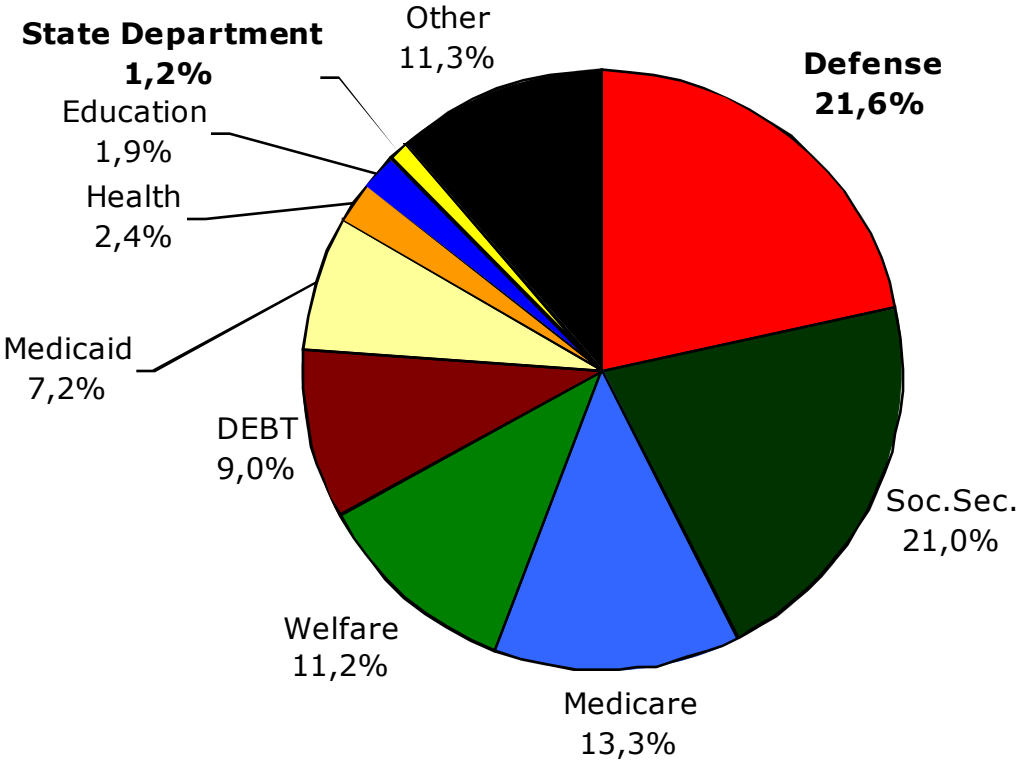
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USA Federal Budget 2008



The total budget for international affairs consists of multilateral aid (world bank, IDB, IMF) and bilateral aid (USAID, MCA, HIV Fund) as well as domestic agencies and international operations (embassies and projects).

Source: US International Affairs Function 150 Fiscal Year 2008 Budget Request (Analysis)