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## COMMISSION ON SECURITY AND ECONOMIC ASSISTANCE\*

### EXECUTIVE SUMMARY

In supporting the economic and security capabilities of friendly countries, the United States seeks to further free, humane and open societies in a secure, prosperous world. Our efforts are directed to assuring our national security, promoting the democratic rights and ideals upon which our society is based and fostering our economic and commercial interests.

### BACKGROUND

Concerned with the lack of popular and legislative support for foreign assistance, declining real resource levels and widespread skepticism regarding program effectiveness, the Secretary of State created the Commission on Security and Economic Assistance. Noting that international political, economic and security concerns are increasing in number and complexity, he charged the Commission with examining all aspects of US foreign assistance programs and proposing ways these programs can make a greater contribution to meeting national objectives in the 1980s.

The Commission members were drawn from both the Congress and the public, and represent a broad bipartisan cross-section of views. Functional task forces were organized to examine specific objectives and programs. Testimony was heard from specialists and generalists, from both within and outside the government.

The major findings and recommendations of the Commission follow.

### FINDINGS

Support for foreign assistance has broken down and polarized, as greater numbers of advocates for military or economic programs oppose rather than support each other. This friction has been exacerbated by budgetary limitations, which have forced difficult trade-offs among domestic and international programs. As a result of widespread misunderstanding regarding the nature and objectives of specific mutual assistance programs, the general public no longer perceives these efforts as coherently serving valid national interests.

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\*Editor's Note: This article is an excerpt from a report by Honorable Frank C. Carlucci, Chairman, Commission on Security and Economic Assistance, to the Secretary of State, November 1983. Other Commission members' names are omitted and only the Executive Summary of the report is provided here. For a full copy of the report write to: Department of State, 220 21st Street, NW, Room B-648, Washington DC 20520.

Moreover, because of a decline in confidence between the executive and legislative branches over the conduct of foreign policy, program management authority over foreign assistance has become increasingly encumbered by legislative requirements. Recent efforts to integrate security and economic assistance policy and programs, while representing progress, still fall short of the mark.

It is the judgment of the Commission, however, that the instrumentalities of foreign assistance are potent and essential tools that advance our interests. Combined in well-integrated mutually reinforcing programs, they can achieve great success; witness the Marshall Plan, Korea and Taiwan.

Evaluation of the effectiveness of specific programs is conceptually difficult, particularly since these programs serve multiple objectives. Moreover, because the weighting of objectives is necessarily subjective, differences in values among observers will generate differences in conclusions. That is unavoidable.

The keystone to our recommendations is the conclusion that economic and military assistance must be closely integrated. Economic growth and rising standards of living are vital to internal stability and external defense. Threats to stability impede economic development and prosperity. The current fragmentation of program policy, design, implementation and evaluation is detrimental to both effectiveness and public support. The future effectiveness of the mutual assistance program rests on the concept that security and growth are mutually reinforcing and that both are fundamental to the advancement of US interests. This truth is best illustrated by two regions that loom large in our future: the Caribbean Basin -- including Central America -- and Africa. The first is an immediate security challenge with an important economic dimension, while the second is a situation of economic crisis that may well heighten security concerns.

On balance, it is the judgment of the Commission that US assistance programs make an indispensable contribution to achieving foreign policy objectives.

On a global level, threats to security and prosperity are increasing. The military power of the Soviet Union and its surrogates has been expanding rapidly. The world faces severe economic problems, including huge debts in some countries, intractable development problems in others and serious problems of poverty and hunger.

US foreign assistance as a whole has been declining. In real terms (when adjusted for inflation) US assistance expenditures over the last five years have averaged some 21 percent below those of a comparable period ten years ago. Military assistance, at least in terms of its "grant element," has fallen disproportionately. In 1975, the proportion of concessional economic and military assistance was roughly equal. By 1983, five dollars of economic assistance was given on concessional terms for every dollar of grant military assistance. Aside from support to Israel and Egypt, most of our military assistance is now provided at the cost of money to the US Treasury, yet there are friendly countries with legitimate security needs that simply cannot afford to borrow for necessary military equipment and services on these terms.

The Commission recognizes that the balance between economic and security assistance continues to be one of the most divisive issues affecting the foreign assistance program. The debate has become sterile and unproductive at best and damaging to US interests at worst. The Commission returned repeatedly to the conclusion that the optimum mix of programs could only be reached on a country-by-country basis where local conditions and US interests would determine requirements.

While Economic Support Fund programs have grown -- largely to Israel and Egypt -- both Development Assistance and P.L. 480 have declined in real terms as has our overall economic program. Furthermore, while ESF is highly flexible and is being used in a variety of ways meeting both US and recipient needs, legal and administrative rigidities hamper the effectiveness of Development Assistance. These result, in part, from legislative "barnacles" and a defensive posture by foreign assistance administrators.

Many other donor country assistance programs promote exports by combining commercial and subsidized credits and projects that support their domestic industrial interests. These programs are effective; our commercial interests are suffering significant losses. We have attempted for seven years, without success, to negotiate an agreement to limit these practices, but they continue to increase. The Commission concludes that defense of legitimate US commercial interests with a similar program is inevitable if diplomatic efforts to reverse this trend are not successful.

The countries of the world are highly interdependent and continue to become more so. In this setting, we cannot escape the importance of international lending, trade relations, collective security and mutual assistance. Charting a course for US leadership is fraught with more dangers than ever before. Because our mutual assistance efforts must respond to a changing environment that threatens American security and prosperity in every part of the world, we offer the following recommendations.

- Establish Bipartisan Leadership Support. The Commission urges that the Congressional leadership and the President issue a joint statement endorsing the conclusion that foreign security and economic cooperation programs are mutually supportive and interrelated, and together constitute an essential and integral part of the foreign policy of the United States.

- Promote a Citizens' Network. To assure that the public is adequately informed, the Commission recommends the creation of a citizens' network. To foster its development, the Commission suggests that the President, with the support of bipartisan leadership, call for a White House conference on the subject of United States security and economic assistance.

- Continue Support for Development Education. The Commission recommends that the Administration and Congress continue and broaden their efforts to inform the American public on development issues and include all elements of our mutual assistance programs.

- Increase Assistance Levels. To meet US foreign policy objectives, significant increases in real levels of assistance will be required. Any new initiatives will necessitate further budget increases.

- Adopt a Country Approach to Program Development. Foreign assistance programs should contain an overall mix of security and economic assistance resources that best serves US national interests. That is best determined through development of an integrated program for each recipient country. The Commission believes that this principle should be the primary policy guiding the development of the overall program.

- Ensure Carefully Integrated Programs for Sub-Saharan Africa and the Caribbean Region Including Central America. Special challenges face the United States in the foreseeable future in sub-Saharan Africa and the Caribbean region, including Central America, where there are serious economic and security conditions. The Commission recommends particular attention be given to careful construction of integrated security and economic assistance programs, recognizing that increased resources may be needed.

- Support Policy Reforms. The Commission recommends that programs contribute to the evolution of policies that will result in open, self-sustaining and democratic societies. To achieve recipient country policies that are conducive to growth and development, the programs and policies of the several contributors must be properly coordinated. Given its prominence and experience, the World Bank should take a leading role in promoting policy reform and better coordination among all participants. It would be desirable for the World Bank's executive board to hold regular review meetings to focus on the recipient country's policies and program coordination relative to bank assistance. Not only would such discussions facilitate coordination, they would be useful in their own right.

- Expand Human Resource Development and Institution Building. The Commission endorses greater program emphasis on human resource development and institution building. These are essential to development and security. US knowledge and experience can contribute substantially to meeting the needs of developing countries, as can training and education programs, both civilian and military.

- Increase Program Emphasis on Science and Technology. The Commission recommends greater programming emphasis be given to science and technology-related development assistance that would also be available, on a mutually cooperative basis, to middle-income and newly industrialized countries.

- Promote the Private Sector. The Commission endorses the use of our bilateral and multilateral cooperation programs to promote and encourage the growth of indigenous private sectors and US private sector contributions to the development process. The strengthening of free trade unions and the promotion of employment-oriented development strategies, in an environment conducive to free enterprise, are integral to sound long-term growth and security. Both bilateral and multilateral programs should be used to achieve appropriate policy reforms and to support these objectives wherever feasible.

- Improve Evaluation. We recommend the development of a comprehensive evaluative mechanism that assesses the secondary as well as primary impacts of US mutual assistance efforts, interrelates the projects and expresses a judgment on their effectiveness. Such comprehensive evaluative

capacity is needed to improve planning efforts and more adequately inform the public.

- Maintain Economic Support Fund Flexibility. The Commission believes that the flexibility of the ESF program must not be impaired by imposing specific goals or requirements on it. However, where possible, ESF should be programmed to further economic development and US commercial objectives.

- Increase Flexibility in the Development Assistance Account. The Commission urges greater flexibility in the administration of the Development Assistance account to ensure that long-term development needs are met in ways consistent with the short-term economic and financial constraints that are facing many developing countries, particularly in Africa.

- Support Development of Objectives of P.L. 480. Requirements for P.L. 480 assistance will continue, particularly in Africa. The Commission recommends that special attention be given to those needs. Whenever possible, P.L. 480 resources should be used in connection with other forms of economic assistance to maximize development impact.

- Increase Concessionality in Military Assistance. The Commission believes that the US Government should consider the same economic factors in determining the concessionality of military assistance as it considers in determining the concessionality of economic assistance and provide the level appropriate to conditions in each recipient country.

- Establish a Mutual Development and Security Administration. The Commission concludes that the most effective means to achieve program integration, a country approach to program development, an improved evaluative system and increased public support is to consolidate certain aspects of current programs under a new agency, reporting to the Secretary of State. This organization would be responsible for the integration of economic and security assistance and direct control over economic assistance and ESF program operations.

- Establish a New Consultative Group. The Commission believes that executive-legislative consultation through existing channels should be strengthened, and an additional mechanism should be established for consultation between the branches that will afford greater cohesion and effectiveness in the decision-making process.