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THE FOREIGN AID PROGRAM: A TIME FOR RE-EVALUATION

INTRODUCTION

Commenting that each spring there is limited public debate on the amount of money in the foreign aid bill but not on the "substantive purposes which a policy of foreign aid is supposed to serve," Hans Morgenthau accurately described the prevailing attitude towards foreign aid.¹ Although it is generally acknowledged that foreign aid has no voter constituency of its own, even the growing need for fiscal belt-tightening has done little to seriously trim the U.S. foreign aid program in recent years.

Accepting the premise that the U.S. foreign aid program can and must be a functional tool of U.S. foreign policy, it is vital to examine the role of foreign aid today in light of its post-war developments to determine if the various programs are still serving their originally intended purposes. Three specific questions can help to clarify the goals of foreign economic assistance: first, is development assistance achieving its goal of aiding the creation of new programs within the lesser developed countries (LDCs) in order to foster self-help? Second, as U.S. contributions through multilateral development banks (MDBs) have increased, has the U.S. inescapably or unnecessarily lost control of its funding? And third, what is the proper function of security supporting assistance and does it fulfill its purpose? As U.S. economic and political goals continue to grow more inextricable, the urgency in formulating affordable and realistic objectives for foreign economic assistance increases.

1. Hans Morgenthau, "Preface to a Political Theory of Foreign Aid" in Robert Goldwin, ed., Why Foreign Aid? (Chicago: Rand McNally, 1973), p. 70.

HISTORY

The United States foreign aid "program" dates from the multi-billion dollar post-World War II reconstruction aid given to Western Europe. Both the Truman and Marshall Plans focused on the rebuilding of the faltering democratic institutions of friendly nations and allies in that region. These countries, with cultures and economic infrastructures similar to the U.S., and therefore receptive to the capital inflows, utilized the aid immediately and made substantial economic recovery.

In general, however, public interest in foreign aid since its inception has been sparse as domestic issues seemed more relevant to the everyday needs of Americans. Administrations have always made use of some type of rhetoric to gather support for their aid programs, yet the appeal of the early programs to the humanitarian and patriotic impulses of Americans assured little public criticism. U.S. aid has never been given out of charity, with the possible exception of disaster relief aid in miniscule amounts to often remote nations. While allowing the Marshall Plan to develop more into a grant aid program the U.S. had underlying interests in mind. President Eisenhower once admitted that the Marshall Plan saved the U.S. billions of dollars in defense expenditures in Western Europe.²

In the 1950s the U.S. expanded its use of bilateral aid as a political tool in the lesser developed areas of the world. As the Cold War grew, foreign aid gained a rare, concise rationale, as a deterrent instrument against communist expansion. With the adoption of the Military Security Act in 1952 came a shift in U.S. aid, as an extension of the Cold War containment policy from Western Europe into Southeast Asia. Here the task of building infrastructures and democratic institutions simultaneously proved unfeasible. It is perhaps at this point that the seeds of future discontent with foreign aid were sown. The U.S. failed to recognize its inability to gain short-term objectives as a "quid pro quo" for aid in Southeast Asia, India, and some of the new independent nations in Africa. More importantly, American officials chose to ignore the obvious signs that these "non-committed" nations did not wish to be dominated nor manipulated by the United States. Assistance was accepted but the "strings" were not.

National security in an expanded sense became the target of U.S. foreign aid when the program's framework changed from the Mutual Security Act, as amended, in the 1950s to the Foreign Assistance Act of 1961. Through this change, economic development gained support as a rationale for foreign aid. In fact,

2. It is generally accepted that the Marshall Plan aid was "given" in that the U.S. received no monetary repayment. Edward Mason in his book Foreign Aid and Foreign Policy (New York: Harper & Row, 1964) states (p. 75) that the U.S. "...furnished some \$14 billion in economic assistance to Western Europe on a purely grant basis."

President Kennedy encouraged the use of development assistance in the early sixties, specifically in Latin America in conjunction with his Alliance for Progress program.

In 1964 Edward Mason suggested that: "The principal purpose of foreign aid in my view is to promote the Security of the United States and, insofar as our security is dependent on others, foreign aid is an essential part of a mutual security policy."³ Mason continued by delineating three purposes of foreign aid: to develop military strength, for economic development, and for use in gaining short-term tactical objectives. Most importantly he suggested that in countries where no actual or immediate communist attacks existed the following rationale should apply: "Here the problem essentially is to keep open the possibility, and to encourage the unfolding, of a process of economic and political development that offers a real alternative to Communism."⁴

The need for development assistance was being advocated within the political intellectual community. Having been sold earlier on the imperative role foreign aid played in combating the "enemy," Congress by the mid-sixties raised few barriers blocking Executive-sponsored legislation in this area.

The legislative structure of foreign aid, as set out in the amended version of the Foreign Assistance Act of 1961, contains the the major broad aid categories of development assistance, international organizations, and security supporting assistance. All headings were defined under a general authority section of the bill. Development assistance was defined as:

...not simply for the purpose of transferring financial resources to developing countries, but to help countries solve development problems in accordance with a strategy that aims to increase substantially the participation of the poor.

Referring to international organizations, the bill states:

When he determines it to be in the national interest, the President is authorized to make voluntary contributions on a grant basis to international organizations and to programs administered by such organizations. (Emphasis added.)

Security support is defined as follows:

The President is authorized to furnish assistance to friendly countries or organizations, and bodies eligible to receive assistance under this Act on such terms and

3. Ibid p. 33

4. Ibid p. 51

conditions as he may determine, in order to support or promote economic or political stability. The authority of this chapter shall not be used to furnish assistance to more than twelve countries in any fiscal year.

While a discussion of economic aid programs is undertaken here, it is necessary to view these programs as a component of the overall foreign assistance efforts. Combining the complex components of foreign aid under one definition, the following persuasive assertion has been made:

Taken on balance, all U.S. foreign assistance is ultimately military or para-military in nature, even its ostensibly economic aid: it is designed primarily to enable foreign countries to support a military superstructure capable of saving the U.S. the cost of having to provide military services with its own forces.⁵

Looking at the sweeping American foreign aid program, in the past, to the extent that most foreign assistance given reflected a potential gain for the U.S. in either economic terms, such as trade benefits, or political terms, such as added U.S. security or a vote along American lines in an international organization, the aid program was constructed as furthering foreign policy objectives. A fundamental question is whether this still holds true today.

DEVELOPMENT ASSISTANCE (Programs Funded by the Agency for International Development)

Between fiscal years 1946 and 1978, the United States Congress appropriated \$127,350 million for economic assistance and \$78,664 million for military assistance programs, totaling \$206,014 million, of which \$151,541 million was in the form of grant lending. The Agency for International Development (AID) and its predecessor have been responsible for the allocation of \$70,197 million during these thirty-two years. With an almost equal distribution between the U.S. bilateral economic aid program and bilateral military aid, the difficult question often asked is which of the two produces the greatest benefits for the United States. Leaving aside this type of analysis one should nevertheless question where all the U.S. economic assistance funding has gone and what signs of progress attributed to this expenditure are exhibited in recipient nations.

The major shift in emphasis of development aid occurred in 1973 following the incorporation of the "New Directions" program into the Foreign Assistance Act. Henceforth, all economic

5. Denis Goulet and Michael Hudson, The Myth of Aid: The Hidden Agenda of the Development Reports (New York: IDOC North American, 1971), p.80.

assistance was to be directed towards "basic human needs" projects to tackle what Robert McNamara has called "the self perpetuating plight of the absolute poor." Although the major obstacles to growth, such as health care and education, lack of adequate population control, and substandard agricultural productivity, can not be instantly rectified by capital inflow, great strides and promises were made to begin a methodical improvement in all sectors. The turn away from large infrastructure projects to smaller, supposedly more manageable and appropriate basic needs projects was a logical move, yet the management of such programs and their effectiveness to date remain uncertain.

The necessity of building up developing nations, eventually at the level of structural improvements, is only heightened by the fact that the U.S. now exports more to the developing nations, including OPEC, than to the Common Market, Japan and the Communist nations combined. Even accepting the fact that approximately 75 percent of AID's budget is spent in the U.S. on American goods and services, this does not guarantee that the money is being spent wisely on the development process. As P.T. Bauer has suggested, "Aid to relieve poverty is not merely unconnected with aid as a spur to development; it is largely at variance with it."⁶ The intention of American development assistance is neither to subsidize continued poverty by creating a disincentive for agricultural productivity growth nor to transfer along with wealth, the world's productivity from areas of high output to lesser productive regions. Such a transfer would result in worldwide consumption disruptions.

During the past decade congressional debate over development assistance and subsequent cuts in programming have centered around the recipient countries and objections to their political status. While this type of observation may be necessary, no similar effort has been expended to investigate the actual programs and their effectiveness. For instance, the SAHEL development program has been highly acclaimed for its attempts to deal with the root causes of the poverty in this region of Africa. However, as Congressman Bill Young (R.-Fla.) pointed out in House debate on the FY80 appropriations bill, the multiplicity of donors now serves as a detriment to effective implementation of the program. This would lead one to conclude that either the program must be restructured in order to absorb the vast quantities of assistance, or funding should be reduced from all sources until it can be positively utilized. Realizations of this type can lead to constructive changes in economic programs so that inefficient expenditure of American tax dollars need no longer fall prey to U.S. humanitarian gestures.

Throughout the past decade the majority of AID program funding has been spent through three programs; agriculture and nutrition, population planning and health, and education and human resources. In accordance with the "New Directions" program

6. P.T. Bauer and John O'Sullivan, "Foreign Aid for What?," Commentary, December, 1978, p. 42.

these projects are formulated to attack the base and rural poverty with cooperation from targeted populations. After almost six years AID has declared that it is still too early to fully evaluate the effectiveness of the new programs. Funding to support these projects continues to be approved yearly, despite the lack of any definitive analysis. Two particular programs stand out in this section, one for its lack of vital contributions, and the other for its questionable role in the development struggle.

Population Control Programs

First, with respect to the population program, between 1965 and 1978 over \$2 billion was spent by countries and international organizations on population programs. The U.S. alone provided \$1.2 billion of this total. Taking into consideration that the outcome of these expenditures will not be recognizable for several generations, it is all the more vital that efficient use of the funds be guaranteed. A December 1978 GAO report on population concluded that, "The United States is not now obtaining maximum effectiveness from its population assistance expenditures because of less-than-optimistic coordination among donors and recipient countries."

Adequate family planning and health care in many of the under-developed nations are still plagued by a lack of indigenous medical talent. Since no political leader or technical advisor wishes to be charged with resurrecting the Malthusian hunger crisis fear, large amounts of money are continually fed into population programs which import literature and contraceptives into LDCs for mass distribution. Family planning responsibilities, however, rest with the developing country governments which must create a social environment conducive to educating the population on these serious problems. While the United States can not afford to turn her back on the population dilemma or the developing nations, neither should she be expected to automatically funnel money into a program which, despite an attractive title, has never demonstrated its effectiveness.

Women In Development

The second program deserves mention because in achieving its objective it appears contradictory to the maintenance of an overall coordinated development effort. Women in Development was a new section added to the Foreign Assistance Authorization Act, P.L. 95-424, in 1978. This section specified that a certain amount of funds from the development chapter would be diverted

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7. Comptroller General's Report to Congress, "Population Growth Problem in Developing Countries: Coordinated Assistance Essential," December 29, 1978.

each year "to encourage and promote the participation of women as equal partners in the development process in developing countries." These funds, as stated in the law, are not to be considered as financial support for the creation of a separate development program for women.

Program funding for Women in Development falls within the Bureau for Program and Policy Coordination under Agriculture, Rural Development, and Nutrition. The proposed appropriations for FY 1980 include \$945,000 in grants for this program.

Although an Office of Women in Development has already been created, the annual appropriations are still relatively small, and scrutiny of the program can be undertaken so that its true utility will be discovered. The natural role of women in the development effort should be understood, with extra encouragement in some cases perhaps necessary. There is a vast difference, however, between encouraging women to participate in agricultural programs, etc., and segregating this effort between the sexes by the formulation of a separate office and the creation of a new bureaucratic staff. Resources for development assistance are scarce enough without unnecessarily fragmenting programs where goals are repetitive.

International Organizations

Without undertaking the lengthy task of detailing all the economic aid programs originated by AID, it is useful to review the scope of U.S. voluntary contributions to international organizations and programs. The majority of these programs fall under the auspices of the United Nations, with the U.N. Development Program (UNDP) receiving approximately fifty percent of total U.S. funding for these purposes. The UNDP, implementing its programs in conjunction with the ideals of the "New Directions" program, is the largest worldwide source of technical aid.

Along with the increasing U.S. voluntary contributions grew dissatisfaction over the United States share of funding, the questions raised being typical of those critical of international financial institutions. In the 1978 State Department Appropriations Act Congress prohibited the use of any assessed contributions "for the funding of technical assistance by the United Nations or any of its specialized agencies." This so-called Helms amendment took note of the persuasive argument that all technical assistance should be funded by voluntary contributions. The amount of U.S. funding identified as the American share of technical assistance in the regular UN agencies budgets for FY 1979 was only \$27.7 million. The purpose of this congressional action was not to jeopardize the international cooperative spirit upon which the UN was founded, but rather to redirect the financial arrangements of the UN back to their intended goals.

AID delineates four types of international programs in this section: those for technical development purposes, humanitarian

needs, international scientific cooperation, and education and research. Skepticism often focuses upon the benefits derived by the United States from these contributions. For example, within the division of development technical assistance are the Organization of American States (OAS) programs. AID's FY 1980 foreign aid justifications sent to Congress included the statement, that "U.S. support for these programs is necessary to maintain our leadership in the OAS, and to reinforce our effort to reduce the US share of the OAS assessed budget."

One must obviously question the strength of United States leadership in the OAS in recent years. While numerous program have benefited the nations of Latin America, little or no reciprocal support has been engendered from the recipient nations. Relations have grown increasingly strained with major Latin powers such as Mexico, Brazil, and Argentina. And most recently in Nicaragua in June, the OAS blatantly disregarded American appeals for the use of an inter-American peacekeeping force and soundly rejected such a proposal. It would appear that U.S. economic aid does not encourage conciliatory actions on the part of OAS members where their inter-regional political designs differ from those of the U.S. The message, once again clearly spelled out to the United States, is that economic assistance and the goals of development in most regions of the world, including Latin America, are not isolated from political designs which occupy top priority.

Aid Inflexibility

Serious problems can also arise due to both the inflexibility of the AID program and the lack of coordination between economic assistance and other economic and foreign policy goals. The foreign aid program in Bolivia, for example, manifests this dilemma. Cumulative U.S. bilateral economic aid flows to Bolivia from 1946 through 1978 total \$775.2 million; \$569.4 million was through AID and its predecessor. This country, which maintains a reputation as a chronically unstable nation, will soon transfer power from a military regime to a democratically elected government, a move supported by the Carter Administration, particularly with its emphasis on human rights.

The Bolivian government is requesting an increase in U.S. bilateral economic aid flows in order to restore the economy and sustain a new government. Speculation has surfaced that the U.S. is "unable" to provide the requested amount of aid resources to a friendly country in this very volatile region. Bolivia is undoubtedly qualified to receive U.S. economic aid as it is one of the poorest countries in South America with an annual per capita income of \$390. Can the U.S. afford not to wholeheartedly

8. Agency for International Development, Congressional Presentation Fiscal Year 1980 Main Volume, p. 111.

support this forthcoming democratic government while simultaneously watching capital transferred through International Financial Institutions to human rights violators and countries banned from receiving U.S. bilateral economic aid?

Further complicating the question of assistance to Bolivia is the move in Congress to allow the sale of tin from the U.S. strategic stockpile at prices which will undermine the world prices and subsequently undermine the Bolivian economy, which is heavily dependent on tin exports. Should this measure pass the Congress, any extension of economic development or support assistance would be counter productive. Hence, it is not a specific development program whose funding is being questioned, but more seriously, the flexibility and consistency of the whole economic aid policy with respect to foreign policy objectives and actions.

INTERNATIONAL FINANCIAL INSTITUTIONS

The original purpose behind the creation of the IFIs or Multilateral Development Banks (MDBs) was to encourage a more proportional funding of worldwide development efforts through a coalition of governments willing to sacrifice political objectives. While strong humanitarian appeals prompted their creation, the feasibility of these banks is now becoming questionable. The allocation of multilateral development assistance still appears to be on a government to government level with no security afforded the lending institutions that the money will always be spent on the assigned projects and achieve the desired objectives.

In conjunction with the 1973 "New Directions" program for U.S. foreign aid, many of the IFIs began to direct their loans and credits toward alleviating poverty through self-preservation projects in health care, education, and agricultural productivity and away from the large-scale capital intensive infrastructure projects. The United States is currently a member of six such bodies: first, the World Bank group consisting of the International Bank for Reconstruction and Development, the International Financial Corporation, and the International Development Association; and additionally, the Inter-American Development Bank, the Asian Development Bank, and the African Development Fund.

The Carter Administration, for fiscal year 1980, has requested \$3.6 billion for U.S. obligations to these banks, the single largest component of U.S. economic assistance for that year. As U.S. capital flows for development assistance are increasingly filtered through IFIs, domestic criticism is growing. Rep. Clarence Long (D.-Md.), Chairman of the House Appropriations Foreign Operations Subcommittee, has been a staunch critic of the banks, labeling them the "fat belly of foreign aid." Long's criticism in the past has focused on the imbalance between the high salaries of many of the banks' employees versus the questionable effectiveness of many of the long-term funded projects. Over the past few years, Repre-

sentative Bill Young has led a stronger attack on the banks with efforts to obtain freezes on loans to Vietnam and to make bank projects more accountable to Americans whose tax dollars support the U.S. subscriptions to the various banks. Young's ceaseless efforts to clarify the need for U.S. support of these International Financial Institutions have challenged the fundamental tenets through which continued funding for the banks is advocated each year in Congress.

No satisfactory answer to the following two questions has yet been provided by the Administration or Treasury Department. First, if callable capital, over half of the yearly funding level, is never to be used why must the U.S. continue to obligate this amount, and how is the term "used" defined if the amounts are really backing upon which loans are extended? Second, during hearings on the FY80 appropriations bill Congressman Young asked Treasury Assistant Secretary for International Affairs C. Fred Bergsten where in the charters of the banks was the specific language which stated that no IFI could receive funds to which restrictions on their allocation were attached. Provided as support for this assumption were legalistic interpretations from the IBRD lawyers and the Treasury Department with reference to the entire Bank charter, but no direct citation containing such explicit language. The heretofore accepted argument to rally congressional support for IFI funding has been that the banks cannot, because of their charters, accept funding with allocative restrictions. Furthermore, failure on behalf of the U.S. to support these institutions would result in their collapse.

In spite of the fact that Mr. Bergsten has testified that for every U.S. dollar paid into these banks, \$2.40-\$3.40 of additional U.S. GNP is generated, a larger question still lingers. Is the U.S. saddled with a disproportionately large share of the banks' expenses in return for apolitical lending behavior, when the U.S. could be extending aid more selectively, and perhaps more effectively on a bilateral basis? The multi-lateral banks were not created as money-making schemes for donor nations, but rather to distribute evenly the cost of developing areas of the world which have the potential to benefit many of the industrialized nations. However, looking at the distribution of voting power in the IBRD and IDA, for example (which should reflect the percentage of total paid-in contributions), one does not find that the subscriptions are equally distributed along lines of wealth. The United States currently controls 22.74 percent of the voting power in the IBRD, whose membership totals 132 nations including the oil-rich countries of Kuwait, Saudi Arabia, Qatar, Nigeria, and Libya. In the IDA, with a total membership of 120 nations, again including Saudi Arabia and Nigeria, the U.S. controls 20.28 percent of total voting power. One wonders if all members are equally dedicated to the cause of development when Saudi Arabia, with a population of 5 million, overspent by \$4 billion its revenue of \$40 billion last year, while contributing only 2.14 percent of IDA's total subscription and supplementary resources and only .43 percent of the IBRD's subscriptions.

In a March speech, Secretary of State Cyrus Vance listed the expanded use of multilateral capital flows and agreements, which will enable the MDBs to greatly increase future lending levels, as an achievement of the American commitment to the developing world. This is a perplexing policy for the U.S. government to take when one examines some of the recent recipients of the International Development Association's credits, since U.S. funding of IDA projects appears to contradict the American bilateral foreign assistance program. IDA was chosen for illustrative purposes specifically because of its "soft-loan window" characteristic. Normal IDA credits are extended for fifty years, interest free, with a 3/4 of one percent service charge applied to credits withdrawn and outstanding, and a ten year grace period for repayment.

The Senate Foreign Relations Committee this spring suggested cuts in functional assistance programs to ten countries for various reasons. Below is a chart which shows the cumulative lending of IDA where applicable to these countries with the objections against U.S. bilateral lending to them.

Country	Cause of U.S. Suggested Restriction on Bilateral Aid	Cumulative IDA Credits in U.S. \$, June 30, 1978
Paraguay	Human Rights	\$45,500,000
El Salvador	Human Rights	25,600,000
Haiti	Human Rights	93,450,000
Nicaragua	Human Rights	23,000,000
Central African Empire	Human Rights	12,400,000 (In April 1979 \$2.5 million in credit was extended for livestock develop- ment)
Pakistan	nuclear enrichment transfers	915,913,000
Ethiopia	expropriation of private U.S. property	368,100,000

A prohibition on the transfer of any aid to Afghanistan will certainly be included in the Foreign Assistance Authorization and Appropriations Acts of 1979 unless the government of Afghanistan assumes responsibility for the death of U.S. Ambassador Adolph Dubs and guarantees the safety of all U.S. government personnel in their country. Through June 1979, IDA has extended \$226.6 million in credits to Afghanistan, with \$21 million in credits for education approved in April, two months after the death of Ambassador Dubs. While the United States was merely a partial contributor through this credit, nevertheless, American dollars were being sent when bilateral aid would have been denied. Equally distressing is IDA's 1978 extension of \$60 million in credit to Vietnam for irrigation to promote rice production. The repair of irrigation dikes, originally destroyed by U.S.

bombing raids, involved the collectivization of rice lands and mass disruptions of the farming population. The day after the loan was announced a Vietnamese refugee testified before the House International Relations Committee that he saw many Americans held prisoner in Saigon during that year. To date the issue of American POWs and MIAs in Vietnam remains unresolved. The U.S maintains a total embargo on trade with Vietnam and an absolute prohibition on foreign aid transfers to that country. While that has been the only IDA credit approved for Vietnam to date, there is no guarantee future credits will not be extended.

Why must the United States continue to concede her inability to control the allocation of credit extensions to a block of nations when American contributions to many of these banks are disproportionately large? After all, Public Law 95-118, signed October 1977, states that the U.S. should use its voice and vote in the IFIs to distribute assistance only to countries whose governments do not engage in gross violations of human rights. Similar language was incorporated that year in the Foreign Assistance Appropriations Act, P.L. 95-148. The one exception to the voicing of objections is if the development aid is directed specifically to serve the basic human needs of the population of the recipient nation. However, one must carefully differentiate between the objectives announced and the actual fulfillment of the goals.

As reported in the Congressional IFI report, U.S. Executive Directors were instructed to abstain or vote negatively in 60 out of 800 proposed Bank projects during the past two years. The reasoning behind such actions involved human rights in fifty cases, economic grounds in seven, expropriation of U.S. property in one, and export commodities harming U.S. exporters in two cases. United States objections or abstentions have never deterred the Bank's Board from approving a project once it has been presented by management. Moreover, no loan presented to any of the IFIs has ever been formally disapproved by their Executive Directors.

Although it is difficult to speak in terms of actual changes in health, education, agricultural procedures, and population sizes, multilaterally extended assistance must attempt to achieve its rather idealistic goals of reaching those most affected by poverty. Examination of how aid funds are allocated in the recipient nations often brings to question the case of India. Through June 1978, India has received, in cumulative lending from the IBRD and IDA, credits for 156 projects totaling

9. Surveys and Investigations Staff, House Appropriations Committee, "International Financial Institutions," March 1979 (Washington, D.C.: U.S. Government Printing Office), p.87.

\$7,903,810,000, making her by far the largest single recipient of these funds. AID reports however, that between 1961 and 1977 the per capita income of India increased only 1 percent. There are numerous examples of beneficial IFI funded projects; however, the case of India disturbingly questions the effectiveness of multilateral programs.

In a 1974 study entitled "India - A Strange Case of Wasted Billions," Rep. Clarence Long noted that after two decades of foreign assistance and with three-fourths of the population (total population of 620 million) devoted to agricultural production, India was still importing food to fulfill basic consumption requirements. In 1977 AID reported that 70 percent of the workers are employed in agriculture. Mr. Long suggested a partial answer could be found in Indian budget priorities. Between fiscal years 1965 and 1974 the U.S. and IFIs provided India with \$7.6 billion in foreign aid while India spent \$16.4 billion on military build-up. Thus the foreign aid provided enough capital inflow to allow India to spend such a large percentage of her budget on defense. To accentuate these figures Long said, "From another perspective, if India had cut its defense in half, it could have dispensed entirely with aid from the U.S. and international financial institutions and completely financed its own aid program."

For fiscal year 1978, the IBRD and IDA approved \$1,281.5 million in credits for 17 projects in India, again making her the single largest recipient of aid from these institutions. While India's expenditure policy is perhaps not typical of most developing nations, it is doubtful that it is a unique case. India provides a clear example of where aid "tends to reinforce and centralize political power, and similarly tends to divert resources away from productive economic uses to political ones."¹⁰

With the apolitical "aura" attached to multilateral assistance it is simpler for recipient nations to divert these resource flows for other purposes than when aid is unilaterally transferred. At least in the latter case the donor has the option of immediately curtailing pipeline as well as future transfers.

There are certainly many cases of productive utilization of multilateral aid programs, and on humanitarian grounds it is often politically intolerable to criticize the objectives of these bodies. The recently concluded report on IFIs written by the investigative staff of the House Appropriations Committee states that the IFI's cumulative loan commitments total \$59 billion, 58 percent of which has been disbursed. The question which remains unanswered is how much of this funding has the U.S. contributed and what percentage of this amount is filtered to support develop-

10. Edwin J. Feulner, Jr., Congress and the New International Economic Order, (Washington, D.C.: The Heritage Foundation, 1976), p. 63.

ment efforts (or diverted for other projects) in countries with which American diplomatic relations can at best be described as "cool."

SECURITY SUPPORTING ASSISTANCE (SSA)

Security supporting assistance, comprised of the Economic Support Funds and Peacekeeping Operations, is ostensibly economic in nature despite its transient location, shifting between the economic development authorization bill and international security/military authorizations. The appropriating language strictly prohibits the use of such funding for military or paramilitary operations, although the term security is commonly understood today to imply the lack of foreign military threat. The Foreign Assistance Act of 1961, P.L. 87-159, laid the format for today's aid program, yet it incorporated security support in the development aid Chapter. The Foreign Assistance Act of 1971 took SSA out of Chapter 1 and placed it in Chapter 11, military assistance, where it remained until fiscal year 1976 when separate authorization bills for economic development aid and international security assistance were signed.

SSA has been used to promote economic and political stability in regions deemed vital to U.S. security interests, providing the opportunity to assist many nations which might not qualify for Title 1 development assistance due to their higher than minimum per capita income levels. The Economic Support Fund provides regional scientific and technological development aid as well as lending capital to indigenous private enterprises. Peacekeeping operations are vaguely defined to include any programs carried out in conjunction with American national security interests.

Between fiscal years 1946 and 1978 total U.S. loans and grants for SSA reached \$23,432 million. Approximately 23 percent of all SSA has been equally divided between Egypt (\$2,535 million) and Israel (\$2,769 million). To date sixty countries have received security support, including Turkey, Pakistan, Taiwan, Panama, Mexico, and many others classified as lesser developed countries. The results achieved through this type of bilateral assistance, although not always more immediately tangible than development aid, are more directly linked to U.S. prosperity in the world.

CONCLUSION

Concentration on U.S. foreign economic aid was not an arbitrary decision, for it is these programs which require the closest scrutiny and perhaps realignment with respect to assigned funding priorities. The danger in examining solely economic assistance is minimized when the underlying assumption that economic aid can not be realistically detached from military aid as their ultimate goals are linked, is reasserted. Continuing

this line of reasoning, an astute political observer recognized as early as 1960 that, "foreign aid is inseparable from the problem of power; and where there is power, politics is the governing factor, not an incidental factor which can be dispensed with."¹¹

During hearings before the House Appropriations Foreign Operations Subcommittee on FY70 appropriations, then Secretary of State Rogers claimed that the U.S. could choose not to appropriate any new funds for foreign aid programs and still not violate a single U.S. commitment anywhere in the world. Without moving to such extremes and without jettisoning all existing programs, it is time that Congress finally begin substantive debate on the programs' merits and weaknesses, momentarily disregarding overtures of political expediency.

On the basis of available analysis of the economic aid programs, it is difficult to state categorically whether or not these programs are currently fulfilling the objectives of U.S. foreign policy across the board. Answers to the three questions raised in the beginning of this discussion strongly suggest that reconstruction of the general program format is in order. Many of the AID programs have contributed to the slow improvement in the living conditions of the developing world, the American Schools and Hospitals Abroad project is the most often praised. Nevertheless, "self-help" must become the cornerstone of U.S. economic aid programs and the ambivalence which dominates the debate on the virtues of multilateral and bilateral aid programs must be resolved. One area of possible expansion, at least deserving of further attention, is the security support assistance program through which the U.S. maintains control on the direction and amount of aid transfers. This aid is for economic development, and, while not always directed at the least developed nations, the funding is allocated to many nations whose economies are strong enough to absorb and readily utilize the capital. The effectiveness of this type of bilaterally funded program needs to be closely compared with the multilateral development programs to which the U.S. contributes.

The foreign aid bill, considered the most controversial appropriations act, must not be exempted from the battle of expenditure conservation. While theoretical cost/benefit analysis of all the economic aid programs is inapplicable, common sense economic principles, consistency, linkage with other foreign policy actions, and selectivity are unfortunately still strangers to the characteristic aid program implementation. Automatic yearly funding of these programs does not reflect a serious congressional attempt to legislate, but in this year of the "oversight" Congress, perhaps the needed discussion of these complex and intertwined programs will commence.

11. George Liska, The New Statecraft (Chicago: University of Chicago Press, 1969), p.15.

The House began floor consideration of H.R. 4473, the Foreign Assistance and Related Programs Appropriations for FY 1980 in July. During two days of debate the House cut by small amounts funding to all of the IFIs except the African Development Bank. The International Bank for Reconstruction and Development received the largest cut. Following the August recess the House will finish debate on H.R. 4473, still pending are the bilateral development programs and military assistance.

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