



Why Global Development Matters and What the Next U.S. President Should Do About It

by Nancy Birdsall

*The twenty-first century is bringing tectonic shifts in the world's political and economic landscape. For the new U.S. president, effective development policy is no longer just the right thing to do; it will be crucial to the safety and security of the American people. A new volume from the Center for Global Development, *The White House and the World: A Global Development Agenda for the Next U.S. President*, offers practical suggestions for a coherent U.S. strategy. CGD president Nancy Birdsall edited the volume and wrote the lead essay on which this brief is based.*

The need for a fresh American approach to development has never been more urgent. The economic crisis at home, the threat of failed states and hostile countries acquiring nuclear weapons, our inability to solve critical global problems like climate change alone—all these mean that America needs to find ways to engage with the developing world that go beyond our outdated aid mechanisms and our narrow focus on such issues as terrorism, narcotics, and illegal immigrants. Our economic growth, our security, and our ability to shape the new multilateral system all depend on our readiness to forge new, mutually beneficial alliances with a broad range of developing countries. To engage effectively, we must offer these countries more effective partnerships on their own development challenges.

Recent events—the collapse of U.S. financial markets coming on top of U.S. foreign policy woes—have sunk the U.S. reputation in the world to a new low. Job creation and income growth in the United States are increasingly dependent on a healthy global economy, and the global economy itself depends on growth in China and other emerging markets. Almost all U.S. growth in 2008 was due to our exports, and one-third of those exports went to such developing countries as Brazil, Malaysia, Mexico, and South Africa. At the same time, Europe and Japan are aging and their economies shrinking in relative terms, making the United States increasingly dependent on developing-country markets. For all these reasons, attacking poverty and building a new middle class in the developing world are more crucial to U.S. prosperity than ever before.

At the same time, the problems that accompany poverty and misery around the world can no longer be contained inside

“their” borders. Deforestation in Indonesia and Brazil, avian flu incubated in Vietnam, narcotics trafficking in Mexico and the Caribbean, inadequate consumer safety standards in China, instability in the oil-rich Nigerian delta, the longstanding failure to provide education to the poor in Pakistan—all of these constitute real risks to the well-being of Americans.

Yet these challenges offer the new president of the United States an unparalleled opportunity to restore and enhance American prestige by putting development—that is better, healthier, fuller lives for the world's poor majority—where it belongs: at the core of U.S. foreign policy. Moreover, an effective and coherent U.S. strategy for shared global prosperity is not only an economic and security imperative; support for better lives beyond America's shores is a moral imperative that Americans have long embraced.

Be a champion for global development

A development strategy can be a political win for the next president. Americans' sense of connection to people far away has increased tremendously in the last two decades—one manifestation of this is the substantial increase in private and public giving to help the world's poor.¹ In making the case for sound development policy, the president can appeal to both the logic of smart foreign policy as well as to Americans' growing awareness of the harsh realities facing hundreds of millions of people in developing countries.

Many of the changes that are needed will require political will, leadership, and vision rather than money. Consider the sobering example of Pakistan. For ten years, the United States has spent



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The White House and The World

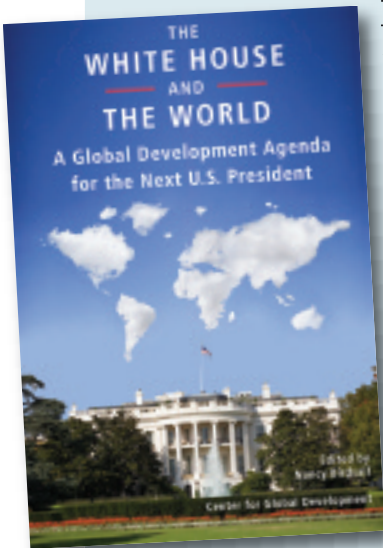
Each day brings fresh evidence that Americans' well-being is linked to the lives of others around the world as never before. Accelerating advances in technology and the creation of new knowledge offer undreamed-of opportunities. Yet global poverty, inequality, disease and the threat of rapid climate change threaten our hopes. How will the U.S. president elected in November 2008 tackle these global challenges?

The White House and the

World: A Global Development Agenda for the Next U.S. President shows how modest changes in U.S. policies could greatly improve the lives of poor people in developing countries, thus fostering greater stability, security, and prosperity globally and at home. Center for Global Development experts offer fresh perspectives and practical advice on trade policy, migration, foreign aid, climate change and more. In an introductory essay, CGD president Nancy Birdsall explains why and how the next U.S. president must lead in the creation of a better, safer world.

The White House and the World Policy Briefs present key facts and recommendations drawn from the book in a succinct form designed for busy people, especially senior policymakers in the executive and legislative branches of government. This brief is drawn from "Righting the Three-Legged Stool: Why Global Development Matters for Americans and What the Next President Should Do About It" by CGD president Nancy Birdsall.

The White House and the World Policy Briefs were made possible by the Connect US Fund of the Tides Foundation, by Edward Scott Jr., the chairman of CGD's board, and by others whose unrestricted funding makes such collaborative and cross-cutting work possible.



\$1 billion a year on military aid there, in hopes of addressing the security problem along Pakistan's border with Afghanistan. It seems a safe bet that if only one-quarter of those resources had been invested in education, health, rural development, and support for democratic institutions, we would have achieved much higher returns in terms of political stability and standing for America at a much lower cost.

Looking forward, a focus on development constitutes an investment that is both smart and thrifty, yielding returns in the prevention of trouble and the minimization of risk—not only in Pakistan but in East Africa, Southeast Asia, Central America, and other poor regions.

But the domestic constituency for effective U.S. development policy, while growing, still lacks the means to push this agenda forward relative to other pressing domestic and foreign issues. Presidential leadership can make the difference. A president who becomes a champion for global development, who leads with a vision of a new role for America in the world, will reap large and lasting rewards for Americans, for his administration's legacy, and for the stability and well-being of people around the world.

The White House and the World suggests dozens of practical steps that the next U.S. president can take to make the United States a leader on global development policy. The recommendations fall into four broad categories:

1. Lead with U.S. strengths in technology and business.
2. Build shared prosperity through development-friendly trade, migration, and investment policies.
3. Modernize our outmoded and ineffective foreign aid apparatus.
4. Lead reform of the international development institutions to make them more legitimate and accountable, especially to developing-country members.

Lead with U.S. strengths

The United States can play to its strengths far more than it has in support of increased prosperity around the world. The United States has world-class educational institutions, a near-monopoly of venture capital, and unparalleled entrepreneurial acumen. It is the world's leader in taking science from the lab to the market in the form of commercially viable new technologies. It can use these strengths to benefit the world's poor. A few examples include

- committing to buying millions of doses of a malaria vaccine to encourage private investment in R&D by American pharmaceutical firms, and directing a larger share of the substantial resources of the National Institutes of Health and the Centers for Disease Control to help address health challenges in the developing world;
- crafting public policy and financing to rapidly scale up solar

and other renewable energy technologies in which low-income countries could be competitive. This would help to address the frightening risks that climate change poses for the world's poor—such as drought in Africa and sea-level rises in Bangladesh—while helping America, too, by creating “green jobs” and re-energizing venture capital and financial sectors;

- taking a new approach to intellectual property rights that would ramp up public and private R&D in tropical and rain-fed agriculture, which would help poor farmers to increase their yields and their income;
- pooling private and public money to invest in a Pan-African Highway and a major hydroelectric power project in southern Africa, bringing new investment to the continent and reducing costs and raising the competitiveness of Africa's small-business sector.

More broadly, the United States is well-positioned to take a lead on global health, climate change, and agriculture. *The White House and the World* offers strategic recommendations in each area:

- **Global health:** While the Bush administration's HIV/AIDS funding increases have been welcome, a disproportionate focus on a single disease has led to the neglect of other priorities. A new strategic framework is in order, especially one that better leverages the resources of multilateral partners.
- **Climate change:** The United States needs to advance a workable negotiating package ahead of the UN's Copenhagen conference on climate change in December 2009 which includes setting federal emissions limits, enforcing them through effective market mechanisms, and supporting multilateral initiatives on clean technology.
- **Agriculture:** Production has not kept pace with global demand, including the need for second-generation biofuels. The United States can help by making good on commitments to bodies such as the Consultative Group on International Agricultural Research (CGIAR), and by tapping the potential of its large and sophisticated private and public agricultural R&D network.

Build shared prosperity

Cross-border flows—trade, migration, and investment—are perhaps the most powerful means we have for building shared prosperity. Yet our policies in these areas are too often determined by the lobbying of special interests. The next president—and the U.S. policy community more broadly—can maximize the benefits for Americans and for people in developing countries by considering these issues through the development lens.

- **Trade policies:** The U.S. trade regime still discriminates against some of the poorest developing countries. Barriers to imports and subsidies to U.S. producers—particularly in sugar, dairy,

Facing Twenty-First-Century Challenges

Just as effective development policy can bring many benefits to Americans and to poor people in developing countries, badly designed or poorly implemented approaches to U.S. development policy can make things worse. Five challenges stand out:

- **Anti-Americanism:** When the benefits of globalization are not widely shared, a backlash against the United States and its values leads to increased risk to U.S. security and commercial interests.
- **Weak and failing states:** More than fifty of the world's poorest, least-developed countries are fragile or failing states, with problems like drug trafficking and terrorism creating substantial risks and costs for the United States.*
- **Climate change:** Global warming will quickly reach dangerous tipping points for all countries unless the United States and other rich countries lead in creating and sharing new technologies to cut greenhouse emissions and support developing countries in cutting poverty while also addressing climate change.
- **Emerging infectious diseases:** Infectious diseases flourish where resources and public health infrastructure are inadequate but can rapidly spread around the world unless preventive measures are taken.
- **Irrelevance and dysfunction of international financial and development institutions:** With many multilateral institutions dominated by the United States and its Western allies, their legitimacy is at risk just when they are needed most.

* Commission on Weak States and U.S. National Security, *On the Brink: Weak States and U.S. National Security*, (Washington, D.C.: Center for Global Development, 2004), www.cgdev.org/section/initiatives/_archive/weakstates.

and textile industries—deprive poor countries of export revenues, jobs, and wages in their most competitive sectors. Providing permanent duty-free, quota-free access for the world's poorest countries is an important first step. Others include simplifying existing preference arrangements and incorporating transfers for developing countries to help them finance their own trade adjustment assistance programs.

- **Migration policies:** Allowing more people from developing countries to temporarily work in the United States makes sense for all concerned. For example, raising the number of temporary work visas granted to highly skilled workers to levels that are comparable with the number granted by our international competitors (at least 500,000 a year) would strengthen the U.S. competitive position in high-technology sectors, increase demand for education abroad, and fuel a new round of return investment as talented people return home. Fashioning bilateral agreements that expand the



number of temporary visas for low-skilled workers and ensure their return home would benefit the temporary migrants themselves, help reduce the pressure for illegal immigration, and, through remittances, help to lift millions of households out of poverty in low-income sending countries.

- Investment policies:** The United States does well in this area overall, but it could do better. Foreign direct investment, for example, can play an important role in social and economic development, but core labor standards, transparency in payments, and protections against corruption must be in place. Proposing a new regional agreement in the Americas which collectively sets standards for investment, closing loopholes in the Foreign Corrupt Practices Act, and building a road and power system in Africa using regional and multilateral investment channels are examples of investment policy measures that would generate benefits for all concerned.

Modernize foreign assistance

The Bush administration deserves credit for increasing total U.S. aid from \$12.6 billion in 2001 to \$23 billion in 2006.² It also introduced several new programs, most prominently the President's Emergency Plan for AIDS Relief (PEPFAR) and the Millennium Challenge Account. During its second term, it tried without success to consolidate and better align foreign assistance strategy and spending by USAID and other federal agencies.

Today's challenges, however, require a more fundamental overhaul and a rethinking of the purposes, scope, and organization of U.S. foreign assistance programs. Rewriting outdated rules is itself a high priority. The law that currently shapes U.S. foreign aid policy, the 1961 Foreign Assistance Act, has been molded by special interests, has accumulated a complex set of rules, regulations, and objectives, and is a patchwork of highly fragmented programs across some twenty different government agencies. It also requires that much of U.S. aid be spent hiring U.S. contractors and offers few incentives for U.S. agencies and departments to collaborate with each other or with multilateral institutions. Foreign assistance funds are often linked to short-term diplomatic and political concerns that have little to do with development. Finally, there is often insufficient accounting of whether programs are achieving important strategic or development objectives.

Foreign policy experts on both sides of the political aisle recognize these problems and acknowledge that U.S. foreign assistance programs are badly in need of modernization to meet the challenges of the twenty-first century. The Pakistan example above illustrates the costs of failing to focus on strategic prevention of security problems and other costs of political breakdowns. With strong bipartisan backing, the time is ripe for new approaches.

Among the recommendations included in essays in *The White House and the World* are the following:

- Get organized.** Reach a grand bargain with the Congress on a new Foreign Assistance Act that strengthens and streamlines into a single cabinet-level agency the management of development assistance programs.
- Leverage multilateral mechanisms.** Commit to contributing 25 percent of any increase in the proportion of foreign aid to multilateral channels.
- Apply development expertise in Iraq and Afghanistan.** Shift funding and responsibility for development programs in Iraq and Afghanistan that are now concentrated in the Pentagon to USAID or a strengthened successor agency.
- Provide crisis response funding and accompanying civilian capacity.** Establish a large contingency fund (\$1 billion) to assist governments in the wake of conflict or political transition, and create a civilian "expeditionary" capacity within the State Department and USAID that can be deployed to crisis countries.
- Increase the effectiveness of the billions of dollars allocated for HIV/AIDS.** Strengthen the prevention component of PEPFAR to move toward a more sustainable policy on HIV/AIDS and allocate new funding to multilateral programs.
- Learn what works.** Implement and rigorously evaluate innovative approaches that deliver assistance focused on outcomes, not inputs, including by working in partnership with philanthropic foundations and other private donors.

Take a multilateral approach

The White House and the World makes the case for a new approach to global leadership that emphasizes collaboration and cooperation. That includes stronger support for international institutions—not just for ad hoc coalitions of the willing on specific issues but for organizations that bind the United States as well as other countries to shared norms and rules of the game.³ In a hyper-connected world in which collective action is difficult and the proportional weight of the United States in the global economy is declining, shared institutions matter more, not less. Supporting those institutions can have high returns for the United States.

Such giants as Brazil, Russia, India, and China—the so-called BRICS—are no longer needy recipients of Western largesse. But their engagement in addressing financial crises, climate change, and other global problems is critical. Properly strengthened and reformed, multilateral institutions offer valuable settings where they can be effectively engaged—but only if they have a meaningful say in how these institutions are run. The U.S. president would be wise to promote more power sharing in international financial and development institutions and encourage the full engagement of developing countries in the

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financing and management of the global public goods we all share. To use the example of the World Bank, the new U.S. president should direct the Secretary of the Treasury to

- work with other members of the World Bank to establish a credible, open, merit-based selection process for choosing the next head of the bank, irrespective of nationality;
- commission an independent, high-level assessment, to be made public, of voting shares, board representation, and other indicators of influence on the bank's operations and policies, including options for changes;⁴
- support changes in World Bank financing and management of global public goods to ensure greater engagement of developing countries in areas such as health, agriculture, and renewable energy technologies.

Low cost, big benefit

What would all this cost? The total net cost of the proposals in *The White House and the World* is surprisingly low in budgetary terms. Aside from the \$50 billion that we recommend spending inside the United States to finance agriculture, clean energy, and health research, the total cost of our recommendations for “foreign aid” would amount to an increase in our development assistance of just \$7 billion a year. That is less than the cost of one month of “Iraq time” (in 2007),⁵ and only 1 percent of the \$700 billion that Congress authorized to be spent for coping with the financial crisis. Moreover, doubling investment in renewable energy technologies would generate net gains in jobs and economic growth for the U.S. economy. Compared with defense and even diplomacy, development is a bargain for the United States and the world.

Ideas to reality: A cabinet-level development agency

While the president must lead on the development agenda, he will need help. That help should come in the form of creating a new cabinet-level position with full responsibility for development writ large. Just reform of U.S. development assistance will require considerable political leadership and bureaucratic finesse. Then there is the broader policy task of bringing the long-term development perspective to decision-

making on trade, energy, climate change, migration, and more. To make sure that development has a place at the table, the next president should appoint a cabinet-level development official within the first weeks of taking office. The appointee could have a mandate to work with Congress and relevant federal agencies to establish a new cabinet-level department.

A recommendation for a new organization may seem misplaced. Should organization not follow rather than lead policy and program priorities? In this case, no. In the huge and complex federal government, organization is a key factor driving strategy, and the absence of a single responsible organization may well be at the heart of why development has been the weakest leg of the foreign policy stool. The next president faces daunting tasks: to repair America's image abroad, to demilitarize our foreign policy, to work with rising Asia on global challenges, and to restore America's interests and leverage in multilateral settings. None of that can be done well without attention to the “development” project.

Endnotes

¹ American's sense of connection and even moral obligation to people far away has grown as the international movement of goods, information, and people has accelerated. In surveys, Americans indicate a willingness to see far more spent on foreign assistance by the government than is actually spent. Eighty-three percent of Americans, for example, agree that effective foreign assistance can be successful in improving the U.S. image abroad and making the country safer. See ASP (The American Security Project), “America and the World: Evolving Attitudes on National Security and Foreign Policy,” poll conducted April 30–May 8, 2007, www.americansecurityproject.org/issues/reports/america_and_the_world_evolving_attitudes_on_national_security_and_foreign_policy_data

² This figure is measured in constant 2005 dollars; the vast majority of the increase also went to Afghanistan, Iraq, and other allies in the war on terror.

³ In the terminology of the outstanding report of the CSIS Commission on Smart Power, the distinction is between consensus-based internationalism, sometimes useful to handle short-term challenges, and norms-based internationalism in the form of treaties and multilateral organizations that provide the United States with “standing capacity” to act over time with other countries on current and future challenges. See Richard Armitage and Joseph Nye, *A Smarter, More Secure America: Report of the CSIS Commission on Smart Power* (Washington, D.C.: Center for Strategic and International Studies, 2007).

⁴ In his speech prior to the October 2008 Annual Meetings of the International Monetary Fund and the World Bank, Robert Zoellick, president of the World Bank, announced he was creating a high-level commission to look into modernizing the governance of the World Bank Group.

⁵ Work done by the Congressional Research Service estimates that, in 2007, the war in Iraq cost approximately \$133.6 billion. See Amy Belasco, “The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11,” CRS Report for Congress, (Washington, D.C.: Congressional Research Service, The Library of Congress, 2008).

Operating costs are projected to exceed \$12.5 billion a month. See Joseph Stiglitz and Linda Bilmes, *The Three Trillion Dollar War: The True Cost of the Iraq Conflict* (New York: W.W. Norton & Company, 2008).