

TESTIMONY: COMMITTEE ON FOREIGN AFFAIRS  
U.S. HOUSE OF REPRESENTATIVES  
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Mr. Chairman, members of the committee, I welcome this opportunity to offer my views on the need to strengthen our civilian development and diplomatic capacity. I am pleased to join my friend Peter McPherson on this panel. We have served presidents of opposing political parties as administrators of USAID; and we are both concerned about the erosion of our civilian capacities at a time when threats to our interests require a civilian as well as a military response.

I believe you have asked me here today because I have served both at State and USAID. While my views on development are more frequently sought nowadays, I am very proud of my diplomatic service. I was a career State Department foreign service officer, an Assistant Secretary and Under Secretary of State. I also led the transition team at State after the 1992 election.

I am a strong advocate of a balanced “3-D” national security strategy, an approach to our international challenges that emphasizes coordination among the defense, diplomatic, and development missions. The threats we face today require a much stronger civilian effort to prevent the crises that require the use of the military option.

Diplomacy and development are mutually reinforcing assets in preventing conflict, but they are distinct missions requiring very different mandates and resources. Unfortunately, these two missions have been pitted against one another as rivals for a limited resource base within the foreign affairs budget (the 150 account). The debate in this town since the 1990s should not have been about whether or not to merge these two distinct missions, but rather about how to synchronize them, and to fund them adequately.

Today, our military leaders are seeing more clearly the limits of their power as they engage an unconventional enemy on an asymmetric battlefield. They have prodded us to focus on the need for effective prevention strategies. We finally have begun to pay attention to conditions that produce instability and chaos, conditions that are, in turn, exploited by terrorists, criminals, and demagogues.

We are also witnessing reluctance by military professionals to be pushed into non-combat missions that run counter to their training and which are more effectively carried out by civilians. Changing conditions on the ground, whether in a crisis-prevention or a post-conflict situation, requires the cooperation of local civilians, nationals of the impacted country. Progress is less likely when those offering assistance are foreign military personnel. Our military professionals know this, yet frequently they are asked to engage because civilian agencies do not have the resources to participate effectively.

Mr. Chairman, in the early 90s I found myself in a debate over whether global poverty and the chaos it creates constitutes a strategic threat. Early in the Clinton administration, I wrote an opinion piece which the Washington Post titled *Now, Chaos*. I wrote that "...disintegrating societies and failed states...have emerged as the greatest menace to global stability..." A few weeks later, another Post op-ed said that my thesis "undervalued moral accountability." The writer charged that I had offered a false doctrine and that "malice," not "chaos," was the overarching threat.

I never claimed that conditions that contributed to chaos and the challenge of willful malice were unrelated. Today, it is well understood that these conditions – often created by abject poverty – both incite malice and are exploited by those with malicious intent.

Numerous studies have now concluded, as did the 1999 Commission on Global Governance, that "...poverty and extreme disparities of income fuel both guilt and envy when made more visible by global communications." Poverty breaks down social cohesion, produces anger and alienation, and makes violent conflict more likely. Sociologists studying gang warfare in American cities have studied the breakdown of "collective efficacy" for years now and they have related this directly to "resource deprivation," or what has been called "the concentrated disadvantage factor." Most of us call it poverty.

In March of this year, two highly respected retired military officers, General Anthony Zini and Admiral Leighton Smith, helped underscore this reality when they wrote that "our enemies are often conditions." They urged more spending on civilian assets as has Secretary of Defense Robert Gates.

The national security debate that took place in the early 90s is now a settled question. The issue is no longer the nature of the threat; it is our capacity to deal with it as it is now more precisely defined. If we agree that the prevention of conflict, instability, failed states and other negative manifestations of poverty is essential, it is now time to give priority to the strategies, structures, and resources needed to create a culture of prevention within the US government. The foundation of a prevention strategy will be a combination of diplomacy, development, and deterrence flowing from the threat of military intervention.

What is needed is an objective and comprehensive analysis of *all* possible contributing factors. Only such an analysis can produce a combination of diplomacy and development programs that will effectively inhibit those who would seek to use grievances or conditions of underdevelopment to incite people to violence.

Among the many factors to be considered are the health of the governance system, the extent of political and economic equity, the rate of population growth versus economic growth, and the extent to which people can participate in decisions related to their own well-being. This requires both a situational assessment focusing on those within a society who are manipulating the levers of political and economic power and a development perspective. It is vital to understand the power equation, but equally important to comprehend the fault lines below the surface related to underdevelopment.

If this development perspective is to be a factor in our analysis and policy making, the mission must be elevated within the US Government. If the security stakes in long-term development are as great as I and others suggest they are, then we need to structure our government to better coordinate our efforts. Right now over 20 government departments are undertaking some aspect of development work, including the Defense Department.

Our policies toward the developing world must also be more coherent if our development programs are to be effective. Today, many of our finance and trade policies directly undermine our development strategies. If we help nations develop globally competitive economic sectors and we then deny them market access, we are undercutting our development objectives. If we subsidize our agricultural products while spending resources to help poor countries develop an agriculture sector, we defeat our purpose and waste tax dollars. If we insist on tight-money finance strategies when nations need to expand production capacity and make investments in human capital, then we deny opportunities for growth. If development is a key objective, our trade and finance policies must be differentially and flexibly applied.

I am not suggesting that the development perspective dominate in matters of finance and trade. I am saying that the development perspective must be heard at the decision-making level.

It is not heard now. If the condition of poverty is a national security threat, we need to consider carefully all aspects of our policy toward the developing world.

Mr. Chairman, we need to organize better to undertake the poverty-reduction mission. That means creating an entity that can coordinate among US Government agencies to create an overall strategy – as well as individual country strategies – in cooperation with our partners. It means empowering the entity to speak for the United States to encourage more participation by bilateral and multi-lateral donors and, most importantly, by developing-nation governments. It means giving that entity a voice within the US Government on finance and trade policy.

We need also to send a message to the world that we are back in the business of international cooperation. Our development goals cannot be met without cooperation – with other donors, with international organizations, and with nations experiencing high levels of poverty.

The best way to achieve these related objectives, in my opinion and in the opinion of a growing number of others, is to create a new department of international development cooperation. This position was advanced on June 1 by the “Modernizing Foreign Assistance Network” group in a report I co-signed called “*New Day, New Way, US Foreign Assistance for the 21<sup>st</sup> Century.*”

The mission of this new department would be to create strategies, coordinate activities within the US Government and participate in policy discussions that impact on the poverty-reduction mission. The department would oversee the development activities of the UN voluntary agencies and the World Bank. In short, this new department would reestablish American leadership within the international development community by placing an emphasis on the word “cooperation.”

Mr. Chairman, that is my preferred option. I recognize that there are alternatives, including one that Peter McPherson and I have together proposed. In a letter we sent to the HELP commission we called for a strengthened USAID with enhanced coordination authorities and a seat on the National Security Council. This would be a much better arrangement than we now have, even if not ideal.

As should not be surprising, I am also an advocate of a strong State Department. The diplomatic mission constitutes our first line of defense and the Secretary of State, our most senior cabinet officer, must always be in the lead in helping create and advocate for the foreign policies of the President. The State Department's mission requires excellent crisis managers, negotiators, and analysts.

It also requires resources that enable it to accomplish its mission. The lack of these resources has created tension among the civilian agencies. The activities that should be supported by State resources are shorter-term and related to the diplomatic function. When these resources are unavailable, it is quite natural for State to look elsewhere for them.

The regional bureaus and our embassies abroad form the core of the State Department's diplomatic mission. Foreign Service officers will tell you that if you want to get ahead at State, you must be in a regional bureau or an important embassy. If you really want to get ahead, you have to be fortunate enough to manage a crisis or a vital negotiation, and do it well. State's functional bureaus are important balance wheels in assuring that certain American interests or values are part of the decision process. Arguably, the functional issues would be better served if they were integrated into the regional bureaus. However, they will never be at the center of the Department's mission, even if they carry a congressional mandate, unless an administration insists upon it happening.

The arrangement now in place underscores this point. Placing the AID Administrator and the allocation process (called the “F” process) within State has produced predictable results. Resources have been allocated more to support the diplomatic mission, than the development mission. Decisions are being made centrally by a system that considers inputs and short-term impact rather than long-term, sustainable results. This has changed some under the current Administrator, but the pressures to support the diplomatic mission remain great.

Mr. Chairman, I want to acknowledge the prior testimony before your committee of former Congressman Jim Kolbe. I serve on an important transatlantic commission to study innovations in development that is co-chaired by Congressman Kolbe and the Development Minister of Sweden. As the former chair of the Foreign Operations Subcommittee on Appropriations, Jim Kolbe knows well the problems created by the combination of earmarking and an outdated authorization bill.

I commend your desire to start over again, Mr. Chairman, to reauthorize our foreign assistance program to bring it into the modern era. This is vitally important and I hope you can work with a new administration to fashion a bill that will enable the United States to pursue specified strategic objectives in development.

The Millennium Challenge Corporation (MCC) legislation has led me to conclude that a bipartisan coalition can be formed to pass an authorization bill. The eligibility criteria created for MCC assistance is based on sound development thinking. These criteria could be the basis for a new mandate for development assistance.

As you will recall, the legislation encouraged the creation of performance indicators which in President Bush’s words would be used to “reward nations that root out corruption, respect human rights, adhere to the rule of law...invest in health care, better schools...have more

open markets and sustainable budget policies, nations where people can start and run small businesses without running the gauntlets of bureaucracy and bribery.” Sixteen measurable indicators were chosen under such broad categories as “governing justly,” “investing in people,” and “promoting economic freedom.” While we can debate whether the categories or measurement systems in use are all they could be, I believe these indicators are developmentally sound.

It would be important for Congress to set the broad goals for development and then to hold the Executive Branch accountable for achieving results against those goals. The current earmarking system basically tells the Executive to spend money on a narrow objective; it is input-based, not results-based. The system forces the Executive to make expenditures where they may not be needed. It creates a dynamic that runs counter to strategic planning and cooperation with local partners who know best what their development needs are.

I would add environmental sustainability to the 16 MCC indicators, but the rest strike me as adequate. These indicators already command a bipartisan consensus that could form the basis of support for new legislation. Your new legislative mandate to achieve results would create a dynamic that would require a better approach and a new structure. A new president would soon recognize that the current system and structure are sub-optimal in achieving results and success.

Closely related to development are the humanitarian relief and post-conflict transition missions. Here there is a relief-to-development continuum that is better served by careful collaboration and programs that are designed to move as quickly as possible to the development phase. For this important reason, I believe it is important that the Office of Foreign Disaster Assistance and Office of Transitions Initiatives remain in the same agency as the development mission. Defense should provide security in post-conflict situations. State should negotiate the



settlement of disputes. And USAID should provide humanitarian relief, transitional assistance and, later, long-term development.

Democracy programs are at the heart of our foreign policy no matter which political party is in charge. Here, flexibility is needed. USAID treats democracy and governance as a central element of its development mission. Its failure to do so would render other development initiatives unsustainable over time. State's Democracy, Human Rights and Labor Bureau (DRL) responds more rapidly to political openings and it needs resources to do so. DRL has developed good working relations with the democracy-promotion NGO's who are able to move with more agility into short-term crisis situations and require more leeway to operate. These NGO's, some of which receive core funds from the National Endowment for Democracy, are often less well suited to USAID's longer term development timetable and its contract and grant regulations.

There is a tendency to see democratization work as separate from development. It is not. Developing nations need help in creating civil societies, democratic governmental institutions, political parties and legal systems. There are limited funds in government to do these things and it is important to sort out who does what in given situations. DRL has a role, as does OTI in transitions, and USAID development programs must integrate democracy and governance into successful strategies.

A final word on legislation. The delivery of foreign assistance entails a degree of risk. Much of that risk can be reduced by working with good partners. Yet, if poverty is indeed a national security threat, as I believe it is, then we will have to work in nations that are not good partners. We will have to find ways to partner with people and organizations that want to reduce poverty and promote positive democratic change. This means accepting the risk of possible failure. I hope that Congress would offer a mandate to work in states that are at risk of failure as

was recommended by a commission on which I served called “Weak States and U.S. National Security” (the report was titled “On the Brink”), sponsored by the Center for Global Development.

One has to understand bureaucratic behavior. Bureaucracies are risk averse. Their major objective is compliance, not risk. What they hear now from Congress is that they must comply with earmarks and spend the appropriated money. What they need to hear is that they will be held accountable for achieving results in the countries that lend themselves to development and that they should be taking risks in the weak states whose programs would be funded by a separate account with less demanding criteria. What we need in these weak states is creativity and entrepreneurship more than pure compliance.

Mr. Chairman, the security challenge created by the condition of poverty is urgent and it is growing. The population of the world’s poor is not waiting for us to see more clearly our own interests in fixing our capacity to respond. In 10 to 15 years time, we will see another billion poor added to the global population. The economic health and well-being of these people will increasingly come to define our own security, our economic prospects and the health and well-being of our own people. The conflicts that could result will increasingly engage our military assets. We need a prevention strategy that is based on proactive diplomacy and sound development.

I believe that a new president will make this a top priority. But a president cannot create the civilian capacity, the right structure, and the appropriate goals without a solid partnership with Congress. You can take the first step by passing a new authorization bill for both State and USAID that makes them more equal partners with Defense in the “3-D” triad.