
US Foreign Aid in the Probable World of the 21st Century

To answer the question we posed in the introduction—how should the United States use its concessional resources to promote its interests and values in the new century?—we first need to examine the significant trends, challenges, and opportunities that will define the world in the new century and may require concessional public resources to address. That is the task of this chapter. The final chapter will draw the various themes of this and previous chapters together to propose a vision for US foreign aid in the new century.

The Probable World of the New Century

It is assumed here that the United States will remain the predominant military and economic power in the first quarter of the 21st century and perhaps beyond, and that no other state or group of states will threaten the survival of the United States or the well-being of its population. It is further assumed that the world economy will continue to integrate and expand (though not without occasional setbacks or interruptions). Non-state actors—corporations, NGOs, and international agencies—will play an increasingly influential political role in a world that is more open and liberal politically, and more connected electronically, than at any time in human history.

The United States will neither retreat into isolationism nor become the world's police officer in the new century but will expand its economic interests across the globe and remain politically engaged worldwide. Where it assumes leadership will depend on the nature of challenges beyond US borders, the policy preferences of successive administrations, and the capacity of those administrations to manage increasing political

participation by domestic groups in foreign policy issues. Finally, in a world where threats to US survival are minimal, where information is widely available in real time to Americans on events abroad, and where domestic political groups demand a louder voice in US foreign policies, values shared by significant numbers of Americans may well claim a more prominent role in US foreign policy than they have in the past.

These assumptions represent a reasonable projection of current trends in the coming century. However, the world has been in a state of considerable political, economic, and technological change during the past decade, producing unexpected events like the Asian financial crisis, the outbreak of cholera in South America, the eruption of war in Central Africa, and the rapid spread of the Internet. Such changes—including unanticipated technological breakthroughs as well as recessions, economic crises, political turmoil in major countries such as Russia, and major environmental or health threats—could well interrupt or overturn these projections. A widespread domestic backlash to increasing US engagement in the world—for example, related to the adverse effects of globalization or significant failures at peacemaking abroad—could also change the domestic political environment of US foreign policy in the future in ways that are difficult to foresee. In short, unanticipated events could take on more prominence in the new century than they had in the latter half of the last one.

Three Major Trends

Three prominent trends, which are now apparent, are likely to continue in the new century and pose important challenges to the United States. Each has implications—direct or indirect—for the future of US aid. One involves conflicts within and among states. A second involves the increasing prominence of certain transnational issues. A third involves the economic and political impacts of globalization.

Conflict

The end of the Cold War has not meant the end of armed violence in the world. As of 1998, there were 27 conflicts in 26 locations, according to the Swedish International Peace Research Institute (SIPRI),¹ involving the following countries²:

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1. SIPRI defines conflict as prolonged combat between military forces of governments or organized groups in which at least 1,000 people incurred battle-related deaths.
 2. See Margareta Sollenberg and Peter Wallensteen, Major Armed Conflicts, in *SIPRI Yearbook 1998: Armaments, Disarmament and International Security*, Stockholm, table 1A, 26-30.

- Afghanistan
- Algeria
- Angola
- Burundi
- Cambodia
- Colombia
- Democratic Republic of the Congo
- Eritrea-Ethiopia
- Guinea-Bissau
- India (two conflicts)
- India-Pakistan
- Indonesia
- Iran
- Iraq
- Israel
- Myanmar
- Peru
- The Philippines
- Rwanda
- Sierra Leone
- Sri Lanka
- Sudan
- Turkey
- Uganda
- Yugoslavia

This snapshot of conflicts in 1998 might appear to substantiate some of the predictions of spreading chaos throughout the world that have appeared in print or in statements of administration officials in recent years—for example, the widely read essay *The Coming Anarchy* by Robert Kaplan,³ which predicted a dire future of deepening disorder, especially in the poorer regions of the globe. This would be a mistake. Data on world conflicts after 1987 show a decline in the number of armed conflicts during the past decade, from 37 in 1989 to 27 in 1998.⁴

However, the data also tell us that the nature of conflict has shifted. In 1998, all but 2 of the 27 conflicts in the world were civil conflicts—violence by armed groups within states rather than violence between states. These conflicts tended to be prolonged, drew in other countries, became highly destructive of life and property, and frequently generated large flows of refugees, and internally displaced people. Displaced people and refugees, typically without resources, require large expenditures of funds by their host countries and the international community to provide them with food, shelter, medicine, and other needs. Table 4.1 shows recent annual estimates of displaced people and refugees.

What are the prospects for conflict in the new century? The tensions between India and Pakistan over Kashmir could, if not controlled, erupt in a dangerous war, which could well include nuclear weapons. The war between Ethiopia and Eritrea, which now appears to have ended,

3. See Robert Kaplan, *The Coming Anarchy*, *Atlantic Monthly*, February, 1994, 44-76.

4. SIPRI, *op. cit.*, 17.

Table 4.1 Refugees and relief, 1991-98 (millions)

	1991	1992	1993	1994	1995	1996	1997	1998
People of concern ^a	17.0	19.0	23.0	27.4	27.4	26.1	22.7	22.4

a. People of concern include refugees, former refugees who have returned to their home countries, internally displaced people, and others, including war victims. The data do not include Palestinian refugees. Refugees and displaced people may result from natural disasters, but the bulk of them are victims of conflicts.

Sources: persons of concern: UN High Commissioner for Refugees, from US Department of State, *Congressional Budget Presentation FY 1999 and FY 2000* (Washington: US Government Printing Office).

was also a dispute over territory. Wars in central Africa—not over land but over political allegiances, fueled by competition for control over natural resources—continue despite periodic ceasefires and promises of peace among the governments involved. Tensions among Middle Eastern countries appear under control at the time of this writing, but the region has long been one of surprises.

Despite these and other flashpoints in world politics at the beginning of a new century, one of the striking things about conflict in the past half-century is the decrease in the number of interstate conflicts over land and resources. It may be that the norms of behavior among states, the institutions such as the United Nations working for peace, the intensifying network of economic and other relationships—and possibly even the spread of democracy—have combined to discourage interstate conflict and make many of the conflicts that do threaten regional peace more manageable. If this interpretation is correct, the probable world of the 21st century will suffer from few interstate conflicts—albeit potentially quite deadly ones involving weapons of mass destruction.

A look at the factors leading to intrastate conflict, however, produces a far less optimistic picture of the future. Civil conflicts have been concentrated in countries or regions where several of the following elements are present—where societies are poorly integrated—that is, where ethnic, religious or regional identities are stronger than national identities; where political leaders have exploited such differences for political gain—either by playing on social identities or by favoring, excluding, or repressing particular groups; where governments are too weak to prevent the formation and arming of insurgent domestic groups (and external support for those groups); and where there are few effective regional security arrangements (involving regional or international organizations or influential external powers) that can mediate emerging conflicts before they erupt into full-scale violence. One other element appears to be present in some of today’s civil conflicts—a history of recent armed violence, the political and social aftereffects of which have not been overcome. The

conflicts in Cambodia and Angola and the genocide in Rwanda and massacres in Burundi during the 1990s were direct consequences of earlier armed violence—after which warring parties never fully laid down their arms nor addressed the problems that fed the violence in the first place or the abuses that took place during the violence.

Not only weak and incompetent states but new states are vulnerable to civil violence. Not surprisingly, many civil conflicts at the end of the 21st century were in countries created in the breakup of empires—in the Balkans after the breakup of Yugoslavia and, above all, in Africa, as a delayed reaction to the end of European colonialism and the end of the Cold War. It remains to be seen whether the new states emerging out of the breakup of the Soviet Union will also fall victim to civil disorder. Some, such as Tajikistan in Central Asia, and others, such as Georgia, Armenia, and Azerbaijan in the Caucasus, already have experienced sporadic civil violence. A breakup of Indonesia, feared by many as of this writing, could also produce violence within and among the new states formed out of that country. The conditions giving rise to civil conflict in Africa, the Balkans, and elsewhere do not appear likely to abate in the near future, and therefore such conflicts will be part of the probable world of the early 21st century.

Not only does the new century appear to promise a continuing number of civil conflicts that will require external intervention for making peace and providing humanitarian relief, but also what appears to be increasing international tolerance and support for external military and humanitarian interventions to stop serious human rights abuses—as in Iraq and Kosovo—seems likely to result in an expanded definition and mandate for peacemaking and humanitarian relief in the 21st century. The United States, as the world's leading power, will at times want to assume responsibility for peacemaking if other alternatives are lacking. Foreign aid will be an important component of any peacemaking policy, acting as it has in the past as an inducement to the warring parties to stop fighting and as a resource to help them to recover. The challenge for future US administrations will be to define the extent and limits of their policies of peacemaking. This policy will, in turn, define the need for aid for this purpose.

Transnational Problems

We noted in chapter 3 that addressing transnational problems of environment, health, and scarcities of key resources had begun to emerge as a distinct purpose of US aid during the 1990s. Although the United States has long supported and participated in a variety of international organizations and programs working on a variety of these problems, it has only recently begun to allocate a significant amount of its foreign aid explicitly for this purpose.

Table 4.2 Projected world population (thousands)

Region	1950	1998	2050
World	2,521	5,901	8,909
Africa	221	749	1,766
Asia	1,402	3,585	5,268
Latin America	167	504	809
Europe	547	729	628
North America	172	305	392
Oceania	13	30	46

Source: United Nations, Population Division, *World Population Prospects: The 1998 Revision* (New York: United Nations, 1998) and <http://www.unfpa.org/>.

Continuing increases in population, rising global prosperity, and intensifying urbanization will put further pressures on world resources in the years ahead. Addressing the transnational problems heightened by these pressures is likely to become a major purpose of US aid in the future.⁵ Let us examine briefly the probable trends in population growth, prosperity and poverty, and urbanization in the new century.

The Trends: Population

On 12 October 1999, the “day of 6 billion” was observed—based on an estimate of the world population at that time. This was double the level of world population just 40 years ago. Each year, roughly 60 million are added to total world population, which is expected to rise to nearly 9 billion by 2050 (see table 4.2). Because of the spreading demographic transition, the increasing use of family planning services, and the impact of HIV/AIDS, the rate of population growth is slowing in most of the world—even in Sub-Saharan Africa, where population growth rates have long been among the highest worldwide. But the momentum of past population growth will continue to produce significant increases in world population well into the new century. These increases will be concentrated in some of the world’s poorest countries and most fragile environments.

5. The increasing importance of transnational issues—or “international public goods”—as a world concern and as a purpose of foreign aid is examined in two excellent books: Inge Kaul, Isabelle Grunberg, and Marc Stern, eds., *Global Public Goods: International Cooperation in the 21st Century*, New York: Oxford University Press, 1999; and Ravi Kanbur and Todd Sandler with Kevin Morrison, *The Future of Development Assistance: Common Pools and International Public Goods*, Policy Essay 25, Washington: Overseas Development Council, 1999. Both these works emphasize the growing importance of transnational issues in the allocation and use of foreign aid.

In short, there has been considerable progress in reducing the rate of increase of world population as a result of the impact of rising incomes, expanding education (especially for women), and the spread of family planning services. But population is set to rise significantly into the middle of the new century—and, with it, the resulting pressures on world resources and the continuing challenges, especially in poor countries, for rapid economic progress.

Prosperity and Poverty

Looking back over the past half-century of global growth and development, it is hard not to marvel at the extraordinary progress that has been achieved in most parts of the world. Western Europe and Japan recovered from World War II to become among the most prosperous of countries. The foundations for development—physical infrastructure, education, and health services—have greatly expanded throughout the world. For example, primary school enrollment in most developing countries today (save those in Sub-Saharan Africa) averages nearly 100 percent, up in many countries from 60-80 percent only a quarter-century ago. Even in Sub-Saharan Africa, two-thirds of the eligible children are in primary school today, whereas only one in three was in primary school in the 1960s. The story with healthcare, roads, communications, and other necessities of economic progress is similar.

These advances have supported real progress in raising per capita incomes in much of the developing world. By the beginning of the 21st century, low-income countries (i.e., with less than \$785 per capita annual income) were concentrated in Sub-Saharan Africa and South Asia. China, with the world's largest population, is no longer in the "low-income" category. Only three countries in Latin America (Haiti, Honduras, and Nicaragua), one in the Middle East (Yemen), four in Southeast Asia (Cambodia, Laos, Myanmar, and Vietnam) and seven in Central Asia and the Caucasus (Afghanistan, Armenia, Azerbaijan, Kyrgys Republic, Mongolia, Tajikistan, and Turkmenistan) remain low-income countries.⁶ Available data show that growth rates in Armenia and the Kyrgys Republic have been healthy (at 5.6 percent in 1996-97 and 4.2 percent in 1997-98, respectively) and, if they continue, should lift these countries out of the low-income category in the coming decade or so. Azerbaijan's oil should, with good management, do the same for that country. Vietnam—benefiting from a large inflow of private investment in response to its policy reforms—could also soon rise from the ranks of low-income countries if it maintains and strengthens its economic reforms.

6. See World Bank, *World Development Report 1999/2000: Entering the 21st Century* (Washington).

Additionally, since the early 1990s, international private capital flows to developing countries have increased significantly, as we have seen. Roughly half of this flow was FDI, which is potentially important for long-term growth. And while nearly three-quarters of this FDI was concentrated in 10 of the larger or better-off developing countries,⁷ many of the smaller, poorer developing countries experienced a significant increase in FDI. For example, El Salvador received only \$2 million in FDI in 1990; by 1997, FDI had risen to \$11 million. In 1990, Ghana benefited from \$15 million in FDI; by 1997, FDI had increased to \$130 million. In Sri Lanka, FDI rose from \$195 million in 1990 to \$430 million, despite a civil war.⁸ The rising levels of FDI, spurred by economic policy reforms in poorer countries, including privatization of state-owned enterprises and improved transportation and communications services, meant that these countries no longer had to rely primarily on domestic savings and foreign aid to fund investment and long-term growth.

The Asian crisis created a serious but temporary interruption of favorable trends in the flow of private capital and growth in many developing countries. From an average 6.6 percent rate of growth in developing countries in 1996, average growth rates in developing countries reached only 2.1 percent in 1998. (This statistic does not include Eastern Europe and the newly independent states of the former Soviet Union, which experienced a -3 percent rate of growth that year.) World Bank forecasts for growth in developing countries for 1999 were 3 percent, and projections for the years 2000 and 2001 rose to 4.2 percent and 4.5 percent, respectively.⁹ Thus, the long-term prospects for continuing economic progress in much of the developing world appear positive. But this positive growth scenario will add to the pressures on resources and on the global environment, as we shall see.

Even with the good news of economic progress in many parts of the world, it is still true that roughly 1.2 billion people, or just over one in five human beings, still live on \$1 per day. Another 1.6 billion people live on \$1 to \$2 per day. Thus nearly half the world's population is still extremely poor. These poor are concentrated in three places: China, India, and Sub-Saharan Africa. The good news is that both China and India are far better positioned than at any time in the past to manage their own growth and emerge from poverty and have much greater access to the international capital that can help them do so. The bad news

7. Argentina, Brazil, Chile, China, India, Indonesia, Mexico, Malaysia, Poland, and Venezuela. See World Bank, *Global Development Finance 1998: Analysis and Summary Tables* (Washington, 1998), 20.

8. World Bank, *Global Economic Prospects and the Developing Countries* (Washington, 2000), table 1.1.

9. World Bank, *Global Development Finance 1999*, op.cit., 19.

is that the number of desperately poor in Africa is growing in absolute numbers and governments there typically lack the capacity and capital to address effectively the deepening deprivation of their people. Thus, the problem of poverty and underdevelopment that will continue to challenge the world community in the 21st century is in Sub-Saharan Africa. Further bad news is that it is now widely recognized that many of the problems of underdevelopment in that troubled region are self-inflicted—the result of poor policies, weak institutions, corruption, and abysmal leadership. Why such essentially political problems should be so widely shared in the region and what should be done about them is still little understood. But they do not appear to be problems that can be easily overcome with foreign aid. Indeed, there is some evidence that such aid, imprudently provided, can make institutional problems worse.¹⁰ Thus, the development challenge in Africa is to figure out when and how best to help the Africans gain a better future for themselves, recognizing that the most central problems of development there are the least understood and may be least amenable to aid interventions.

Urbanization

Along with a rise in world population has come a rapid increase in urbanization, producing growth in the demand for housing, sanitation, social services, education, and employment in cities. Roughly half of the world's population now lives in urban areas. This proportion will rise to two-thirds, or over 5 billion people, by 2015.¹¹ The rapid rate of urbanization in developing countries is particularly striking. The proportion of populations in these countries living in cities is expected to double between 1990 and 2025, with the most rapid rate of urbanization continuing to occur in Africa. For example, by 2020, West Africa will be more than 60 percent urbanized, with 30 cities of 1 million or more inhabitants (compared with 6 in 1990). Between Benin City in Nigeria and Accra, Ghana, alone there will be 5 cities with a combined population of about 25 million.¹²

These three trends—the growth in population, prosperity, and urbanization—will produce rising demands for food (particularly the higher

10. See Sam Wangwe and Carol Lancaster, *Aid Dependence in Africa*, Washington: Overseas Development Council, forthcoming.

11. See Secretary General, *Critical Trends: Global Change and Sustainable Development*, New York: Department for Policy Coordination and Sustainable Development, United Nations, 1997, for these and other data on future trends. This report offers a very good summary of existing forecasts. It can also be found at <http://www.un.org/dpcsd/dsd/trends>.

12. Club du Sahel, *Preparing for the Future: A Vision of West Africa in the Year 2020*, Paris: DAC, Club du Sahel, 1995, x.

protein foods associated with rising incomes¹³), water, and energy, and will increase pressures on the environment and national health systems and on the global commons (e.g., the oceans or Antarctica—i.e., areas not under the jurisdiction of a government). How much of a problem for the United States and the world will issues of scarcity and transnational environmental and health problems be in the new century? And how well positioned is the world today to deal with those problems, either through market mechanisms or through international organizations and regimes?

Scarcity Issues

An important set of transnational issues involve scarcity: Will there be an adequate quantity of essential commodities to meet global demand in the new century, given the increase in population, incomes, and urbanization? The major scarcity issue in the probable world of the first part of the 21st century is water. Food, particularly fisheries, could become a scarcity issue if agricultural research and fisheries management prove inadequate. Energy will not likely become a scarcity issue in the foreseeable future, although energy use will continue to contribute to global warming.

Water. “The defining issue of the 21st century may well be the control of water resources. In the next 30 years, it is likely that water shortages will increase dramatically. While water supplies are dwindling because of groundwater depletion, waste, and pollution, demand is rising fast.”¹⁴ Thus began the foreword to a recent study on world water by one of the more prudent and respected food policy research institutes. If there is one commodity where the probability of future demand appears likely to outrun supplies, at least in a considerable part of the world, and where international arrangements for dealing scarcity are least advanced, it is water.

The demand for water stems from three sources—agriculture (which accounts for 70 percent of water usage), industry, and human consumption. Thus the demand for water will grow with increasing population, rising food production, and growing industrial activities in coming decades.

13. The impact of population growth and rising incomes on the demand for food is geometric rather than arithmetic because people tend to demand higher protein foods—i.e., meat rather than grains or roots and tubers—as their incomes increase. However, it takes on the average 2 pounds of grain to produce 1 pound of chicken meat and 4 or more pounds of grain to produce 1 pound of beef.

14. Per Pinstrup-Anderson, Foreword to Mark Rosegrant, *Water Resources in the Twenty-First Century: Challenges and Implications for Action*, Washington: International Food Policy Research Institute, 1997, v.

There is, of course, an abundance of water in the world. But 97 percent of it is in the oceans, and therefore too salty for human consumption or agricultural use without expensive desalinization processes. Only 1 percent of the remaining 3 percent of world fresh water supplies is available for use, the remainder being locked up in glaciers and icebergs or in inaccessible underground sources. The remaining 1 percent, from lakes, rivers, aquifers, and rainfall, is adequate to meet human demand, but it is not evenly distributed. Africa, parts of Asia, and Europe have considerably less water available per capita than North and South America.

Most water experts agree that “the world faces severe and growing challenges to maintaining water quality and meeting the rapidly growing demand for water resources”¹⁵ and that in coming decades there are likely to be increasingly severe shortages of water in the Middle East, Africa, and parts of China and India. Projections of water supply and demand in the year 2025 show that 46 to 52 countries with a total population of 3 billion people will be water stressed. That stress is likely to have two consequences. First, less water will be available for irrigation, reducing food production in water-stressed countries. Second, less water will be available per person for domestic purposes, potentially contributing to health and sanitation problems. These consequences for food production and health make water scarcity a transnational issue.

A further transnational implication of water scarcity is the possible contribution of severe water shortages to international conflicts among riparian states, for example, countries sharing the Jordan, Mekong, Nile, and Tigris rivers. Differences over water diversion and use have already contributed to tensions between Syria and Turkey, Israel and Jordan, India and Pakistan, and Cambodia and its neighbors. Plans by the government of Sudan to control the flow of water in the southern part of the country contributed to the outbreak of civil war there. Because water is so essential to life and because it has no easy or cheap substitutes, water scarcity can become a life and death issue, and so is fraught with political danger.

What are the solutions to current and future water scarcities? One potential solution is increasing the supply of usable water. Discovery of underground sources, desalination of seawater, and transport of icebergs to water-scarce areas have all been raised as possibilities—each with its own problems, usually involving uncertainty or high cost. Putting user charges on water with subsidies for the poor is another potential element in an approach to ensuring adequate water supplies in the future.

15. Mark Rosegrant, *Ibid.*, 1. See also David Seckler, Upali Amarasinghe, and Randolph Barker, *World Water Demand and Supply, 1990 to 2025*, Colombo: International Water Management Institute, 1998; Tom Gardner-Outlaw and Robert Engleman, *Sustaining Water, Easing Scarcity*, Washington: Population Action International, 1997; and Peter Gleick, ed., *Water in Crisis: A Guide to the World's Fresh Water Resources*, New York: Oxford University Press, 1993.

These and other elements in a water strategy are pricey. One estimate has the cost of ensuring adequate water worldwide at about \$100 billion per year during the coming decade or so.¹⁶

The most promising approach involves more efficient use of available water supplies. Efforts to reduce evaporation of freshwater resources (e.g., from rivers and lakes) and more efficient use and reuse of water are two important approaches. The problem of water efficiency is in part a technical problem and in part a policy problem—for example, the pricing of water at highly subsidized rates in many countries. But there is also much we still do not know about the supply and use of water worldwide. Indeed, of all the transnational problems considered here, water is the most recent to gain the world’s attention and the least well understood. Given its importance to human life, water is also possibly the most important transnational issue. An urgent task for the international community is evolving internationally acceptable norms governing the distribution and use of water among riparian states. This process is still in its early stages.

International arrangements to address water issues are both embryonic and rather confused. Water issues are not yet a global priority; there has been no recent international summit on water, as there has on other major transnational issues, although an international conference on water was hosted by the Government of the Netherlands in March 2000.¹⁷ Indeed, debates continue about how to conceptualize and gather accurate data on water issues. And there is still only limited research on the supply, demand, and use of water, and as yet little international assistance to fund water research or conservation efforts. A number of multilateral organizations are addressing various aspects of international water issues, but no single organization is charged with examining all the major interrelated facets of water. In recent years, there has been an effort on the part of various countries and international organizations to create international water organizations. In fact, two have been created—both rather weak. The World Bank and the UNDP have created a Global Water Partnership, with a small headquarters in Stockholm. It has several regional technical advisory groups to generate proposals for

16. See Ismael Serageldin, Draft World Water Commission Report (10 February 2000, 21), vision report for the Second World Water Forum, March 2000, <http://www.worldwaterforum.org/index2.html>.

17. There have been two significant conferences on water in the past—the UN Water Conference of 1977 and the International Conference on Water and the Environment in 1992. But these conferences emphasized water quality rather than the problem of water scarcity. The Government of the Netherlands sponsored a World Water Day and an international conference in March 2000 to draw attention to world water issues and create a consensus for action to address those issues. As of this writing, the effects of this effort are unclear, but at a minimum, it did not produce the worldwide attention and agenda-setting impact of the larger, more prominent summits sponsored by the United Nations during the past decade.

water-oriented activities, to be funded with foreign aid. There is also the World Water Council, located in Marseilles, whose mission is to develop a long-term, strategic vision for world water resources. Funded by the governments of Canada, The Netherlands, Sweden, and other countries, it has convened several large meetings and consultations, including governments, private enterprises, NGOs, think tanks, international organizations, and others. The capacity of these organizations to address the multiple issues associated with water is as yet far from clear.

Research on water is also fragmented. The International Food Policy Research Institute studies governmental policies that affect the supply of and demand for water; the International Water Management Institute examines the technology of water use for irrigation; the World Bank and other aid agencies provide funding for water-related projects. In short, an effective international regime for water does not yet exist.

Water will take on an increasing priority as a transnational issue in the 21st century and will create rising claims against US foreign aid.

Food. Will there be enough food to feed the world's population in the coming century? The demand for food will rise with increasing population and economic growth. Will the supply of food rise to meet this demand? These are questions asked by those who worry about future scarcities in an increasingly crowded and prosperous world.

The answer at this point appears to be yes, at least for the first quarter of the century.¹⁸ With a modest increase in cultivated land and irrigation (and improved management of existing irrigation facilities), advances in farming technologies and improved plants, and continuing efforts to eliminate diseases and pests that can wipe out crops and animals, food production can rise to meet the increase in the demand for food, projected at just over 40 percent for cereals by 2020.¹⁹

Much of the increased future demand for food will come from developing countries, whereas a significant portion of the projected increase in world food supply will undoubtedly come from farmers in industrial countries, such as the United States. Increases in food supply will likely

18. See, e.g., Per Pinstrup-Anderson, Rajul Pandya-lorch, and Mark Rosegrant, *The World Food Prospects: Critical Issues for the Early Twenty-First Century*, Washington: International Food Policy Research Institute, 1999 and United Nations, *Critical Trends: Global Change and Sustainable Development*, op. cit., chapter 4. The World Food Summit hosted by the Food and Agriculture Organization in Rome in 1996 also agreed that the world was capable of producing enough food for all (though it recognized that large numbers of people lacked the resources to obtain an adequate diet). However, not every one agrees that global food scarcities can be avoided in the coming decades. Lester Brown is not as optimistic about the ability of farmers to continue to expand their yields of grain in the face of rising demands deriving from increases in population. See, e.g., *Struggling to Raise Cropland Productivity in State of the World 1998*, eds. Lester Brown, Christopher Flavin, and Hilary French, Washington: Worldwatch Institute, 1998.

19. Pinstrup-Anderson, et al., op. cit., 10.

result from technological advances, arising in large measure from privately funded research. However, there is still considerable scope and an economic need for expanded food production in poor countries. If that expansion is to occur, much of it will have to come from agricultural research tailored to the particular conditions in those countries. Private firms have limited incentives to undertake such research since the market for the results of that research may be poor and unremunerative. Thus agricultural research to benefit poor countries and poor farmers will have to rely primarily on public funding, including aid from industrial countries, as it has been done in the past.

The problem of adequate food supplies in the coming century will for the major crops not be one of too little production, but rather one of distribution. Although the world will be able to produce enough food for its growing population, not all segments of that population will have enough income to purchase nutritionally adequate quantities of food. Projections suggest that rapid increases in population and slow increases in food production in much of Sub-Saharan Africa in particular will lead to requirements for large amounts of food imports. And if food production expands only slowly (as it has done during the past several decades) and economic growth remains relatively low in this region, there may be a rising need for food aid in the future to meet the minimum nutritional needs of Africans.

What sorts of international arrangements are needed to ensure that world food production and distribution in the new century are adequate? The international regime addressing food issues includes numerous international and bilateral organizations. Principal among the international agencies are the Food and Agriculture Organization (FAO) and the Consultative Group on International Agricultural Research (CGIAR). The FAO monitors food production and consumption worldwide and can signal impending crises or problems. It has established a Codex Alimentarius to govern the quality of food sold and traded, to which 123 countries have agreed. And it provides technical assistance on food issues to governments of developing countries. The World Bank, the International Fund for Agricultural Development, bilateral aid donors, and others provide funding to help developing countries strengthen their agricultural sectors. Rules and norms governing international trade in agricultural commodities have been negotiated under the auspices of the World Trade Organization (WTO), leading to decreases in protection and subsidization of agricultural production in recent years. The WTO monitors compliance with those rules.

Research on agriculture—on crops, animals, farming systems, policies, and management issues—is conducted by three sets of organizations—private agribusiness enterprises, national research facilities (often universities or publicly funded research institutes), and the 16-member institutes of CGIAR.

The need in the past for publicly funded agricultural research was based on the likelihood that private enterprises would not put money into research on crops or farming techniques that would not bring them a significant payoff. That meant that basic research (which was risky and often very expensive) or research on crops consumed in poorer parts of the world were not on the private research agenda. Research on genetically engineered crops of interest to rich countries has gained on the research programs of private enterprises. But basic research on the crops, the farming techniques, and the peculiar problems of agriculture in the poorer parts of the world—especially the tropics—remains of relatively little interest to private agribusiness. There will continue to be a need for publicly funded research in these areas if the poorer regions of the world are to meet at least a proportion of their food needs.

The main vehicle for this research will continue to be CGIAR. This network of separate and independent institutes, with an executive secretariat in the World Bank, has been relatively effective in the past in supporting expanded food production in the developing world (e.g., through the development and dissemination of high-yielding wheat and rice varieties that led to the Green Revolution), often in collaboration with national agricultural research systems in industrial and developing countries. CGIAR is currently funded with just over \$300 million annually in foreign aid from the United States and other countries. Given the importance of technological advances in agriculture in developing countries for ensuring an adequate supply and distribution of food in the new century, the allocation of aid for this purpose will continue to have a high priority. Another priority will be for the public sector to seek out opportunities to collaborate with private agribusiness enterprises to develop and disseminate improved crops and farming practices that can help farmers in poor countries. This is not an easy task but a creative use of public funds, and perhaps tax incentives for private firms to research such crops could well produce valuable results.

In short, the international regime for addressing issues of food scarcity is in place. The task for the new century is to maintain it through ongoing funding of key activities, particularly research. This task will make a continuing demand on US aid in the new century.

Energy. With the increase in population, urbanization, and economic growth (in particular, industrialization) in the probable world of the new century, the demand for energy is expected to expand as well, doubling by the year 2030. Much of this increase is anticipated to come from rapidly developing countries, particularly in Asia.²⁰

20. See US Department of Energy, *International Energy Outlook 1998*, Washington: US Government Printing Office. See also N. Nakkenovic, A. Gruebler and A. McDonald, *Global Energy Perspectives*, Cambridge: Cambridge University Press, 1998.

The supply of energy is projected to expand to meet rising demands, continuing as in the past to respond to market signals. Future energy supplies will be drawn primarily from fossil fuels, with reliance on natural gas increasing particularly rapidly. Renewable energy sources are also expected to increase—for example, biomass, wind, hydropower, and the fuel cell, once it becomes commercially viable.²¹ Increasing supplies of energy are expected to keep energy prices from rising significantly in coming decades.²²

The international regime of energy production, consumption, research, and development is primarily the market—private firms responding to market signals and opportunities. In the past, the market, in part propelled by rising energy prices of the 1970s and in part by the spreading privatization of energy production in the 1980s and 1990s, has worked to provide incentives to increase production (including the discovery and more efficient exploitation of oil reserves) and efficiency in the face of rising demand. The market has been supplemented by information on worldwide trends in energy production and use gathered by the International Energy Agency (part of the Organization for Economic Cooperation and Development) and the US Department of Energy. It has at times been reinforced by government regulations requiring greater efficiency in energy production and use.

Although issues involving energy supplies may present the United States with foreign policy challenges in the new century as a result of the relationship between oil and international politics, energy scarcity as such is not likely to be an issue that will make a significant demand on US aid resources. There is, however, a transnational energy problem facing the United States and the rest of the world in the new century: The impact on the environment of the burning of fossil fuels—both in the form of air pollution and the production of greenhouse gases. We shall address these issues below in the section on the environment.

Externalities

The other major category of transnational problems involves the adverse consequences (or negative externalities) of actions or conditions in one country for populations beyond their borders. The two most significant kinds of externalities involve the environment and health.

Environment. The most complex and challenging issues resulting from the increase in world population and prosperity involve the world environment. The impact of human activity in one country on land, water, and atmospheric resources can and often does have negative conse-

21. See, e.g., At Last, the Fuel Cell, *The Economist*, 25 October 1997, 89.

22. See US Department of Energy, op. cit.

quences not only for the inhabitants of that country but for populations in other, often distant lands. Serious international environmental problems have begun to become apparent in the past several decades. Among the most prominent are the reduction in the ozone layer and the increase in greenhouse gases, contributing to global warming, including loss of forests and biodiversity, pollution of water and air, depletion of world fisheries, and degradation of soil, contributing to desertification. Most of these problems are anticipated to worsen in coming decades, as forest cover continues to be reduced, plant and animal species become extinct, water and air pollution problems increase, and soil continues to degrade. And with the historically unprecedented numbers of people and level of prosperity in the world, additional environmental challenges, as yet unforeseen, could arise in the future, as they do almost on a weekly basis at present.

Addressing international environmental issues is particularly challenging because of the nature of those issues. They typically involve human activities, the social costs of which are often not captured in private costs or market prices. Indeed, social costs can be long run (even transgenerational), are potentially significant (especially where the negative impact of human activity proves irreversible), and often are not fully predictable. Finally, dealing with environmental problems frequently involves persuading or compelling individuals, firms, or governments to change their behavior in ways that carry immediate costs for them, often without offsetting benefits. Such changes can understandably provoke political resistance.

Addressing these challenges typically requires actions by governments, supported by the expenditure of public resources—for research to establish the nature and extent of the particular environmental problem and the technologies (especially low-cost ones) to address the problem; for technical assistance to help individuals, firms, and governments to adopt those technologies; and for side payments to provide incentives for behavioral change.

To what extent has the international community already put in place an international regime to deal with transnational environmental problems? The UN Environment Program (UNEP), set up after the world environmental conference in Stockholm in 1972 as the key international organization addressing environmental issues, has focused largely on gathering data. Perhaps because UNEP had come to be regarded by many governments as weak, in the wake of the UN Conference on the Environment and Development in Rio de Janeiro in 1992, another international body to convene and coordinate transnational environmental issues was created—the UN Commission on Sustainable Development. This body, made up of a number of UN member states, meets periodically to discuss environmental issues but does little else.

In fact, a number of separate international environmental regimes, at

various stages of development, have begun to evolve.²³ There are, for example, more than 150 international treaties and protocols on different environmental issues. (The rules and norms included in many of these treaties are, however, often limited, and monitoring and enforcement are often nonexistent.) In a number of cases, regimes have evolved beyond treaties. Among the most successful is the effort to deal with the depletion of the ozone layer: 155 countries have agreed to the Montreal Protocol on Ozone Depletion, which regulates the use of chlorofluorocarbons and other chemicals that have been shown to lead to the depletion of the ozone layer. An international secretariat has been established to monitor problems of the ozone layer and compliance with the Montreal Protocol by signatories. A multilateral fund has been set up, financed by industrial countries and administered by the World Bank, to help poor countries develop alternatives to ozone-depleting chemicals. There is still some controversy as to the severity or even the existence of this problem, and efforts to address it are still in an early stage. Other major environmental issues that continue to challenge the international community include preserving biodiversity, protecting the world's forests (important for biodiversity protection and as carbon sinks to absorb greenhouse gases), and managing the world's water resources and fisheries.

Although some progress has been made in addressing these issues—for example, the creation of the Global Environment Facility (housed in the World Bank and described in appendix A) to help fund projects involving biodiversity preservation or reduction in greenhouse gases in poorer countries—there is still much to be done before effective regimes are in place. The area of international environmental issues is one where important transnational problems are still emerging (and are likely to continue to do so in coming decades); where the operation of the market is unlikely to address satisfactorily many of those issues (especially where information is limited, and costs are potentially high, evident only after a long period of time, and possibly irreversible); where some international regimes are effective and others weak or nonexistent; and where it is consistent both with US interests and values to take a leadership role in addressing these issues. That leadership is likely to require aid to fund research, provide incentives for governments to adopt needed reforms, and finance the equipment and training that will help protect the global environment.

Health. The major international concern in the area of health is the outbreak and international transmission of infectious disease. Thirty new diseases have emerged in the past two decades, including HIV/

23. For an excellent study of international environmental institutions, see Peter M. Haas, Robert O. Keohane, and Marc A. Levy, *Institutions for the Earth*, Cambridge, MA: MIT Press, 1993.

AIDS.²⁴ There have already been several outbreaks of deadly diseases in recent years that were long thought to be under control—cholera in Peru, the plague in India, diphtheria in Russia and the Ukraine, and drug-resistant tuberculosis in several regions (including within the United States). Several diseases that are always debilitating and sometimes deadly have also begun to regain ground after being controlled or eradicated from various regions—including leishmaniasis, dengue, and malaria. And most worrisome is the growing resistance of certain pathogens—such as malaria and tuberculosis—to prophylactic or curative drugs.

The outbreak of cholera in South America quickly spread well beyond the borders of Peru, showing the world how fast such diseases can be transmitted internationally through the rapid movement of people. The newest deadly disease is AIDS, with 23 million people infected in Africa alone and 11 million elsewhere in the world today. In some parts of Africa, life expectancy has dropped to below 50 years, with one-quarter of the adult population HIV-positive, making the disease nearly as rampant as the plague, which killed a third of the population of Europe in the 15th century. The disease continues to spread by more than 5 million cases per year and is increasing in Asia, Eastern Europe, and the former Soviet Union.

Environmental disturbances induced by climatic changes and the expansion of human habitation into scarcely inhabited areas cause previously unknown diseases to attack human populations. Large-scale migration of people can carry sicknesses far afield from their source. Finally, the pressures on public health services, particularly in the increasingly crowded urban areas of poor countries, can lead to the outbreak and spread of infection, both within poor countries and beyond their borders. These trends threaten to keep international health issues high on the world agenda—and the US agenda—in the new century.

Is there an effective international regime in the area of health? A critical element in such a regime are the health systems in individual countries. Do they provide adequate preventive healthcare, including inoculations against infectious diseases and education about diseases such as HIV/AIDS for which there are no cures? Do they have the ability to monitor and respond to the outbreak of disease in their territories? Do they have the public infrastructure, especially in urban areas, that provides adequate sanitation to prevent the outbreak of disease?

We know the answers to these questions in poor countries: Their health systems are often limited and inadequate. The efficacy of health services is also questionable in countries in transition where those systems have collapsed. Where national health systems are inadequate, is there an

24. See World Resources Institute, *World Resources: A Guide to the Global Environment, 1998-99*, Washington: World Resources Institute, 1999, 3.

effective international regime to prevent, monitor, and respond to the outbreak of disease? The elements of such a regime exist in the area of monitoring and response. The WHO monitors disease outbreaks and coordinates responses. The Center for Disease Control in Atlanta also monitors the outbreaks of disease and provides expertise and research facilities (which WHO does not have) to determine the nature of disease threats and appropriate responses. But these and other organizations active in the area of controlling infectious diseases are described as “informal” and in need of strengthening: “The international community does not always have adequate resources to respond to localized disease outbreaks and control them before they can spread across borders.”²⁵ Further, vaccines needed for responding to a disease outbreak can be scarce, that is, the “surge” capacity to provide needed drugs, vaccines, or antisera to meet a major outbreak of disease can be limited. This is an additional source of concern.²⁶

With regard to prevention, a number of agencies, including USAID, UNICEF, and WHO, support inoculation programs in many developing countries, and coverage of children has been substantial. Funding on health education, especially in HIV/AIDS prevention, has also been provided by USAID, WHO, and other agencies, although much more could be done.

Where there appears to be a serious gap in the international health regime is in the assistance available to poor countries to establish effective health systems that would prevent or control the outbreak of disease in their own countries, and so keep disease from spreading beyond their borders. Inadequate clean water, sanitation, and public health facilities contributed to the outbreak of cholera in Peru in the early 1990s, as mentioned earlier. In the new century, the problem of minimally adequate public health facilities will be a particular challenge for the poorest developing countries experiencing the most rapid growth in population and urbanization. This challenge is not yet being met. It will continue to call on US aid resources in future years.

Globalization

The coincidence of rapidly expanding world trade, the dramatic increase in international capital flows, the internationalization of both corporate ownership and production (which has also fed the increase in interna-

25. Working Group on Emerging and Re-emerging Infectious Diseases, *Infectious Disease—A Global Health Threat*, Washington: Committee on International Science, Engineering and Technology, National Science and Technology Council, 1995.

26. *Ibid.*, 30 ff.

Table 4.3 Foreign direct investment in the developing world
(net, billions of US dollars)

Region	1970	1980	1990	1997	1998
Latin America and the Caribbean	1.1	6.1	8.2	61.6	59.9
Sub-Saharan Africa	0.4	0.0	0.8	5.2	4.8
East Asia and Pacific	0.3	1.3	11.1	54.3	61.0
South Asia	0.1	0.2	0.5	4.7	4.4
Middle East and North Africa	0.3	-3.3	2.8	5.4	5.9

Source: World Bank, *Global Development Finance 1999, Analysis and Summary Tables* (Washington: World Bank, 1999), 190-203.

tional trade and capital movements),²⁷ and the instantaneous availability of vast amounts of information for those connected to the Internet—all are key elements in a world economy that is more economically integrated and interdependent than ever before. Factors facilitating the degree of global economic integration today are the openness of the world's economies, which has greatly increased during the past decade, and the enormous improvements in communications and transportation that have facilitated trade, capital flows, and transnational systems of production.

Expanding trade and international capital flows have contributed to increased growth in many developing countries. The foundations of growth—an adequate physical infrastructure and educated labor force, combined with growth-supporting policies and effective institutions (including, above all, the rule of law)—must necessarily be in place. With strong fundamentals, the inflow of foreign direct investment, foreign loans, and portfolio capital, together with increasing export opportunities deriving from a liberalized world trading system, provide the basis for rapid economic expansion. Indeed, developing countries throughout much of the world have enjoyed healthy growth for much of the past decade.

Tables 4.3 and 4.4 suggest that globalization has both benefits and costs for developing countries. Among the benefits is potential access to foreign direct investment and other forms of external capital at levels higher than anytime in recent history. The costs include the potential volatility of external capital flows—especially short-term flows that fled from several countries in East Asia in 1997, which led to slower growth there and, through “contagion,” contributed to drops in both external

27. Perhaps the most novel aspect of globalization today is the location of various elements in corporate production processes in different countries, responding to wage and other advantages. Similarly, there has been an increase in international sourcing of intermediate inputs by corporate enterprises. See, e.g., Organization for Economic Cooperation and Development, *Globalization of Industry: Overview and Sector Reports*, Paris: Organization for Economic Cooperation and Development, 1996. This phenomenon has led to a rise in cross-border, intrafirm trade and financing.

Table 4.4 Economic growth in the developing world
(annual percentage change in GDP)

Region	1988-97	1996	1997	1998
Latin America and the Caribbean	2.6	3.4	5.1	2.0
Sub-Saharan Africa	2.3	4.2	3.4	2.1
East Asia and Pacific	8.8	8.8	6.5	1.8
South Asia	5.8	6.9	6.9	5.2
Middle East and North Africa	2.6	5.3	3.1	1.5

Source: World Bank, *Global Economic Prospects 1999* (Washington: World Bank, 1999), 152-71.

capital flows and growth in Latin America and elsewhere. Another major cost of globalization involves those left out or disadvantaged by the increasing integration of world markets. A final aspect of globalization we must consider briefly is its dark side—the enhanced ability it provides to criminals and terrorists to operate successfully.

Short-Term Volatility

With the recent financial crises in Mexico and Asia, the costs of volatility are now familiar. International commercial capital flows include a significant proportion of short-term capital, seeking opportunities for gain in exchange rate arbitrage or interest rate differentials in foreign countries; in returns from foreign stock or bond markets, derivatives and other international financial instruments; and in real estate speculation abroad. These international financial flows have proven highly mobile, moving rapidly and massively out of countries where investors perceive economic troubles. The end result is a worsening of those troubles. Where banking systems have proven weak, the regulatory environments poor, and governments unable or unwilling to manage capital inflows effectively, as in Indonesia, South Korea, and Thailand, economic downturns have provoked a flight of short-term capital, causing currency devaluations, credit crunches, debt servicing problems, and economic recession.²⁸ “Contagion”—fears on the part of investors that other emerging markets share similar problems—provoked outflows of capital from those markets (whether those fears are justified or not) and resulted in similar pressures on the exchange rates, equity, and other markets—and on the availability of credit in those countries.

Policy reforms, improved regulations, oversight, and greater transparency in the financial sectors of emerging markets is one part of the

28. See, e.g., Morris Goldstein, *The Asian Financial Crisis*, Washington: Institute for International Economics, 1998.

solution to the problems of short-term international capital volatility. Indeed, these types of reforms need to be largely in place before full financial liberalization takes place. Improved risk management by lenders is another element of reform. And more transparency and effective oversight on the part of the International Monetary Fund is a third element of needed reform. The need for these reforms appears to be increasingly recognized by the international community.²⁹

Globalization's Losers

Globalization potentially has two kinds of losers. First are those groups within countries whose interests are hurt by globalization (e.g., the loss of their jobs) and those who believe globalization has a negative impact on the things they value (e.g., the environment or the preservation of culture). The second kind of losers are those countries not participating significantly in the globalizing world economy.

A number of analysts of globalization as well as political activists (evident at the abortive World Trade Organization meeting in Seattle in 1999) fear that increased trade liberalization will cause a loss of jobs to low-wage countries (where labor and environmental abuses may support lower costs of production) and that the greater mobility of capital vis-à-vis labor will be a disadvantage for labor in globalizing economies as firms and governments compete for export markets and foreign investment—and so place downward pressure worldwide on wages, benefits, and labor standards. Greater capital mobility may also force governments to compete for foreign investment with lower taxes, thus reducing their abilities to fund social insurance and other benefits for their own citizens. These threats constitute the now familiar “race to the bottom.”

The adverse economic and social impacts of globalization predicted by its critics have not, according to available data, occurred. There is as yet little evidence of decreases in wages, worker benefits and standards, or tax efforts in the United States or elsewhere associated with efforts to attract foreign direct investment.³⁰ But politics is as much about

29. For an examination of the “international financial architecture” and recommendations for reforms that would help reduce the incidence and severity of international financial crises and enable the world community to manage them better, see Council on Foreign Relations, *Safeguarding Prosperity in an Global Financial System: The Future International Financial Architecture*, New York: Council on Foreign Relations, 1999.

30. Nic Van de Walle, *Economic Globalization and Political Stability in Developing Countries*, Washington: Rockefeller Brothers Fund, 1998. See also Dani Rodrik, *Making Openness Work*, Washington: Overseas Development Council, 1999. Rodrick agrees, citing evidence, that the trade and investment liberalization associated with developing countries’ integration into the global economy has increased rather than decreased the demand for skilled labor in those countries. However, economic openness has also led to widening disparities in wealth and income in many countries.

perceptions as realities, and the perception—especially in the United States—of many labor unions, human rights and environmental groups, and others is that globalization is a threat both to their values and interests. These groups are active and vocal and have allied to create a growing opposition to policies—particularly, trade liberalization—identified with globalization. They may have also created a focus for a broader populist movement, at the core of which is a hostility to large institutions (the banks were the object of that hostility in the last century) and powerful, impersonal forces. As Hufbauer has observed, the “battle of Seattle” could mark a turning point rather than a rest stop on the road to globalization if the backlash to it continues to increase.³¹ The United States will want to manage globalization’s backlash—especially within the United States itself—by addressing the issues of human and labor rights, health issues, and the environmental degradation deriving from increasing trade and investment abroad, around which the antiglobalization coalition has formed.

Turning to the problem of whole countries losing out in a globalizing world economy, those lacking adequate infrastructure and human capital as well as the policy and institutional environments will be unable to attract international investors (or, even more important, encourage their own citizens to invest) or to compete in international markets. As a result, they will be unable to benefit from the economic growth associated with expanding trade and investment. This appears to be a particular problem for most countries in Sub-Saharan Africa, where there have been only small increases in international capital inflows or external trade during the past decade and where growth rates remain modest. The challenge of joining the globalization bandwagon for these countries is much the same as the challenge of development: They need to get their policies right and ensure that their institutional environment is supportive of private investment and equitable growth.

Globalization’s Dark Side

The dark side of globalization is well known. The vast amount of information now available to terrorists and the ability of criminals, drug lords, and terrorists to act beyond their borders and coordinate with one another is documented.³² The challenge to the United States and other governments now is to develop the technologies and capacity

31. See Gary Hufbauer, *World Trade after Seattle: Implications for the US*, International Economic Policy Briefs, Institute for International Economics, Washington, December 1999, <http://www.iie.com/newsletr/new99.10htm>.

32. See, e.g., Frank Cilluffo, ed., *Cybercrime . . . Cyberterrorism . . . Cyberwarfare*, Washington: Center for Strategic and International Studies, 1998; Frank Cilluffo and Linnea Raine, eds., *Global Organized Crime: The New Empire of Evil*, Washington: Center for Strategic and International Studies, 1994.

to act together to deal with the dark side of globalization. The United States is already putting nearly half a billion dollars into fighting drugs and terrorism and stemming the spread of weapons of mass destruction. This use of US concessional resources abroad—which we have not included in our definition of foreign aid—will surely expand in coming decades.

Policy Implications

What are the implications of globalization for US foreign aid? Surprisingly, perhaps, given the importance of the technological revolution and increasing integration of the world, there appear to be relatively few new claims on US foreign aid generated by the process of globalization. Short-term financial volatility will demand a US financial response where it is threatening to the international economy. But the combination of an effective International Monetary Fund and, where necessary, use of the Exchange Stabilization Fund managed by the Treasury (which provides the administration with the authority in cases of extraordinary need to provide large-scale, short-term financing for financial support operations abroad)³³ should be adequate to address future financial crises associated with globalization. Proposals for the establishment of a large-scale, aid-funded worldwide safety net to off-set the impact of financial volatility on the poor in affected countries are impractical and possibly unwise. The necessary funding would be hard to find, and they could create a moral hazard (i.e., inadvertently discourage responsible financial behavior on the part of governments and their creditors by promising to relieve them of the consequences of their failures) while drawing funding away from other urgent uses for foreign aid.

With regard to globalization's losers, the challenge for entire countries of being able to exploit the advantages of rising private investment and trade is much the same as the basic development challenge: The foundations of development must be in place—adequate physical infrastructure and a healthy and educated population—including a policy and institutional environment that is supportive of investment. These uses of foreign aid are not new.

With regard to groups within countries that are hurt by globalization, they present challenges to individual governments, but challenges that do not make a claim on US foreign aid. With regard to the apparently growing fear that globalization will lead to more environmental degradation or encourage rapacious and brutal treatment of labor, these are essentially

33. For more information on the Exchange Stabilization Fund, which the Treasury used to finance the Mexican rescue package in 1995 and fund US support for several countries affected by the Asian financial crisis, see C. Randall Henning, *The Exchange Stabilization Fund: Slush Money or War Chest?*, Washington: Institute for International Economics, 1999.

regulatory issues that will require international negotiation but not significant amounts of US foreign aid.

Purposes of Foreign Aid in the 21st Century

This chapter has identified two major purposes of US aid in the 21st century—peacemaking and addressing transnational issues. Humanitarian relief will remain an important purpose and, as argued in previous chapters, humane concerns will enjoy a place of growing prominence. What role should promoting development abroad play in the future of US foreign aid?

It will be remembered that foreign aid for promoting economic development in poor countries was initially justified on several grounds (in addition to those related to the Cold War): Developing countries were too poor to finance their own development, except at an unacceptably slow rate, and there were few international private sources of development financing. Further, with the basic foundations of development—infrastructure and education in particular—still lacking, developing countries would not be attractive for private investors, even if such investment were available.

In much of the developing world, these conditions no longer hold, as we have observed earlier. Domestic savings and investment rates have risen significantly in much of Asia and Latin America, and international commercial capital flows (albeit still relatively small in many developing countries) have surged, particularly during the past decade. Transportation and communications infrastructure has expanded enormously since the 1950s and 1960s, when aid for development first became a significant purpose of US foreign policy. Basic education is now available for most of the eligible age groups in much of Asia and Latin America. (The average proportion of the eligible age group in primary school was between 90 and 99 percent in Latin America and East Asia in 1995.³⁴) And governments in many of these countries exhibit far greater capacity to manage their own economic progress effectively than ever in the past. In short, much of the original rationale for foreign aid for development in much of Asia and Latin America is now obsolete, thanks to the real economic progress there.

Some readers will object that the enormous poverty in Asia and Latin America still justifies US aid for development in these areas. There is still great poverty in these regions. However, US aid was never intended by itself to eradicate poverty (and never large enough to do so), but rather to help countries reach the point at which they could grow, manage their

34. World Bank, *World Development Report 1998-99*, New York: Oxford University Press, 1998, 200-01.

economies, and eradicate their own poverty. This is one of the messages of the much retold tale of the importance of teaching a man to fish rather than to give him fish every day. Many countries are now at that point. This does not mean that there is no longer any rationale for aid for non-concessional lending by the multilateral development banks to countries such as Brazil or India. This kind of lending (not foreign aid as defined here, but often thought of as foreign aid) can still supplement these governments' own efforts. But it is difficult to make the case that grant aid or highly concessional lending should still be provided to spur development in the more industrialized developing countries—even those with large pockets of poverty—because the governments of those countries have the capacity and the potential access to funding from domestic and international sources to address those problems themselves. They are—as is often said—rightly now “in the driver’s seat” of their own economic progress.

There is, however, an important caveat to the argument that the purpose of using aid to promote economic development in poor countries will be far less important in the 21st century than in the 20th. As we have noted, there are still roughly 50 countries, primarily in Sub-Saharan Africa, along with a number in Latin America and Asia, where the basic foundations of growth and development are not yet adequate, where private investors have been reluctant to risk their capital, and where a significant amount of foreign aid (provided an appropriate policy environment is in place) is still justified on traditional developmental grounds.

Promoting Democracy

Promoting democracy, reflecting US values, is likely to remain a purpose of US foreign policy for the foreseeable future. But its role in US foreign policy and the particular activities it involves will change. During the past decade, US support for democracy abroad was highly visible and at times controversial, because it involved establishing the international legitimacy of democracy over alternative forms of government and because it included pressures on authoritarian governments to adopt liberalizing reforms. This stage of promoting democracy abroad is now largely over, for the ideal (if not always the reality) of democratic governance is now widely accepted internationally. Few national leaders are willing at present to justify nondemocratic governing structures, even where they in fact exist. And many countries have now implemented democratic reforms, including a free press, multiparty competition, and often a first and even second national election.

However, many countries have the facade of democratic institutions without the substance. Opposition political parties are weak, fragmented, often harassed, and ill prepared to challenge governments. Exposés of corruption in the press bring no action by government or by a cowed

or disinterested public. Judicial systems are often strongly influenced by politicians or weak in their support of the rule of law. Political power remains concentrated in the hands of the ruling party and president. Civil society organizations are often limited, inexperienced, and reliant on outside funding to survive. As a result, promoting democracy now entails less supporting a transition to democratic institutions and more consolidating those institutions and helping them work effectively. Although these tasks are far less visible or productive of quick or dramatic results, neither do they require significant amounts of aid (because they primarily involve advice and training). Indeed, they may require considerably less aid than has been spent on promoting democracy in the past, for they will involve fewer of the big-ticket items of funding elections (which can cost tens of millions of dollars). However, they are far more complex, risky, and controversial, and must take place over the long term.

Much less is known about how to make illiberal democracies more liberal: The issues involve not only political or legal reform but often broad social change as well, and include levels of education, political culture, ethnicity, the distribution of income and wealth, and a host of other factors. These will be tasks of the future of democracy promotion and the use of US aid to pursue that purpose. In short, democracy promotion will remain a purpose of US foreign policy and US aid in the new century. It will pose difficult challenges to the United States to realize this purpose, but this purpose will not be a major one, at least in the resources it will require.

Promoting Economic and Political Transitions

We have not included this current purpose as one that will continue to exist into the new century, assuming that the northern tier of countries in Eastern and Central Europe will have largely completed their transitions to free markets and democracy—or at least will have reached the point where they no longer need foreign aid for those purposes—in the coming half-decade. Some, such as Estonia, already have “graduated” from US foreign aid. Others, such as the poorer countries in Central Asia, may complete their transitions but could still require foreign aid for traditional development purposes. Presumably, US aid for that purpose will come from bilateral or (more likely) multilateral assistance programs. For those potentially well-off countries, like Russia or the Ukraine, which have failed to achieve vigorous and effective programs of economic and political transition, foreign aid may again prove to be relevant once they are on the road to political and economic reforms. And there are still a few countries yet to begin a transition—for example, Cuba. But transition aid, even for them, would presumably be needed only for a limited period, until investment rises and their economies begin to expand.

Summing Up

What the findings in this chapter suggest about the future of US foreign aid is, first, there will be four major purposes of that aid: Supporting a policy of peacemaking; addressing transnational issues; providing humanitarian relief; and advancing humane concerns abroad. These are different from the priorities of the past, although US aid appears to be evolving in their direction (albeit more by happenstance than design). Other, less prominent purposes in the new century include promoting democracy, supporting development, and helping with economic and political transitions.

In chapter 3, we identified a purpose of US foreign aid that has taken on increasing importance in the past decade or so: Humane concerns—that is, providing foreign aid directly to beneficiaries in disadvantaged communities and vulnerable groups to help improve the quality of their lives. Such aid interventions may involve, for example, inoculating children, funding micro-enterprise loans to poor women, providing those wounded in war or from mines with prosthetics, and helping street children and AIDS orphans. It seems highly likely that the factors that have given increasing prominence to humane concerns in the recent past are likely to intensify in the future and further raise their importance.

There are three such factors. First is the associational revolution that has occurred during the past decade, both in the United States and in the rest of the world.³⁵ Political liberalization in many countries has encouraged the formation of NGOs to achieve a variety of interest-based and value-oriented goals and to press governments to act to support those goals as well. Protecting the environment is one such goal. Improving the status and influence of women is another. There are many others. Such groups have long been a characteristic of the US political landscape. But even in the United States, their numbers and activism have grown.³⁶

A second factor enabling and encouraging political activism is the revolution in communications technology. The Internet provides individuals and groups with access to a vast amount of information to help inform their causes and the means by which they can network with other groups at home or abroad with similar concerns. A number of transnational movements among NGOs have taken shape and have exerted considerable influence—the international support for a treaty limiting the use of landmines in war is but one prominent example. And while early concerns that cross-national NGO activism meant the decline in the relative power

35. The term is Lester Salamon's. See his article, *The Rise of the Nonprofit Sector*, *Foreign Affairs* 73, no. 4 (July/August), 1994, 109-123.

36. *Ibid.*, 111.

of states seem premature, these groups are undoubtedly a more potent factor in US and world politics today because of the Internet.³⁷

Another change in the world has likely fueled policy activism in the United States and elsewhere: The end of the Cold War eliminated a major security threat to the United States and the world. That change, in turn, reduced the importance of security on the US foreign policy agenda and opened up space for other concerns. It also removed the pressures to compromise other international concerns in the face of a potential threat to the survival of the United States. Thus, the opportunity to put value-based issues on the US policy agenda (and by implication, to put US aid behind such issues, if appropriate), together with the increased numbers and activism of value-oriented NGOs evident in recent years, promise to continue to make humane concerns an important purpose in US foreign aid in the future.

This chapter has argued that the principal purposes of US foreign aid in the new century will be four—peacemaking; addressing transnational issues, among which international health and water scarcity are likely to claim urgent attention; providing humanitarian relief; and promoting humane concerns. Supporting economic development and promoting democracy will continue as purposes of US aid but with less priority than in the past. Supporting economic and political transitions will diminish as those transitions are complete.

These purposes do not come without their own particular challenges, substantive and political. With regard to peacemaking, if future administrations are to take the lead in this area and back up that leadership with foreign aid, they will need to build a measure of domestic political consensus around a policy of peacemaking. There is no such consensus at present. To gain that consensus, the administration will have to articulate a policy of when and where the United States will take the lead in peacemaking and when and where it will not.

With regard to using aid to address transnational issues, there is the problem of dealing with one set of problems—for example, addressing international health threats through strengthening public health systems in poor countries—without addressing all the problems in foreign societies that contribute to the particular transnational problem. Put simply, how can the United States hope to deal with international public health threats emanating from poor countries without dealing with their development challenge as a whole? This is a legitimate concern. The answer must be that the problems of international health—or protecting the environment or dealing with international crime—cannot wait until economic and social development is substantially achieved. They need to be addressed now. And willingness by external funders to address these

37. See Margaret Keck and Kathryn Sikkink, *Activists Beyond Borders*, Ithaca, NY: Cornell University Press, 1998, for a detailed examination of this important phenomenon.

issues could encourage developing-country governments to put a priority on them as well.

The challenges ahead for humanitarian relief are two. The first is to ensure to the extent possible that such relief is provided in a way that does not prolong the disaster it is trying to relieve. Experience shows that such relief can feed and encourage criminals as well as their victims—as in the case of the massive relief effort for Rwandan refugees in the Democratic Republic of the Congo in the wake of the genocide in Rwanda. Relief aid, if not prudently delivered, can also become the object of competition and conflict, as it was for the warlords of Somalia. The second challenge is to work out the relationship of humanitarian aid to broader US foreign policy goals. This issue surfaced in 1999 when the idea was floated by officials in the Department of State that the United States should provide food aid to the rebel armies in southern Sudan. Although this idea was sharply criticized by relief groups, it was thought advantageous for political reasons by some in the administration. With the continuing conflicts in the world and US involvement in peacemaking, this issue is likely to become more pressing in the future.

A challenge to the use of US aid to address humane concerns is how such concerns are to be addressed in a sustainable fashion, without simply helping a few disadvantaged people for a short period of time. Although the intent of aid for this purpose is not, as we observed above, to make a strategic intervention in a country to support long-term economic and social development, these more modest efforts need to be planned and executed insofar as possible to provide for the sustainability of their impact. For example, one needs not only to deliver prosthetics to war-maimed individuals but also to seek to strengthen a community's ability to manufacture its own prosthetic devices. One needs to plan children's inoculations in a way that governments or community groups will eventually be able to take over the responsibility for delivering those inoculations. The relationship between addressing humane concerns immediately and directly versus laying the groundwork for their being addressed effectively by communities and groups abroad is a challenge for this purpose.