
The International Affairs Budget: A Sound Investment in Global Leadership

**Bureau of Public Affairs
United States Department of State**

[The following is a reprint of a list of questions and answers regarding the International Affairs Budget that was released by the Department of State on October 1, 1995.]

In order to protect "the security and prosperity of all our people," the President [Clinton] has said, "the tradition of American leadership must prevail." Effective U.S. world leadership is not just a question of will, but of funding. The international affairs budget crisis is one of the most urgent but least recognized challenges facing us today.

"With the end of the Cold War, our challenges abroad have become more complex. Our security depends upon fighting threats like terrorism and nuclear proliferation, threats that call for international cooperation. Our prosperity rests increasingly on foreign trade and investment that depends on open markets. Meeting these essential challenges demands American engagement, leadership and resources, as President Clinton has repeatedly stressed."

**Warren M. Christopher
Secretary of State
September 12, 1995**

During the last half-century, America's active engagement abroad has been the leading force for peace, progress, and human dignity. American leadership has sparked and nurtured the twin global revolutions of free market economies and political liberty now under way. The Cold War is over, but current domestic trends could keep us from enjoying the "peace dividend" we have earned. Slash-and-burn cuts to the international affairs budget suggest isolation and withdrawal, to the peril of the security and well-being of the American people. We invested trillions of dollars fighting the Cold War. It would be a tragic, costly mistake not to spend what amounts to a tiny annual insurance premium to safeguard that investment.

Blood From a Stone: Even the Most Drastic Cuts in International Affairs Won't Balance the Budget

Q. *Isn't foreign assistance spending already consuming too much of the federal budget?*

A. No. Foreign assistance is a real bargain for American taxpayers. Recent polls suggest that the American people think that up to 25 percent of federal spending goes to foreign assistance, and that 8 percent should be the maximum. In fact, we spend less than 1 percent of the total federal budget on foreign assistance—about 12 cents a day for each American citizen—in contrast to about 18 percent still spent on defense.

FY 1995 International Affairs Budget

(Small percentage of federal budget)

National Defense—18 percent
Direct Benefit Payments—48 percent

Net Interest—14 percent
Other Federal Operations—4 percent
International Affairs—1 percent
Grants to States and Localities—15 percent

Q. Why does foreign affairs spending keep going up?

A. It doesn't. President Clinton's international affairs budget request for FY 1996—including not only foreign assistance but funding for trade promotion, the State Department, and numerous other activities—amounts to only 1.3 percent out of every tax dollar. This figure actually represents a decline over a decade from about 2.3 percent. Since 1984, U.S. international affairs spending has decreased by 45 percent in real terms.

Q. Now that the Cold War is over, why is it necessary to spend so much on foreign affairs?

A. American engagement in the world is, if anything, more important than ever. The U.S.-Soviet standoff that underpinned world order for much of the past 50 years is gone. With the end of the Cold War, we are the world's sole remaining superpower, with a new set of sole—and far more complex—responsibilities. Our security depends increasingly on combating threats like nuclear smuggling, terrorism, international crime, and narcotics trafficking. Our prosperity depends more and more on international trade and investment.

Q. Why does the U.S. Government have to shoulder this burden alone? Can't someone else take over? Can't our allies do more?

A. For much of the three decades following the end of World War II, the United States led developed countries in international affairs spending. Today, we rank last—ironically, well behind our principal World War II adversaries Germany and Japan—in terms of foreign assistance spending as a percentage of GNP. U.S. foreign assistance comes to 3/20 of one percent of our GNP. Other countries now pay 75 percent of all peacekeeping costs, provide two-thirds or more of the money for multilateral banks, and outspend us on foreign assistance by as much as seven to one as a percentage of GDP.

Amidst all the current debate about the responsibilities of the federal government versus those of the States, one thing stands out: in the case of our foreign affairs and our national security, there is no one to hand off to, no one to "block grant" to, no way to privatize. These are sole responsibilities of the federal government. We either meet them or we don't.

Foreign Development Assistance As a Percentage of GNP

Country	Percent of GNP	Country	Percent of GNP
Denmark	1.03	Switzerland	0.33
Norway	1.01	Italy	0.31
Sweden	0.98	United Kingdom	0.31
Netherlands	0.82	Austria	0.30
France	0.63	Portugal	0.29
Canada	0.45	Japan	0.26
Finland	0.45	New Zealand	0.25
Belgium	0.39	Spain	0.25
Germany	0.37	Ireland	0.20
Australia	0.35	United States	0.15
Luxembourg	0.35		

Q. Why do we have such a large State Department?

A. We don't. The Department of State is smaller than 10 of the 14 U.S. Cabinet departments. Its work force constitutes a little more than one-half of one percent of the federal

total. State, in fact, employs fewer people than do local governments in Memphis, Tennessee, Baltimore, Maryland, or Alachua County, Florida. Only a little more than 4,000 diplomatic and consular service officers staff nearly 250 U.S. embassies and consulates abroad. In the United States, other employees run headquarters operations, and a few hundred Civil Service employees staff 14 passport offices around the country, providing services to the traveling American public.

Executive Branch Federal Employment

Agency	Total Employment	Agency	Total Employment
Defense	2,323,600	Health and Human Services	61,800
Veterans Affairs	230,100	Commerce	35,700
Treasury	162,200	STATE	24,800
Justice	109,200	Energy	20,600
Agriculture	108,100	Labor	17,900
Interior	76,200	HUD	12,600
Transportation	64,400	Education	5,100

Q. *Since most Americans favor reducing government spending to balance the federal budget, have the State Department and other foreign affairs agencies done anything to cut costs?*

A. Yes, the Administration has done a great deal to cut costs. We have already:

- Cut the foreign assistance budget request by 20 percent;
- Trimmed more than 1,100 jobs at the State Department and 600 jobs at the U.S. Information Agency (USIA);
- Identified, for elimination by 1997, about 2,000 jobs at the U.S. Agency for International Development (USAID);
- Decreased administrative and overhead costs by \$100 million; and
- Closed, or scheduled for closing, 36 diplomatic or consular posts, ten USIA posts, and 28 USAID missions abroad.

American Leadership Protects Your Interests; Isolationism Is Bad for You

Q. *Isn't the money we spend on foreign assistance just international welfare? What do we get for our money?*

A. International affairs spending is not a giveaway. In fact, foreign assistance programs have ultimately put more dollars into the pockets of American taxpayers than they have ever taken out. For one thing, most foreign assistance dollars stay right here at home. Nearly 80 percent of USAID contracts and grants go to U.S. firms. Ninety-five percent of all food assistance purchases are made in the United States, and virtually all military assistance is spent on U.S. goods and services. Beyond that, we get a lot for our money; in short, prosperity, peace, and security at home.

American Exports—American Jobs.

Our economy depends on exports like never before. The growth in the economy we have witnessed over the past three years is due heavily to increased exports.

Developing countries currently account for well more than one-third—nearly \$200 billion worth—of U.S. exports and now represent the fastest-growing markets for American goods. The Commerce Department estimates that every \$1 billion worth of these exports generates about 20,000 U.S. jobs. With market growth rates 10 times those of our traditional markets in Europe and Japan, developing countries are particularly good customers for high-value and agricultural exports. More than one-half of America's farm exports go to the developing world.

U.S. assistance programs help get U.S. business in the door, much as our competitors' assistance programs leverage opportunities for their business communities. Since 1971, for example, the Overseas Private Investment Corporation (OPIC) has supported U.S. business investment in projects worth nearly \$73 billion (primarily in developing countries), has generated \$40 billion in U.S. exports, and has created hundreds of thousands of American jobs. Worldwide, 43 out of the 50 largest buyers of American farm goods today are former recipients of U.S. food assistance.

U.S. exports to the developing world are still surging. In the decade of the 1980s alone, U.S. market share in Latin America grew to 57 percent, and in the six countries where we concentrated our assistance, to 71 percent. Our exports to Latin America in 1993 alone were 2.5 times the \$30.7 billion in economic assistance we provided between 1949 and 1993.

Global Diplomacy: Our Front Line of Defense.

Americans share a deep commitment to our nation's defense readiness. We must be equally committed to our diplomatic readiness—in large part so as to avoid having to deploy our men and women in uniform in harm's way. Since World War II, many Foreign Service officers have died in our country's service. They are on the front lines of the post-Cold War world, protecting you and your interests.

In some 180 countries around the world, U.S. diplomatic and consular officers meet the challenges of the post-Cold War world on a daily basis. They play pivotal roles in advancing diplomatic initiatives—from peace in the Middle East to global trade agreements—and they protect American citizens abroad, promote American culture and values, support U.S. law enforcement personnel, and perform dozens of ordinary and essential services from notariats to emergency medical assistance to helping American families adopt foreign children. We issued five million passports to U.S. citizens in 1994. A total of 1.7 million times last year Americans sought help at our embassies and consulates. When you travel, your government is there to help you when you get in trouble.

Our diplomatic "field offices" abroad also constitute an invaluable early-warning intelligence system. Their rapid-fire political, military, and economic reporting is essential to the crisis-prevention work of Washington national security decision-makers.

A Global Fight Against Narcotics, Terrorism, Illegal Immigration, and Crime—at Bargain Prices.

Ninety percent of the illegal drugs used in this country come from overseas. Our international affairs budget funds our efforts to stop that drug trafficking at its sources. Illegal drugs cost the American economy \$76 billion per year. Domestically, we spend \$12 billion a year to fight them. We are spending less than 2 percent of this to fight this problem internationally. Getting our Latin American partners to seize one ton of cocaine costs a fraction of what it costs for U.S. law enforcement agencies to do the same job.

This budget also funds our overseas counter-terrorism efforts, at a cost to each American of less than ten cents a year. Compare this to the hundreds of millions of dollars that the World Trade Center bombing cost our country. We also take the lead in funding an international aviation security program that protects Americans from death and injury and promotes the security of U.S. air carriers. When you travel abroad, you want to get there safely. Americans now make up 40 percent of all international air travelers. Finally, the international affairs budget finances U.S. border security efforts abroad—from visa screening to the fight against alien smuggling.

National Security—International Defense Burden-Sharing.

The international affairs budget underpins our effort to achieve peace in the Middle East. Everything we spend there, however, is a bargain compared to the cost of a generalized conflict, or to the loss of Middle East oil reserves. The oil crisis of 1973 alone cost the U.S. economy uncounted billions of dollars.

This budget also funds our non-proliferation efforts. Your life is safer today because of our nuclear non-proliferation and safety assistance programs. After four decades of the Cold War, for the first time no nuclear weapons are pointed at you. We are actively working to prevent future Chernobyls and to put an end to North Korea's nuclear program.

Q. If most UN peacekeeping efforts are failures, why are we contributing so much money to the United Nations?

A. When our vital interests are at stake, we must be prepared to defend them alone. But sometimes, by leveraging our power and resources and by leading through alliances and institutions such as the UN, we can advance our interests in global stability without asking our soldiers to take all the risks or American taxpayers to foot all the bills.

International peacekeeping helps us maintain global leadership, prevent wars or keep them contained, minimize the involvement of U.S. troops, and get the rest of the world to pay three-quarters of the bills. Multilateral peacekeeping costs us just over \$1 billion a year—about a penny a day for the average taxpayer—compared to the entire \$265 billion defense budget. Americans make up only 4 percent of UN forces, almost entirely as observers and border monitors.

Since the end of the Cold War, the UN has helped to resolve successfully conflicts in places like Cambodia, El Salvador, and Nicaragua. Everyone acknowledges that some UN missions have failed, but no one would deny that many missions have succeeded, even under the most difficult circumstances.

The UN is about far more than peacekeeping. It provides a mechanism for enforcing international sanctions and isolating rogue states. Its many programs and agencies care for refugees, inoculate children, fight epidemics, and promote nuclear safety. The UN does a lot with its resources, and our share is small. American families pay an average of \$4 per family annually for our share of the cost of the entire UN system—from blue helmets for peacekeeping to polio vaccines for babies. That is a sound bargain for things the American people support.

Pay Now or Pay Later: Crisis Prevention Is Cost-Effective.

Q. After spending so much to contain the Soviet Union, our arch adversary during the Cold War, why are we now giving Russia and the other New Independent States so much assistance?

A. Our assistance to Russia and other New Independent States increases our security and expands our prosperity. It advances our strategic interest in dismantling nuclear weapons, especially those that were targeted on American cities. It bolsters the vital elements of democratic reform. It supports privatization—which, so far, has put more than half of Russia's economy in private hands—and opens new opportunities for U.S. companies.

Q. Why do we give so much development assistance to foreign countries when we can better use the money for our own needs?

A. Our international development programs are designed to prevent or counter international disorder, the current strategic threat. They are as much about serving America's interests as they are about helping others.

Foreign assistance is a hand up, not a hand out. By helping others, we help ourselves. U.S. security and prosperity depend a great deal on political stability and economic progress in the developing world. Foreign assistance helps prevent the outbreak of conflicts that otherwise would call for costly international intervention. It promotes export opportunities for American companies, both large and small. It lays the groundwork for sustainable development and accountable government. It helps other nations deal with environmental degradation and health issues that have a global reach and a significant impact on our national well-being.

We spend billions on the environment to reduce greenhouse emissions here in the U.S. However, greenhouse gasses have the same effect on the American atmosphere and climate no matter where they are emitted—whether in Brazil or Ohio. Each dollar in international environmental assistance will eliminate four times more gasses in the American atmosphere than each dollar spent domestically.

Q. Has our foreign assistance made any real difference in developing countries? What would happen if we just stopped giving it?

A. Yes. Over the past three decades, American foreign assistance has played a major role in raising the standard of living in developing countries. For example, child mortality has been reduced by one-third. Smallpox has been eliminated. The majority of children in developing countries now enter primary school. There also is widespread American support for the \$1.7 billion we spend annually helping refugees and victims of famine and other disasters. Every \$25 million in our food assistance budget feeds half a million people for a year.

If we stopped providing assistance to our friends and allies, both we and they would suffer. Our foreign assistance programs are intended to promote the kind of economic growth and

political stability that are critical to U.S. national security and economic well-being. Failing to provide aid to developing countries would therefore jeopardize our national security. It also would have a detrimental effect on developing nations' growth rates. That would lead to the loss of potential export markets and would cost many Americans their jobs.

It costs a hundred times as much to deal with humanitarian crises as it does to prevent them. It cost us more than \$2 billion, for example, to deal with Somalia, and is costing us \$1 billion to address the problems in Rwanda.

Q. *How does our support for the World Bank help America?*

A. The World Bank and other multilateral development banks (MDBs) are a first-rate investment for America. They play a vital role in supporting growth-oriented free market economic reform in developing countries, bolstering their capacities to—among other things—import from the United States. From a budgetary perspective, the MDBs are a bargain. Annually, the U.S. contributes, on the average, less than \$2 to every \$7 contributed by other countries. Last year, our capital leveraged more than \$40 billion in lending. Put another way, for every dollar we contributed to the MDBs last year, the banks were able to provide \$20 in assistance. There is no way we can duplicate that kind of impact on our own.