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Foreign Assistance in the Age of Terror

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(As Prepared)**

September 11 and the war on terrorism have brought the most fundamental changes to this country's security strategy since the beginning of the Cold War. This was the theme that Secretary of State Colin Powell brought to Congress in multiple testimonies this month and last. Recent events in Madrid - as in Indonesia, Morocco, the Philippines, Turkey, Uzbekistan, Saudi Arabia, and Pakistan, among other places - underscore the urgency of his remarks and the global nature of this challenge. As President Bush said: "Defeating terrorism is our nation's primary and immediate priority." In a word, it is this generation's "calling."

The war on terror has led to a broadening of USAID's mandate and has thrust the Agency into situations that go beyond its traditional role of humanitarian aid and development assistance.

In both Iraq and Afghanistan, USAID has stood on the front lines of the most important battles in the new war. The outside world has little understanding of the devastation - physical and psychological - that these societies had suffered from decades of predatory and tyrannical governments and political fanaticism. USAID initiatives are helping the people of Iraq and Afghanistan reclaim their societies and together we are laying the groundwork for their rebirth.

Our country's post-war reconstruction efforts in Iraq are critical to the broader war on terror and remain a central priority of the Agency. Our achievements are significant, especially in light of the security situation and the desperate and on-going efforts of some to disrupt our progress.

The end of the Cold War and the challenges that now face USAID have prompted the most thoroughgoing reassessment of the country's development mission since the end of the Second World War. We are responding with a new understanding of the goals of foreign assistance.

Specifically, our policy experts at the Agency have defined five distinct challenges:

- Supporting transformational development
- Strengthening fragile states and reconstructing failed states
- Supporting U.S. geo-strategic interests
- Addressing transnational problems
- Providing humanitarian relief in crisis countries

You may notice that "conducting the war on terror" is not one of the Agency's core goals. Each of these goals, however, is vitally relevant to what the President has called this nation's "primary and immediate priority." Let me take a moment to outline the new challenges facing the Agency and how they relate to the war on terror.

It is the mission of my Agency to shore up the democratic forces of society and to help promote the economic reforms that are the most effective antidote - long-term - to the terrorist threat and its appeal. We are committed to building on the substantial progress that has been made in this regard over the last half century.

I want to be clear in my remarks, however. I in no way believe that terrorism is simply caused by economic

deprivation. It is much more complex phenomenon. I also understand that the world will not be transformed overnight.

President Bush's National Security Strategy document underscores the changed dynamics of the post-Cold War world. Today, weak states pose as great a danger to our national interests as strong states.

We have learned 1) that failed states - such as Lebanon, Afghanistan, Somalia, and the Sudan - both breed and harbor terrorists and 2) that the marginalized populations of weak states are most subject to being subverted by the terrorist message.

There is perhaps no more important matter in USAID's portfolio than fragile and failed states and no set of problems that are more difficult and intractable. USAID's extensive experience in conflict and post-conflict situations uniquely equips us to play a constructive role in promoting stability, reform, and recovery in fragile states. I have created the Office of Conflict Mitigation and Management to provide the analytical and operational tools to respond to crises in such vulnerable places.

I would like to note in passing that USAID involvement has been instrumental in bringing hope to Sudan and helping end one of the world's most protracted conflicts.

Aid is a powerful leveraging instrument that can keep countries allied with U.S. foreign policy. It also helps them in their own battles against terrorism. For example, while it is vital that we help keep a nuclear armed Pakistan allied with us in the war on terrorism, we must also help Pakistanis move toward a more stable, prosperous, and democratic society. Our support for reform of Pakistan's educational system and its political institutions is critical in this regard.

Global and transnational issues are those where progress depends on collective effort and cooperation among countries. Examples include HIV/AIDS and other infectious diseases and international trade agreements. It also includes certain criminal activities which frequently support terrorism, such as trafficking in arms, persons, and the narcotics trade.

The United States has always been a leader in humanitarian aid and disaster relief. This is a moral imperative that has not changed. Former President Reagan expressed the sentiments of the nation and underscored the transcendent importance of such moral claims when he declared that "a hungry child has no politics."

We must, however, do a better job of combining such assistance with longer term development goals. And we must make sure that the recipients of our aid are aware of our help and U.S. generosity. This is particularly important in areas of the world subjected to anti-Americanism and terrorist propaganda.

The war on terror will be multi-faceted. The President's National Strategy for Combating Terrorism (2003) lists four goals and objectives - the "4 D's", if you will: 1) defeating terrorists and their organization 2) denying sponsorship, support, and sanctuary to terrorists 3) defending U.S. interests at home and abroad and 4) diminishing the underlying conditions that terrorists seek to exploit. The last objective falls squarely within the USAID mandate and lends new urgency to our development mission.

I would like to briefly talk about five of these "underlying conditions" and how USAID is dealing with them: isolation, a lack of economic opportunity, weak institutions and governance, a lack of financial transparency and poor educational systems

As the experience in Afghanistan indicates, remote and isolated areas of poorer countries are the most fertile grounds of terrorist fanaticism. Taliban holdouts are still lodged in such areas.

USAID's signal achievement last year was the rebuilding of the 389 kilometer road that connects Kabul with Kandahar, an unprecedented engineering feat given the constricted time frame and insurgency threats. Approximately 35% of Afghanistan's population lives within 50 km of the highway, much of this agrarian and rural. Plans are being implemented to extend it to include the city of Herat, were it will then arc back and reconnect with Kabul in one complete circuit.

Restoration of the road has been one of President Karzai's overriding priorities. It is crucial to extending the influence of the new government, now endowed with democratic legitimacy and bent on a new start for the country. Without it, Afghanistan's civil society and economy would remain moribund and prey to the country's centrifugal forces. The internal development of the country that the road makes possible will help guarantee the unity and long-term security for the Afghan people. When complete, it will help end the isolation that has sheltered the Taliban and fed terrorist insurgency. It will stimulate development and reconnect the country to a larger network of regional trade.

I am convinced that development has generally gotten off track in abandoning its commitment to road building, particularly in rural areas. Short term, it generates employment. Long term, it serves development. It puts essential services in reach of those in need, bringing a sense of equity and stakeholding to otherwise marginalized populations. In connecting remoter regions to the capitol cities, it also spreads the modernizing forces of urban life to

the hinterlands. And in places like Afghanistan or Pakistan, this can make a significant contribution to the war on terror.

Radios are another example of how we combat isolation. Afghanistan has a radio culture. USAID has restored radio transmission towers. It has also funded innovative programming and provided the capital to build private radio stations. For example, Radio Kabul has broken new ground with a program that appeals to the music tastes and concerns of the young, featuring a mix of female and male disk jockeys that are representative of the diverse ethnic groups in Afghan society. Such things were unimaginable under the Taliban and the programming popularity is testament to the country's new ethos.

In a similar vein, USAID is funding the so-called "Last Mile" initiative, which will bring rural and isolated populations into the information age via connection to the internet. This will awaken minds to expanded horizons and a liberating diversity of opinion. It will effectively put an end to the hermetic conditions which terrorists exploit for their proselytizing. Increased development and trade opportunities for such areas can also be pursued through such linkages to the outside world.

We have learned that countries become vulnerable and subject to terrorist subversion when there are high rates of unemployment, particularly among males aged 15 - 35. This has been confirmed time and again by our experiences with fragile and failing states. Militias recruit from the ranks of restive and unemployed youths who are easily seduced into the criminal activities that support terrorism and promise money and adventure.

Our interventions in such countries have focused on various quick impact projects that generate employment as they help rebuild communities. In channeling the productive energies of such peoples, these programs also provide visible signs of hope that can counter the call of those who base their appeals on a sense of hopelessness. Indeed, programs such as "food for work" may be the only means of survival for backward or war-devastated communities. As we found out in Afghanistan, this is what stood between desperation and reliance on Taliban "charity."

A sense of dignity and self-worth comes to individuals who are engaged in productive work that provides for the betterment of their families, communities, and societies. Development initiatives that focus on such fundamental truths are the ultimate answer to terrorism.

I once heard it said of my agency that "it is the worst nightmare of terrorists." I consider this one of the greatest compliments of our work as I do a report from Mindanao, where a terrorist expressed his willingness to turn in his gun for a job like the one a USAID program had generated in a neighboring village.

The most potent weapon against terrorism, however, will come not from external aid but from the internal development of such societies. USAID is using a wide variety of programs that address the economic isolation that is imposed on them by law and custom, tenuous rights to property, multiple impediments to productive enterprise, and disenfranchisement. We take inspiration from the work of Hernando De Soto who seeks to integrate the untapped talents and tremendous energies of the marginalized by bringing them into the mainstream of their nation's economy. And we apply the lessons from the work of Michael Porter who seeks to unlock the potential latent in national economies by creating local conditions that foster business and job creation.

One of the most important aspects of our strategy to address the lack of economic opportunity has been trade capacity building activities. This includes supporting trade negotiations and helping countries take advantage of the opportunities for trade. USAID has helped countries with the challenges they face in implementing the Free Trade Agreements.

In order for trade agreements to translate into investment opportunities, developing countries must have a sound business climate. In much of the developing world, however, it remains difficult to start and run a business. We are addressing some of the key issues related to property rights, contract enforcement, and rule of law—that are part of the enabling environment that allows businesspeople, investors, and farmers to build private enterprises and create wealth.

The terrorist threat also correlates closely with governance issues. This has a geographic dimension, when, typically, institutions of government and the services they provide have only the most tenuous presence in areas outside the capitol. Where food is scarce and health service is minimal, the religious schools called madrassas will fill the void.

USAID has made fortifying agriculture and reviving rural economies a priority. Our development programs are firmly committed to building networks of schools and health clinics and seeing that they are a competently staffed. In Afghanistan, Iraq and elsewhere, we are installing management systems and teaching the skills that will modernize key government ministries. Other programs, as in Cambodia, seek to foster competent parties, representative institutions at the national and local level, judicial reform, and the protection of human rights.

Terrorism also breeds in places where the government is present but is gripped by corruption. We are developing innovative strategies in Washington and the field to counter the petty corruption that demoralizes the citizenry and encumbers their activities. The economic drag from such practices is literally incalculable. We are also beginning to mount a more serious assault on the endemic, parasitic corruption of elites which, among other things, squanders scarce resources, short-circuits effective development and deepens the resentments that terrorists so effectively mine.

Related to weak governance is the problem of weak financial institutions and lack of financial transparency. Of particular significance to the war on terrorism are our efforts to reform banking and financial systems and install proper auditing practices that will track the monies that serve criminal activities and feed terrorist networks. Assistance efforts have helped draft critical legislation, set up financial crimes investigative groups, and trained bank examiners to identify and report suspicious transactions.

There is also the problem of choking off criminal activities like opium and poppy production. Our experience in fighting cocoa production in Peru, Bolivia, and Colombia has shown us that the only effective strategy is literally to clear the ground for the licit crops that will feed the nation while aggressively pursuing eradication of the others.

In eradicating poppy in Afghanistan, we eradicate what is a major source of funding for terrorists. We are also addressing what has turned into a plague for the region. While poppy was cultivated for export to the West as a weapon to undermine the fabric of society there, it has caused a raging addiction problem in Pakistan, Afghanistan, and Iran.

We believe that in the long-term, education is one of our most potent weapons against terrorism. To that end, we have designed programs specifically for the Muslim world that respond to the challenge posed by radical Islamism. One approach focuses on improving the performance of the secular educational system, to help it compete more effectively with radical schools. We share the view of more enlightened Muslims that sees the participation of women as key to modernization. And our educational programs are designed with due emphasis to this goal.

Finally, I would like to emphasize that the very presence of our Embassies and Missions in a host country can be a powerful educational force as well as a powerful counterweight to the presence of terrorism and anti-Americanism. Secretary Powell last year paid tribute to the people in our missions as some of the nation's most effective "ambassadors" and best representatives of American values.

I would also like to note the over 4,000 Foreign Service Nationals that work for USAID. I have been thanked by them on numerous occasions in my travels and they frequently express their gratitude for the "educational experience" that USAID afforded them. In addition, I believe that the impact of our training programs has been enormous. I am proud that among the legions of "graduates," both of our educational programs and of our foreign service national workforce (FSN), many have gone on to ministerial posts and other positions of influence in their countries.

We welcome the vice-president of El Salvador as one, a former USAID FSN installed in office several weeks ago in what, from a US point of view, was a most promising election for the people of her country and inter-American relations.

The point I want to make is the following. The influence that USAID exerts around the world is sometimes very discreet but no less powerful because of this. The talent at the Agency, both in Washington and the field, is formidable and it draws upon rich historic and institutional experience. But in tapping the talents of people in host countries as well as the individuals in the hundreds of PVO's and NGO's that are engaged in making this a better world, we are building "alliances" - at the grassroots - that are one of the most effective counters to terrorism.

Last week, the President reminded us that the war on terrorism is eminently winnable, but that it will be long and tough. He has also referred to it as an "unconventional" war, one that will require a large measure of old fashioned resolve and fortitude as well as new thinking. He has charged my Agency with new challenges and unprecedented responsibilities. I consider it my most important task to respond to this "calling."

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