
Nseobong George Utuk
Atlanta University
THE UNITED STATES FOREIGN AID IN AFRICAN COUNTRIES:
A COMPARATIVE STUDY OF THE SOCIO-ECONOMIC IMPACT OF

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NSEOBONG GEORGE UTUK

DEPARTMENT OF POLITICAL SCIENCE

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ABSTRACT

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UTUK, NSEOBONG GEORGE
B.A. SOUTHWESTERN COLLEGE, 1978
M.A. WICHITA STATE UNIVERSITY, 1981

THE UNITED STATES FOREIGN AID IN AFRICAN COUNTRIES: A
COMPARATIVE STUDY OF THE SOCIO-ECONOMIC IMPACT OF THE
U.S. AID IN EGYPT, SUDAN AND ZAIRE, 1965-1982

Advisor: Professor Makidi-Ku-Ntima

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Does the United States' bilateral aid to African countries promote socio-economic dependence or development? This is the major question considered in the study.

The modernization analysts contend that bilateral aid from the United States promotes development whereas the radical analysts maintain that it promotes dependency.

The research consisted of a critical analysis of the United States foreign aid program in the African nations of Egypt, Sudan and Zaire. It involved the investigation and evaluation of the economic and social consequences of the American foreign aid program in countries under study. Using the aggregate data of projects sponsored by the United States Agency for International Development (USAID), the effects of foreign aid (independent variable) on such dependent variables as income distribution, trade, employment, debt burden, technology, and agricultural development
were studied.

Our analysis and evaluation of the available data strongly support the dependence/development paradigm. Despite official claims to the contrary, the study shows that the effects of aid have been increased underdevelopment and inequality in countries that are recipients of such aid.

The United States foreign aid to Africa is often not intended for development but for geopolitical and strategic considerations, weapons of cold war and of control of recipients and for monetary gains. Besides, since aid is often tied to domestic procurement, it often imposes control on the recipient in decisions concerning development.

A lot of waste results from mismanagement, and massive debts are incurred by countries that depend heavily on aid. Therefore, rather than promote development, it promotes inequality and dependence.
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When in the 1960s African nations had the taste of political independence for the first time in seventy years, both the political leaders and African intellectuals undoubtedly dreamed of how much they would accomplish for the people using this newly acquired tool. Among other things, Africans believed that political independence would be employed in leading their people to a second independence, namely, from hunger, abject poverty, economic and political dependence.

However skeptical some Africans might have been about the ability of political independence to perform miracles, they certainly did not anticipate that decades after political emancipation Africans would still be suffering from economic dependence, poverty and growing underdevelopment.

Many Africans after independence believed that this new tool was going to provide a step towards broadly-based vibrant capitalist economies similar to those of Western Europe, the United States and Japan. It was this kind of mood that was reflected in a conference entitled "Africa:
The Dynamics of Change" held in March 1959 at the then University College of Ibadan. This conference brought together intellectuals from newly independent and soon to be independent countries of black Africa for the purpose of discussing the prospects of representative government. It was a unique meeting providing one of the earliest opportunities for both Francophone and Anglophone intellectuals in Africa to air their views of the new freedom they had come to experience.

Influenced, no doubt, by the theme of the conference, the participants expressed their expectations in no uncertain terms. It was obvious from the various papers presented that the participants wanted to "throw off the imperialist yoke," and "end discrimination and exploitation of man by man." They wanted economic development, freedom and respect for black Africa. Also implicit in the expressions in this conference was the hope that higher studies in Western education and advanced skills in science and technology such as the leaders of the newly independent nations possessed would be the most important attributes that would enable these leaders to achieve the goals.1

Contrary to the hopes expressed in this and many similar conferences, Africans have discovered to their dismay, almost thirty years after political independence,
that their economies still remain characterized by dependency at various levels, stagnation, increased poverty and advancing underdevelopment. Indeed, in many African countries these features even prevail today in the degree and manner that they did not before independence. As Timothy Shaw puts it:

Independence meant a change of control over political institutions. It did not involve control over social economic apparatus. Instead formal independence stood in contrast to continued economic and social backwardness.2

It is the elusiveness of the above goals that has led to coup d'etats in some countries and single party states in others, both of which are often designed to achieve political order if not development. Political control, especially in the past decade, has become imperative as a result of the progressive underdevelopment and powerlessness of African states to control their resources. As J. Ajayi has graphically pointed out:

The most fundamental aspect of post-independence Africa has been the elusiveness of development, however characterized...The optimism of development plans of the 1960s has given way to increasing frustration in the 1970s and disillusionment in the 1980s. The general lament is that this was not what was expected of independence.3

There is no doubt that Shaw and Ajayi are right in their analyses of the situation. But one is bound to ask the question today, what went wrong after all the rhetoric
and political proclamations of the 1960s? There are some who contend that the problem derives from the fact that African leaders in the 1960s only "expressed their expectations in abstract terms and were much clearer about what they wanted to end than what they wanted to put in its place." They argue that beyond mere rhetoric the African leaders "had very little conception of the society they were striving to build." Furthermore, these people contend that these African leaders had no "clear cut goals" and "nothing like a blueprint for development."

Incidentally, this paper takes exception with the above argument. The position of this paper is that Africans certainly had a goal, which was to develop Africa into a capitalist economic system. Indeed, they employed different strategies towards this goal which we shall discuss in the next section. The fact was not that they did not have a clear cut goal, for they did, wrong though the goal might have been. The problem with Africa was that the different national leaders not only selected wrong goal but having selected the goal, they also employed wrong strategies to achieve this goal.
STATEMENT OF THE PROBLEM

Since the advent of political independence in the 1960s, African states have sought to adopt different strategies towards development. These strategies have ranged from the concept of import-substitution industrialization to exporter diversification and the use of foreign aid as a financial source of development. Especially, since the emergence of the concept of New International Economic Order (NIEO), foreign aid's popularity has continued to increase both among African nations and other less developed countries (LDCs).

The rationale for the employment of this strategy has been that the constraints on the economic growth and development in African states as in other LDCs have been brought about by the following factors: 1) insufficient domestic savings and capital formation - the so-called "saving gap;" 2) insufficient availability of foreign exchange for importation of essential goods - so-called "foreign exchange gap;" and 3) insufficient technological, managerial and related skills - the so-called "technology gap."

Advocates of foreign aid as a source of development finance argue that aid, foreign investment and trade are essential instruments through which economic constraints could be reduced, thus paving the way for economic
development. Edward Martin, one of the strongest advocates of this point of view, contends that "well designed concessional aids, combining capital grants or soft loans with technical assistance usually addresses all three (problems) simultaneously." Thus analysts of this school called the "Modernization School" perceive the problem of underdevelopment as being inherent in the lack of resources for such development. They contend that the best way to obtain these resources is through foreign aid.

But the continued backwardness and increasing advancement of underdevelopment in African countries and all LDCs in spite of all aids have led other analysts to question the effectiveness of foreign aid as a source of development finance. Indeed, some have gone further to suggest that not only does aid not accomplish the desired goals of the 1960s but it has even aided in deepening the underdeveloped condition of African states and perpetuating the continued dependence of LDCs on the developed industrialized countries (DICs) which are the sources of these so-called concessional aids. For example, analysts such as Samir Amin (1967) Claude Ake (1981) and Leonard V. Goncharov (1977) of the so-called "Radical School" reject the contention that aid injects development capital into Third World economy. Rather, they argue that aid through transfer of profit and payment of interest on capital
invested in LDCs enables the developed countries to drain the much needed capital from the LDCs to the DICs. The constant drain of capital from the LDCs, Goncharow argues, is the source of lack of development capital of the Third World countries.8

So the above analysts see the inability of LDCs to achieve their economic and political goals as being primarily a function of their dependence on the global system which fosters unequal exchange between the LDCs and the DICs. Aid, they maintain, helps to foster this relationship. Another proponent of this point of view, Joan Spero, presents the argument in the following way:

Foreign economic aid is frequently advocated by academicians and policymakers as a road to development...Economic aid was used because it fitted well the desires of the developed market states to maintain the existing structure of international economic relations and at the same time to garner political influence in the developing world by responding to the South desires for development. Aid, however, was a second-best solution for the South, for it involved neither a change in management nor a meaningful redistribution of economic benefits.9

Still another strong advocate of this viewpoint, Timothy Shaw argues that the cost of dependence upon foreign capital and technology are high. Moreover, given the general dependence of African states on global economy, confrontation with the multinational corporations may not by itself sufficiently improve the prospect of development.10
Shaw goes on to suggest that "to escape from underdevelopment African regimes need increased domestic control to advance their international confrontation." He points out that economic development in Africa requires a fundamental restructuring of global political economy as well as new international institutions - which presently are organized to encourage the dependence of less developed countries on the developed countries. If these institutions were organized to allow equal exchange between these two economic systems, Shaw argues, then there would be no need for foreign aid.

Also, Guy Arnold, one of the most ardent critics of aid in its present form, writing about aid to African countries observes that:

Aid is given in direct proportion to the need for maintaining a system acceptable to the donor, it is not given to enable the recipient to achieve economic independence. If this central fact about it is understood much else at once becomes clear.

Finally, radical critics like Samir Amin and Susan Bodenheimer argue that aid cannot encourage development. They contend that aid is designed to perpetuate and increase underdevelopment since in their view aid stunts agriculture, encourages trade and investment dependence and reinforces the dominance of exploitative Third World elites.
From the above references it is obvious that the critics of foreign aid do so on two grounds: first, that by its very nature aid encourages and creates dependence and second, that it retards rather than fosters development. The question therefore to be asked is, what kind of impact does foreign aid have on African countries? Does it promote development as Martin maintains or does it create dependency and consequently retard development as the radicals assert? These therefore are the questions to be pursued in this study.

DEFINITION OF CONCEPTS

In a study like this it would be inappropriate to start without defining the major concepts that will be employed. Therefore, we shall devote this section to the conceptual definition of three major concepts to be employed here.

Foreign aid. Generally, foreign aid is often described as the transfer of "real resources" from developed industrialized countries to less developed countries. However, this definition raises a number of questions. First of all, how does one define the term "real resources"? Does it include for example tariff cuts by developed countries on goods imported from less developed countries. For instance, with preferential access, some developed countries allow some less developed countries to sell
their goods at higher prices in the developed countries' markets than without such tariffs cuts. This is a gain for the less developed country involved and a corresponding loss for the developed country. There is a sense, of course, in which such transaction involves a resource transfer. However, in this study such disguised flow will be excluded from consideration.

A second question is whether one should include all transfers of capital resources to less developed countries when one is discussing foreign aid. For example, should the private capital flow in the form of government guaranteed loans be counted as foreign aid? These loans for the most part involve normal commercial market transactions. They are often prompted by private commercial considerations and profit oriented. Since these kinds of transfers generally benefit both parties, it seems appropriate that rather than consider them as aid they be instead categorized as international trade. They are normally not considered to be aid just as imports and exports are never considered to be aid. It is for this reason that flows such as loans from the United States Export-Import Bank will not be included in this study since their primary objective is the promotion of exports in the United States.
Foreign aid in this study will refer to government-sponsored flows of "real resources" made available on concessional terms to foreign governments on either bilateral basis or multi-bilateral basis. Their objective should be non-commercial from the point of view of the donor; as already pointed out, it should be characterized by concessional terms. This, of course, means that the terms on which capital is provided should be "softer" than commercial terms.

The above concept of aid will therefore embrace official bilateral and multilateral grants and concessional loans either in cash or in kind which are broadly aimed at transferring resources from the developed industrialized countries to less developed or so-called Third World countries.

In adopting the above definition of aid, note has been taken that to justify aid to taxpayers, administrators of aid very often emphasize that, security, commercial and other advantages will result from aid to donors. Further, note is also taken that to be able to evaluate the real cost or gain to both less developed and developed countries would have to involve complex analysis extending to private capital flows, international trade and other forms of bilateral transactions. Nevertheless, this study does not include these.
Specifically, therefore, aid in this study will refer to what are often known conventionally as development assistance or loans, technical assistance and military aid.

Dependence. A dominance-dependence relationship exists when a country is able to participate in a definitive and determining way in the decision-making process of another country. The second country, however, by virtue of its inferior position in the relationship is not able to participate equally in the decision-making process of the first.

By economic dependence is meant the extent to which the economic structure of one nation depends on the foreign trade, payment, capital, technology and decision-making of other nations to generate domestic processes. Economic dependence can take place in various forms. It may be in the area of trade. It could also take place in the area of investment. Furthermore, it could take place in the area of monetary policies. Lastly, many analysts argue that not only does foreign aid create its own form of economic dependence but it also reinforces the other forms of dependence.

Let us now examine the nature of these different forms of economic dependence mentioned above. First of all, let us look at trade dependence. Most LDCs earn a
large percentage of their Gross National Product (GNP) from trade with DICs. Besides, most of the LDCs have a very small internal market and consequently depend on large DIC markets for the sale of their products. Thus, the LDCs are very highly sensitive to factors in the DICs - both market and political - which shape the DICs' demand and thus influence their trade.

Furthermore, a large proportion of LDCs' exports are concentrated in a single and small number of primary products, which, of course, reinforces sensitivity to foreign demands by making the country vulnerable to the fluctuations of demands in primary products.

Thirdly, a large proportion of LDCs' trade is often with a particular DICs' market which in effect aggravates the exporters' sensitivity and vulnerability to demand factors and conditions of that single market.

Fourthly, some of the LDCs' manufacture products such as textile and steel are not only a threat but in competition with such products in the DICs. Consequently, the LDCs are always sensitive to these factors which for the most part will influence their trade policies. Trade dependence is therefore characterized by one country's significant dependence on trade with another and the high level of sensitivity to factors that influence that trade.19

Economic dependence as pointed out earlier may also
take place in the area of investment. For instance, a large percentage of investment stock in many Third World countries is often owned by investors from DICs. This in effect means that the investment policies adopted by these Third World countries will certainly be influenced by the terms and conditions set by investors. Thus, policymakers in LDCs are often sensitive to conditions and factors in the countries they expect investment from.

Another form of dependence is monetary dependence. In this case the currency and monetary policies of the dependent country are directly linked to the currency of the dominant country or countries. Monetary dependence also occurs when, for instance, a Third World country in a chronic balance-of-payment difficulty depends on external balance-of-payment assistance from another country which then reserves the right to shape and directly influence the domestic and foreign monetary policies of the recipient nation.

As pointed out earlier there have been strong arguments on the part of many to the effect that aid creates dependence. These analysts point to the fact that foreign economic assistance is often concentrated in industrialized countries, thus allowing the manipulation, management and decision-making from outside.20

Since this paper is going to deal directly with the
effect of aid, I shall leave further discussion of this point until later on in this study.

Development. It is important to define the concept development as used in this study to distinguish its use here from the conventional definition of the concept.

Traditionally, the concept economic development has been associated and sometimes even equated with the rise in Gross National Product (GNP).

Much as the definition of this concept may include the above, the inadequacies of this statistical measure of development becomes obvious when it is examined more closely. For example, this indicator cannot be identified with improvement in economic welfare for an arithmetic mean. It does not yield the crudest indicator of output (income) between people, groups or regions. Besides, this indicator cannot be identified with improvement in total welfare since it does not take into account such factors as displacement of traditional crafts, dislocation of kinship groups and the tension and confusion that result from the introduction into the society of new values and aspirations necessary for increased production for markets which may come in conflict with traditional the ones. But even when such an inadequate indicator as GNP is used, the statistics of economic growth of less developed
countries between 1960 and 1978 still show that in spite of foreign aid there was no significant progress in the area of development in these parts of the world.

Except for a few capital surplus oil exporting nations, the less developed countries experienced an average annual GNP increase of 5.6 percent in the period 1960 through 1970. However, because of the astronomically rising population, the per capital GNP in those years only rose at an annual rate of 3.1 percent. Besides, it should be pointed out that most of the Third World countries did not experience even this rate of growth. It was a few rapidly growing middle income less developed countries that accounted for most of the growth. While these rapidly growing economies such as those of Brazil, Mexico, Taiwan and South Korea increasingly were closing the economic gap, most of the other Third World countries remained on the side of the ever widening gulf between the poor and rich nations. In the period between 1960 and 1978 over fifty percent of the population of Third World countries lived in countries whose per capita GNP growth only averaged 1.6 percent a year.

The above statistics become even more depressing when we consider the fact that most of the wealth produced by this growth resided in the hands of only three percent of the population of these countries. In effect it shows
that while the three percent of these countries were living in luxury, the rest of the ninety-seven percent were living in abject poverty and could barely survive. Relative growth performance of both the developed and less developed world makes the story even more discouraging. According to the report, the gap between developed and the less developed economies increased from $1,500 per capita in 1960 to almost $2,000 in 1967. According to the World Bank, income per capita in the industrialized countries was $6,414 as compared to $538 in the non-oil developing countries.

As the above statistics have clearly demonstrated, increase in per capita income did not always translate into development of economy as a whole. But above all, this increase failed to lead to a sustaining growth in the economy and more importantly social welfare. Consequent upon the above, the conventional definition of the concept development will not be adopted for this study. The concept development in this study will be defined as a social process in which the majority of a nation joins together to build economic and political institutions that serve the interest of the majority of the people. We contend that for development to be genuine it must not only translate into sustaining growth and social welfare but it must necessarily involve changes in relationship
among people and power to control productive resources. As Paul Baran puts it,

economic development has historically always meant a far reaching transformation of society's economic, social and political structure, of dominant organization of production, distribution and consumption. Economic development has always been propelled by classes or groups interested in new economic and social order, has always been opposed by those interested in the preservation of status quo...it has never been a smooth, harmonious process unfolding placidly over time and space.26

It follows therefore from the above definition that two things become inevitable if economic development of the kind just stated is to take place. First, a "comprehensive planning is indispensable" - a factor very much lacking in the development plan of most LDCs today. Paul Baran puts it in this way:

Small and gradual changes taking place...on the margin may well be expected to come about by a spontaneous process of trial and error. A few percent increase of output of any product already being produced can usually be obtained without any major planning effort,...However, if the increase in a country's aggregate output is to attain, if increase in the magnitude of say 8-10 percent per annum...then only a deliberate, long range planning can assure the attainment of the goal.27

Secondly, no economic development of this magnitude and quality could be attained "in a society in which the means of production resides (solely) under the control of private interest" which administers them with the sole aim
of making profit. For the Third World country therefore, it may mean that "the pattern of allocation and utilization of resources must be necessarily different from the pattern prevailing under the status quo."28 Of course, it may also mean a restructuring and transformation of the political, economic and social institutions in these countries.

As the above process develops, more and more people could be expected to unite together to acquire the knowledge and techniques required to develop their resources. This process of development will therefore free people from needless hunger, disease, ignorance and poverty. In other words, economic growth must coincide with economic and social welfare for the majority of the population in order to be termed economic development.

METHODOLOGY AND SCOPE OF STUDY

This study is a critical analysis of United States foreign aid in Africa and more specifically in three African countries - Egypt, Sudan and Zaire. It will involve the investigation and evaluation of the economic and social development consequences of American foreign aid programs in countries under study.

The study begins with a general definition of the major concepts to be employed in the research. Next a general survey and analysis of the United States foreign
aid program will be done. Under this section will be considered such factors as the historical background of the United States foreign aid program, the organization of such a program, the form it has taken over the years, the general terms and conditions of U.S. aid and finally the process that aid goes through before it reaches the recipient.

There are two reasons for this general review of the U.S. aid program. First, this review enables us to understand the general mechanics of foreign aid and particularly that of the United States program. Secondly, it is the knowledge derived from this part of the study that will enable us to conduct a proper critique of the aid program to the African countries under study.

Following this general review, an indepth critical analysis of the foreign aid activities in each of the African nations under study will be done. This analysis will cover the period between 1965 and 1982. The study will be approached through the use of aggregate data on projects sponsored by the United States Agency for International Development (USAID) in the countries.

On the basis of this indepth study of these countries a general conclusion will be posited for Africa as a whole.

Two primary questions will be considered in this
study. First, what is the impact of American foreign aid on socio-economic development in Africa? For example, does aid contribute to a sustaining economic growth in African countries under study? If so does such growth translate into economic and social welfare for the majority of the population? Specifically, what is the effect of foreign aid on income distribution, trade and monetary policies, employment and unemployment, technology and agricultural development?

To answer these questions, two independent variables shall be used, mainly 1) the terms and conditions of aid and 2) the amount and type of aid. We shall examine the relationship between these two independent variables and such dependent variables as income distribution, trade and monetary policies, employment and unemployment and finally technology and agricultural development.

An attempt will be made to examine how, for instance, the terms and conditions such as the rate of interest, aid tying and amount of aid given to these countries enhance or reduce the possibility for capital accumulation and reinvestment into the economy. Secondly, how do these affect income distribution, transfer of technology and finally the overall monetary policies of countries concerned. Do they have negative or positive impacts on these variables?
The second question that will be considered is, what effect does aid have on the policy decisions and more importantly the economic policy decisions of the countries under study. In examining this question we shall not only look at the amount and terms of United States foreign aid and the types of projects sponsored, but we shall also examine the overall aid policies of the United States in these countries. Specifically, we shall seek to answer the question, does the United States participate in any definitive way in the economic policy decisions of any or all of the countries involved through its foreign aid program? Do such factors as the overall aid policies, the terms and conditions of aid and finally the amount and type of aid affect the economic policy decisions of the countries under study? If so, in what ways do these factors affect these decisions?

It is the answer to the above questions that will be used to evaluate the socio-economic impact of aid in the countries.

SIGNIFICANCE OF THE STUDY

When the United States first started its development assistance program in the 1950s, its focus was on a few South Asian and Middle Eastern countries which were regarded as strategic and therefore salient to American interest. Africa in the beginning of the 1950s was seen
as belonging to the European sphere of influence. Consequently, the development assistance of Africa was left to their former colonial masters.

In recent years, as a result of East-West competition for spheres of influence, Africa is increasingly becoming of strategic importance. As a result the United States has gradually reversed its policy and channelled some of its aid to African countries.

Also since the inception of the idea of foreign aid in the 1950s, America has always in its foreign policy rhetoric suggested, that among other things, development was the primary aim for aid. For example, President Truman in his famous "Point Four" of his Inaugural Address of 1949 maintained that the United States "must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped countries." In the International Development Act of 1950 which implemented Point Four, it was suggested that development was the major objective for channeling American aid to less developed countries. As the act pointed out, "It is the policy of the United States to aid the efforts of the people of economically underdeveloped areas to develop their resources and improve their living conditions."

Whether it was the Alliance for Progress program
initiated by President John F. Kennedy or the Caribbean Basin Initiatives by President Ronald Reagan, the successors of Truman and the U.S. Congress have always emphasized that these aids are first and foremost for economic development.

To what extent the United States has succeeded in accomplishing this goal in Africa cannot be known unless an empirical study is conducted. Studies, it must be admitted, have been conducted on the impact of United States aid in Africa. But many of these studies seem to focus mainly on the impact of aid on political development; very few studies deal with the socio-economic impact of U.S. foreign aid in Africa. Therefore, the debates continue - what is the socio-economic impact of U.S. aid in Africa? Has the U.S. been able to accomplish its goal of contributing to the economic development of these countries or not? It is the primary aim of this study to contribute to this dialogue.

It is hoped that this study will be helpful to policymakers to both African countries and U.S. policymakers in evaluating the impact of aid given in the past and also to African policymakers to determine what contribution aid has made, if any, in their endeavor to bring economic development to their different societies.

It should be pointed out again that the primary task of this study will be to determine the socio-economic
impact of United States foreign aid in the countries under study. This is because we believe that there have been extensive studies done on the political impact of aid to Africa. For instance, in 1974, Virginia Anne McMurtry did a very extensive study on the impact of aid on political development in Africa. Previous to that, Joan Spero did a study on France and Gabon. While many studies have been done to determine the impact of aid on political development, very little or no studies have been done on the impact of aid on socio-economic development. It is this gap that this study intends to fill.

LITERATURE REVIEW

Before commencing this study, some relevant literature were reviewed. The literature reviewed were on the comparative theories of foreign aid. They included books, journals and relevant government publications. The review suggested that there are two main schools of thought dealing with the issue of aid. These are the so-called modernization school and the radical schools of thought.

As pointed out earlier in this study, the modernization school contends that foreign aid or economic assistance promotes development or at least has the potential of doing so. This contention, of course, is premised on the assumption that the growth of less developed nations is
impaired and restricted primarily by insufficient capital investment. This insufficient capital investment in turn, according to the modernization school, is constrained by insufficient savings and foreign exchange. External financial assistance, it is argued, will fill this resource gap and consequently, make growth possible. According to Martin (1971) such capital assistance in addition to technical assistance will improve the use of both domestic and external capital and thus enable the creation of conditions for self-sustaining economic growth.

Milkin and Rostow (1957) echoing the same point of view proposed that there are three stages of development - namely, the so-called preconditions, take-off and self-sustained growth. The so-called "preconditions stage" is "the period in which preconditions" for economic progress are established. During this period two obstacles stand in the way of more rapid growth. The first is abject poverty of these nations which makes "the margin of bare subsistence small." These nations must learn how to channel this small margin into productive investment before they get off dead centre.34

The second obstacle is the low ability of these nations to absorb any available capital in many sectors of the economy. At this stage "skills and knowledge can be provided from outside along with financial resources."35
However, "the take off" into continuing growth cannot occur until certain minimum preconditions of education, skills and attitudes and basic transportation, communication and powerful facilities have been established.36

The Take Off. According to Milikin and Rostow this is a stage in which "a country makes complex transition to a position where sustained growth becomes possible."37 Under the impact of certain forces - some political, some technological and others economic, the economy launches forward. Gradually, the economic forces which hitherto have yielded limited bursts of activity expand and become decisive factors. At this point the rate of savings increases, the economy organizes itself so that a high proportion of any increase in output is siphoned back into further investment. New key industries spring up yielding profits in which a large share is ploughed back into investment. New techniques emerge in both agricultural and industrial sectors as more and more people are prepared to accept them, a new class of businessmen emerges who take control of key decisions determining the use of savings. According to Milikin and Rostow "this is the stage which the need for foreign capital is at its peak."38

Self-Sustained Growth. A period of "regular" but "sometimes fluctuating progress." Here the structure of the economy changes continuously as techniques are improved;
the economy becomes more closely related to the international economy.

As rapid growth provides the margin of resources from which additional resources can be made, the need for foreign investment slows down until it ultimately ceases. At this point domestic servings become so abundant that they begin to look for profitable employment abroad in other less developed economies.

Essentially Martin, Milikan and Rostows' assumption in their theories is that underdevelopment in Third World countries is a natural state which could be uprooted if the Third World nations take the capitalist root of development. Aid as they point out could act as a catalyst to get this process in motion.

However, the radical or dependency school rejects this argument. They instead contend that given the present state of development of the international capitalist system, a broadly based, autonomous, internally directed capitalist development in the less developed nations is not only undesirable but virtually impossible. The radicals further assert that contrary to the conventional "modernization school" analysis "underdevelopment" in the less developed countries is not a natural state. They contend that prior to their incorporation into the world capitalist system these socio-economic formations were
never developed. They argue that underdevelopment in its present form is a dynamic process, a process which began with the Western European penetration into these underdeveloped economies.

Instead of seeing underdevelopment as a natural and static state, the radicals rather see it as a dynamic process - a process which keeps deepening with each passing day. As Samir Amin puts it,

What is worse is that this definition (modernization development theory) leads straight away to an essential error: the underdeveloped countries are seen as being like the developed ones at an earlier stage of their development. In other words, the essential fact is left out, namely, that the underdeveloped countries form part of world system, that the history of their integration into the system forged their special structure - which thenceforth has nothing in common with what prevailed before their integration into the modern world.40

Maintaining a similar position as Samir Amin, A.G. Frank points out that, "economic development and underdevelopment ...are the necessary result and contemporary manifestation of internal contradiction in the world capitalist system."41

According to the radicals, the only way in which backwardness, stagnation and poverty in Third World nations could be overcome is through socialist revolution in which all but those absolutely necessary links with existing international capitalist systems are severed.42

Based on the above theoretical argument the radical
analysts reject the assertion of the modernization school of thought concerning foreign aid. Essentially, the radicals contend that rather than promote development, foreign economic assistance leads to dependence on the part of the recipient. Pointing to the experience of the past two decades the radicals point out that "no concentration of aid by any donor has ever brought the recipient to the point of "take off.""43

Hayter (1971) maintains that rather than help the Third World countries to develop, aid helps in "stunting and distorting development in Third World states through exploitation."44 She argues that "the Third World could not develop until all imperialism was destroyed."45 Besides, according to her, aid is "a concession of the imperialist powers to enable them to continue the exploitation of semi-colonial states,"46 a kind of superficial act that does nothing to address the root of the problem of the developing countries.

Lappe, Collins and Kinley (1980) argue that the beneficiaries of aid programs, rather than being the poor people of the less developed world, are large corporations for which better roads help transport their goods from cities and ports more efficiently. They further contend that what the poor needs is not the sophisticated technical programs but economic power that will enable them to
participate in the process and thus get some benefits out of it. This, according to Lappe, is essentially what they have been denied.

Howe and Hunter (1973) concede that there is sometimes an element of altruism when aid is given to a Third World country. However, they point out that "this element has been important only to a very insignificant segment of the population" in the donor countries. Altruism, they contend, has never been the dominant factor in giving aid.

Another criticism by the radicals is that aid is often used to build a social system considered durable and resistant to revolutionary changes. Arnold (1979) points out that "aid is given in direct proportion to the need for maintaining a system acceptable to the donor, it is not given to enable recipients achieve economic independence." Arnold further contends that only a very insignificant portion of aid is used for development because for the most part "aid is often used to ensure the political and economic survival of particular governments."49

Ake (1978) noted that the relationship between donor and recipient is an "economic-imperial one" - the donors do not aim in solving the problem of development, since to do so will be, in the narrow sense, against their political and economic interest.
It is this pessimism that the radicals have about aid in its present form that has caused them to conclude that rather than help development aid leads to dependency.
NOTES


5. Ibid., p. 2.

6. Ibid.


11. Ibid., p. 30.

12. Ibid.


27. Ibid., pp. xxvii-xxix.

28. Ibid., p. xxix. See Chapters 5 and 6 for a complete analysis of problems faced with LDCs economies in relation to economic development.


32. Ibid.

33. See Spero, "Dominance-Dependence Relationship."


35. Ibid., p. 44.

36. Ibid., p. 45.

37. Ibid., p. 46.

38. Ibid., p. 47.

39. For arguments against growth without development see Basil Davidson, Can Africa Survive (Boston: Atlantic Monthly Press, 1974).


45. Ibid.

46. Ibid., p. 9.


CHAPTER II

SURVEY OF THE UNITED STATES FOREIGN AID PROGRAM, 1965-1982

The primary objective of this chapter will be to establish the motives or objectives in the disbursement of United States foreign aid. To be able to establish the motives for American disbursement of foreign aid, it will be necessary to examine the history of the disbursement of aid.

It should again be pointed out that this study will be limited to the United States foreign aid program from the second World War to the present. As it has already been pointed out earlier in this study, foreign aid in the present form is a recent phenomenon and it is the implications of this recent phenomenon that will be examined in this chapter.

Some writers on American foreign aid have maintained that the evolution of the American program has substantially affected its objectives causing them to change from one period to another.¹ In this chapter we shall seek to establish the extent to which the observed changes have been real and substantial and the extent to which they are just procedural changes.
The American practice of helping friendly nations goes very far back in the history of the republic. However, until after the second World War, such attempts were limited to alleviating the sufferings imposed by famine and other forms of disaster. Foreign aid in the present form is relatively a new phenomenon. It is the more recent American post-World War II foreign aid program and more specifically, their recent implications and developments that will be the central focus of this section of the study. To gain a clearer and more recent picture, it will be necessary to go back to the roots of some of these programs.

Since 1942 there have been several pieces of legislation that could be classified as foreign aid bills. In this part of the survey some of the landmarks will be considered. As we proceed into this study it will become clear that even though these programs once began as temporary expedients they have become more or less permanent features of U.S. foreign policy. What at first started as relief and rehabilitation measures based upon altruistic impulses have over the years been redesigned to meet new economic, diplomatic, and military challenges in the Cold War crisis.

In this study foreign aid programs will be considered from their three main roots: war relief and reconstruction,
military defense and economic development.

WAR RELIEF AND RECONSTRUCTION

The United States emerged from the second World War as a leader of the Western world since it was mainly its military and economic power that was instrumental in defeating the Axis. After the second World War the United States' economy was reorganized to serve two distinct purposes. First, it was organized to ensure the provision of assistance so that the war devastated nations could recover from war time damage. Secondly, it was the aim of the United States to create agencies which would ensure free international trade and monetary exchange than did exist before and during the second World War. A major concern was not to return to the protectionism and anarchy that marked Western economies in the 1920s and 1930s. Free trade and monetary policies, it was argued would lead to economic recovery for the war devastated countries and therefore reduce conditions that would ultimately lead to another war.³ The formation of the Bretton Woods system was based on this argument.

United Nations Relief and Rehabilitation Adminstration (UNRRA). Through the Land-Lease Program during the second World War, America provided both military and other assistance to friendly countries. Many Latin American countries benefitted from this program. However, such
help, it was obvious, though it presented a temporary solution, was not going to be the answer to the sufferings of the civilian population in the war devastated areas. Plans to fight this problem based on American initiatives were therefore developed. One of the results of such plans was the formation of the United Nations Relief and Rehabilitation Administration (UNRRA). This program became a task force involving American wartime allies. The basic notion was that each country whose territory was not overrun by enemy forces would contribute one percent of its GNP into the (UNRRA) budget. The program from its inception was intended to be humanitarian and multilateral although the United States ultimately contributed over seventy percent of the funds made available for the program.

UNRRA operations for the most part were concentrated in the former Axis occupied countries of Southern and Eastern Europe, China, Korea and the Phillipines. The U.S. Congress, however, objected to the use of the funds in helping countries that were becoming aligned with the Soviet Union. By mid-1946, Congress decided not to appropriate any more money to the UNRRA because of complaints of mismanagement.

International Economic Organizations. International monetary cooperation after World War II was to find
expression in three international agencies - namely, the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD or World Bank) and the General Agreement on Trade and Tariffs (GATT).

The International Monetary Fund was designed to promote international trade and economic stability by assisting member nations to overcome balance of payment difficulties and foreign exchange restrictions. It was to be the keeper of rules and the main instrument of public international management. However, under the weighted system of voting the United States was able to exert a lot of influence in that body and all its decision-makings. Not only could the United States control the disbursement of aid through this organization but in recent years it can exert considerable direct influence on the economic and financial policies of recipient countries through the complicated terms on which these aids are disbursed. For instance, certain political, economic and monetary reforms must be made in many cases before a country qualifies for a loan from the IMF.

Presently the IMF has about 140 members. It continues to work to expand trade, monetary convertibility and stability. It also continues to act as an international financial auditor and "lender of last resort" which it has always been. But even much more than ever before it
yields considerable power over domestic economic policies of member governments.

Michael Moffitt of the Institute of Policy Studies, according to Lappe, Collins and Kinley (1981), notes that the IMF has but very little or no impact over the economies of developed countries.\(^9\) This is, of course, understandable since the IMF is a lender of last resort to Third World countries who are deeply in debt to private international banks.

Upon joining the IMF a member state is allotted a certain amount of international money. The IMF has been allowed to create currency called Special Drawing Rights (SDRs). SDRs are non-traded reserve currency used only for accounting purposes. The amount of SDRs allotted to each country is based on its economic strength. When a country needs foreign exchange it could borrow SDRs in exchange for local currency to pay back within a specified time.

Once a member has exhausted its quota it must accept economic policy conditions set by the IMF. For instance, to borrow twenty-five percent of quota the country must produce an IMF-approved financial "stability program," including fiscal, exchange rate and trade policies to improve deficit payment position over a particular period of time. Under the special stand-by arrangement, if a
country borrows over seventy-five percent above its quota it will be demanded to adhere strictly to the economic stabilization policies. Certain performance criteria must be met by a country before each installment of the loan is approved. Besides, strict controls over government finance - revenues, expenditures, taxes, subsidies, debt ceiling, etc. are stipulated.10

It should also be pointed out that while the IMF is formerly controlled by the Board of Governors on which each member government is represented, the decision-making power within the IMF resides with twenty-one executive directors. Five of the executive directors are appointed by the five members with the largest quota - the United States, the United Kingdom, West Germany, France and Japan. The United States holds approximately twenty-one percent of the voting power. The other sixteen executive directors are elected by 135 member states.11

The original agreement creating the International Bank for Development and Reconstruction (IBDR) provided that the bank disburse of finance for reconstruction of war devastated Europe.12 During the 1950s the focus shifted to the developing countries' projects. The IBDR is owned by 134 countries who contribute to the capital stock of the bank. Member countries' subscriptions are partly in cash and in part pledge. The paid-in and "callable capital"
are then used to borrow money on commercial bond markets.

Theoretically, the control of the IBDR resides with the Board of Governors with each of the 134 members represented. However, control resides with twenty executive directors. The day to day management of operations of the IBDR is controlled by the president who chairs the meetings of the executive directors and who is appointed by the President of the United States - the largest shareholder in the bank.

The General Agreement on Trade and Tariffs (GATT) is a trade agreement that provides ground rules for making subsidiary agreements effective. It could also be considered as a forum for airing and settling trade disputes. The contracting powers have no substantive power of enforcement; however, GATT's sanction is the approbation of its contracting parties - a sort of hearing and an opportunity to form a judgment.

GATT actually became an international agreement by default after the idea of an the International Trade Organization died. GATT was originally drawn up in 1947 to provide a procedural base and to establish guiding principles for tariff negotiations then being held in Geneva. It was intended to be a temporary agreement. But because the agreement of the Geneva Conference which culminated in the Havana Charter was not ratified, GATT
by default became an expression of consensus on international trade.

The essential principles of the GATT are: 1) restrictions on trade should be only in the form of tariffs and 2) tariff concessions given to any country "shall be accorded immediately and unconditionally to the like products originating in or destined for the territories of all contracting parties." 14

From a temporary treaty, GATT became not only an established commercial code but an international organization with a secretariat and director general to oversee the implementation of GATT rules. GATT has also evolved from a set of guidelines for trade negotiations to an institutional forum within which trade negotiations take place. 15

Countries should consult with each other before taking tariff actions which would be harmful to the interest of others. The GATT, however, provides exceptions which include: 1) that quotas though generally discouraged for purely protective purposes are nevertheless permitted in some cases such as balance of payments reasons and to support domestic farm programs. 2) An escape clause provision permits the withdrawal of concessions if increased imports cause or threaten serious injury. 3) Developing countries may impose restrictions on certain
imports under certain conditions to encourage infant industries.16

The Truman Doctrine. In the immediate post war years many came to believe that a massive injection of U.S. funds could provide the requisites for economic reconstruction in Europe torn by grave economic problems, social strife and political chaos.17 It became apparent that the monetary and trade restrictions discussed earlier could not on their own cope with the immediate situation. Consequently, the United States in 1947 began to consider other alternatives to assist its allies. The first of such alternatives was the Truman Doctrine. The Truman Doctrine stated that "it must be the foreign policy of United States to support the 'free' people who are resisting attempted subjugation by armed minorities or by outside pressures."18 It was occasioned by the Civil War in Greece and the Soviet push for territorial concessions from Turkey after the second World War.

Two very important facts are to be noted concerning the Truman Doctrine. First, this was the first shift in American post war aid policy from emphasis on humanitarian considerations to emphasis on military considerations. Secondly, it was the first time that the United States resorted to using foreign aid programs to counter what it considered to be an indirect Soviet threat to its national
security.

In March 1947, President Truman requested $400 million for military aid to strengthen the Greek and Turkish armed forces. In the same month Congress not only appropriated the funds but also authorized the sending of military equipment, technical and military advisors to both countries.19

The Marshall Plan, another venture in aid policy, in an attempt by the United States to help its allies came into effect in 1948. It resulted from the failure of industrial recovery in Europe despite the money invested by the United States through the post-war institutions. The inability of Europe to recover economically was considered to have a tremendous effect on the larger security interest of the United States. Therefore, the then Secretary of State, George Marshall, proposed that if European countries would unite in their economic recovery plans and establish cooperative efforts to assist themselves, then the United States would offer within its means the types of assistance they could not provide.

The Marshall Plan was adopted by the U.S. Congress in the Economic Development Acts of 1948. Congress ultimately appropriated a total of $13.15 billion on annual bases between 1948 and 1952. By the use of the Marshall Plan, a great stride was made in the recovery efforts of
European countries. It may be good to point out that though the initial plan of the Marshall Plan did not exclude the Soviet Union and its allies, the conditions attached for participation were such that it made the Soviet bloc decide not to participate in the plan. The Marshall Plan was the ultimate in the post-war relief and reconstruction economic assistance of the United States to its allies.

MILITARY ASSISTANCE

The Truman Doctrine as pointed out earlier was the first and earliest significant U.S. initiative aimed at extending military assistance to Europe after the war. Since it has already been discussed in the preceding section we shall not spend any more time discussing it here.

**Mutual Defense Assistance Program.** After the second World War the Western suspicion of Soviet intentions began to increase due partly to events in Eastern Europe, Asia and particularly in the blockade of Berlin. In response to this increasing fear and suspicion, the United States took the lead in forming the North Atlantic Treaty Organization (NATO). This treaty, in effect, provided a basis for the United States to provide assistance to the other signatories in the case of external aggression.

Following the ratification of NATO by the United
States Congress, in 1949, the Truman administration submitted a bill with the bulk of $1.4 billion requested for Fiscal Year 1950 to be used for the modernization of armed forces of the European NATO members. The Greek-Turkish military assistance was also incorporated into this program - the Mutual Defense Assistance Act. However, in spite of the increase in military aid the bill emphasized that "clear priority" was to be given to the needs of European economic recovery over rearmament.  

The Mutual Security Act. The Korean War of 1950 among other factors resulted in a direct reversal of the priorities of United States foreign aid. The objectives of U.S. assistance of Europe began to be modified due to the still increased suspicion by the West of "communists' intentions" in the world. By 1952 more dollars were being spent to rearm European countries rather than in their economic recovery. This change in priority became manifested in the creation of the Mutual Security Agency in 1951 to replace the earlier Economic Cooperation Administration. From now on Western planners and the United States in particular would make military considerations the prime factor in the disbursement of aid to the non-communist world.

The rationale for this shift in emphasis was based on the argument that money spent to help national forces
at home grounds will go farther in discouraging the so-called "communist aggression" than the same amount of money spent in military expense in the United States. It was also argued then, as it does now, that it is cheaper to maintain deterence by supporting national soldiers than having later to deploy a comparable number of American soldiers, as such a venture would not only be politically but financially prohibitive.

The shift described above finally became part of the United States foreign aid law called the Mutual Security Act of 1951. Under this law, all foreign aid activities (except import-export bank loans) were incorporated into one act in recognition that both military and economic assistance were essential in the rearming of the so-called free world.21 However, it should be pointed out that the Truman administration did not intend this to be a permanent feature in the aid policy.22 Consequently, Congress provided that a major part of the bill be implemented in 1954. The Mutual Security Act of 1951 was therefore replaced by the Mutual Security Act of 1954 which was the basic legal authorization for foreign aid of 1951. One of the basic differences between the 1951 and 1954 acts was the designation of military and development assistance. The 1951 bill regarded all assistance as "defense support" whereas the 1954 act moved defense support into a mutual
defense category. A separate development assistance category was created to help the developing nations who were not associated with the military program. It may be good to note that at this point the economic aid part of the assistance made up only one-tenth of the assistance budget and most of the defense assistance went to the United States established allies. By 1958, Congress replaced the 1954 mutual defense heading, divided the act into military and economic assistance categories and removed the defense support into the military support category.

Aid for Economic Development. American interest in the disbursement of aid for economic development was very minimal shortly after the second World War. Three reasons could be cited as accounting for this lack of interest on the part of the United States. One of the reasons was that in the years shortly after World War II the United States was preeminently occupied with the reconstruction of Europe. Since Europe was regarded as top in the list of priorities, it became difficult for either the President or Congress to divert the much needed funds to any other area of the world.23

Secondly, after World War II most Western nations, particularly the United States, who were in a position to transfer funds to LDCs rejected aid as a route to
development. Not that the industrialized countries were unconcerned with economic growth in the Third World; indeed economic growth and development were considered a major and integral part of post-war order. However, in the opinion of the United States officials, economic development did not require international capital. Rather domestic efforts on the part of LDCs were to be the primary means of economic development. Such domestic efforts, it was argued, would be enhanced and the need for external capital reduced by liberalization and expansion of trade. The liberalization of trade, it was believed, would substitute for capital inflows.

While domestic efforts were to be the primary source of financial resource, the United States and its allies recognized that there would be need for external capital in some limited cases. Such external assistance, it was insisted, would be limited in amount and offered on market and non-concessionary terms.

Finally, the United States disinterest in aid for economic development during the initial years after the second World War derived from what J. Kaplan has described as "a reluctance to accept responsibility." For instance, in the case of colonies the United States strongly felt that any post-independence assistance that might be required should properly be the responsibility of colonial
powers.

The same reluctance to accept positive responsibility was also characteristic of U.S. attitude towards LDCs with longer histories of independence. In the opinion of some U.S. officials strong societies in any of the poor intrinsically weaker nations scarcely seemed attainable and this dim prospect discouraged the inauguration of a major effort to disburse aid for economic development.27

However, beginning in the 1950s as a result of several changes in the international system, the United States foreign policy objectives were modified rather dramatically. There was a great shift in attitude of the United States towards the aspirations of the LDCs.

The first factor that influenced the change in attitude was the emergence of Third World nations as increasingly active though weak participants in international politics. In the two decades following World War II, 19th century European empires disintegrated and much of Asia and Africa gained political if not economic independence. Besides, following a compromise between the United States and the Soviet Union in 1955 new states were admitted into the United Nations. By the end of the second post war decade the United Nations had 122 members, eighty-seven of which were Third World countries.28

Within the General Assembly the Third World nations
began to form groups to make coordinate demands on the developed nations. As a result, the less developed countries from the 1950s became more and more outspoken and somehow more united and more specific in their demands for internal economic reforms. Because of these demands and the increasing political importance of the LDCs to the Western countries, it became inevitable that some changes must be considered in U.S. treatment of LDCs.

Another factor that caused the change in attitude of American policymakers was the communist takeover of mainland China in 1949 followed by the Korean conflict of 1950. Following the Korean conflict, American policymakers extended U.S. security interests to certain parts of the LDCs particularly those countries bordering the Soviet Union and the Peoples' Republic of China. The fear of "communist subversion" in the LDCs led to the consideration of aid for economic development. Important official and unofficial reports began to link economic development of LDCs with American security. As a result a significant assistance program for aid to these countries was initiated. Previously, most of the aid was of the military type to bolster local armed forces. However, some money was also given for economic development.

The third factor that led to the United States change towards LDCs was the increasing direct threat posed by the
Soviet Union to United States interests in the Third World during the 1950s. Before 1953 and particularly during the Stalinist era the Soviet Union expressed very little or no interest at all in the Third World. However, following Stalin's death, in 1953, there was a major shift in Soviet foreign policy. In 1953 the Soviet Union announced a desire to reverse its former position and contribute to the United Nations Expanded Program of Technical Assistance (EPTA). At about the same time the Soviets started to negotiate arrangements with the LDCs to develop both political and commercial relations.

In 1955 the Soviet Union concluded an arms deal with Egypt and began negotiating for financing the Aswan High Dam. In the same year the Russians announced that they would build a steel mill in India. Indonesia and Afghanistan in the same year also became recipients of Soviet aid.32

In a major speech in 1956, Nikita Krushchev announced a new Soviet policy towards the LDCs which stated that:

These countries, although they do not belong to the Socialist World System can draw on its achievements in building an independent national economy and in raising their peoples living standards. They can get it in the Socialist countries free from any political or military obligations.33

Krushchev in the above statement was in effect announcing that the socialist bloc's competition with the West was to be extended to the LDCs. Following therefore
this new Soviet interest and initiatives in the LDCs, Third World demand for development took on greater impor-
tance. Consequently, the emerging LDC states became a sphere of competition in the Cold War.\textsuperscript{34} The United States therefore in order to be a viable competitor had no alternative but to take a hard look at its policies. It was this reassessment that finally led to a change in attitude.

The above factor did not only change the economic military mixture of the United States foreign aid program but also changed the chief recipients, substituting the Far East for Europe. The Far Eastern countries, which in the past received only a very small fraction of the aid, allotted to Europe in 1950 thereafter began to receive more than any other region. This shift resulted in the perception of a military threat as seen in the U.S. from such events as the Korean War, the struggle in Indo-China, the communist victory in mainland China, the Huk Insurrection in the Phillipines and the communist guerrilla activities in Malaya and Burma.\textsuperscript{35}

There was another characteristic of U.S. foreign aid programs during this period. This was its tie-in with military alliances. Beginning from 1950 with the formation of NATO with U.S. initiative, U.S. military aid to the Middle East and Asia became connected with a series of
bilateral "mutual defense treaties" intended to form a belt of containment around the communist bloc. Such military aid was used to maintain the military establishments of contractual allies. South Korea, Japan, Taiwan and the Phillipines, for example, received military aid under the bilateral arrangements.

TECHNICAL ASSISTANCE

The developmental assistance program of the United States to LDCs started with "Point Four" legislation. The initial program of "Point Four" was proposed by President Harry Truman in his inaugural address of 1949. The presidential address contained a four point statement, the fourth of which stated that, "we must embark on a bold program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas."37

In June 1950, Congress passed the Act for International Development which authorized the so-called Point Four program. The act suggested that development assistance would become a major part of American foreign policy. Section 403 of the act stated that the U.S. policy would be to aid the efforts of the people of economically undeveloped areas to develop their resources and improve the working and living conditions by encouraging the exchange of technical knowledge and skills and the flow of investment capital to countries which provide
conditions under which such technical assistance and capital can effectively and constructively contribute to raising standards of living, creating new sources of wealth, increasing productivity and expanding purchasing power.  

The act authorized the creation of the Technical Cooperation Administration to administer technical assistance programs in some developing countries.  

The initial development assistance program of the United States was strictly confined to technical assistance. The reason, as already pointed out, being that the United States at the time believed that the initiative of private enterprise plus loans available from the World Bank would suffice for this purpose. As Secretary of State, Dean Acheson explained during congressional hearings on "Point Four":

By its very nature, this is not and never will be a big money enterprise...It involves salaries and expenses of people, not vast purchases of machinery and raw materials. Its objective is to show other people how to meet their own needs, not to attempt to meet those needs ourselves. For this reason the cost of technical cooperation will always be modest, compared with the cost of other types of foreign aid programs.

DEVELOPMENTAL FINANCING

Because of the new Soviet interest in the LDCs coupled with pressure from the South LDCs demand for economic development took on greater importance. In 1956 and 1957, U.S. policymakers turned their attention to
actively considering the disbursement of foreign aid to developing countries. The result was the determination that economic assistance to the LDCs could be a powerful tool in the Cold War. As one study puts it:

A comprehensive and sustained program of American economic assistance aimed at helping free underdeveloped countries... can, in short run materially reduce the danger of conflicts triggered by aggressive minor powers and can...result in overwhelming preponderance of...stable, effective and democratic societies (giving) the best promise of a favorable settlement of cold war and a peaceful, progressive world environment.41

Responding therefore to the pressure of making more public capital available the Eisenhower administration turned to developmental financing, though the trend was very far from being an outright grant aid. The credits that the World Bank had been extending to LDCs were "hard loans," repayable in the currency borrowed since the World Bank to some extent operated as a profitmaking venture. The loan that the Eisenhower administration proposed was to be different and in two categories. First, it included soft loans (repayable in borrowers currency) called Public Law 480 or the Food for Peace Program. The agricultural Trade Development and Assistance Act was passed in 1954 under the Eisenhower administration.

Under the Food for Peace Program, the Department of Agriculture sells surplus farm commodities abroad for
foreign currencies. These proceeds are then used by the United States government for various purposes, notably as loans for economic development.42

The second category of loan was the Development Loan Fund (DLF). The DLF was a loan designed to meet the demands for loans on lower terms than were available in existing international lending agencies. It was proposed in 1957 under the Eisenhower administration that the DLF was established to provide capital for long range economic development to nations who could not qualify at the World Bank. The capital was to be concentrated on projects such as highways, chemical plants, agricultural machinery, steelmills, railroads, power plants and the like. All projects were to be closely supervised by American engineers.43 Also the Eisenhower administration insisted in 1959 that all capital goods and technical services for U.S. underwritten projects must be purchased in the United States.

There is a need to update the foreign aid programs as they evolved in the 1960s under Presidents Kennedy and Johnson before we conclude this review of the history of American foreign aid.

During the past three decades the United States foreign aid program has continued to bear three characteristics as developed during the Eisenhower administration.
First, there has been an increase in effort to separate development from military assistance - the amount in each category fluctuating from one administration to another. Secondly, there has been a shift towards loans rather than outright grant-in-aids. Thirdly, the United States continues to coordinate its own program with that of other developed countries who extend economic aid.

In addition to these, other new trends have been either achieved or have been advanced. Such trends include the Foreign Assistance Act of 1961. This act created the Agency for International Development (AID) by combining all previous economic assistance programs - grants, loans and technical cooperation - into a single administrative agency. AID also is responsible for coordinating of military and economic assistance and for overseas operation of Public Law 480.

Secondly, there has been an increased recognition of the need for economic and social development. As a result of this trend President John F. Kennedy in March 1961 called on all people in the Western hemisphere to join the United States in a new Alliance for Progress. Like the earlier Marshal Plan the Alliance for Progress was a response to the fear of so-called communist expansion. It was a United States alternative to the so-called "Cuban revolutionary approach" to social reforms.
The objectives of the alliance were "to bring a better life to all the peoples of the continent" by working through "democratic institutions." This was to be achieved by encouraging programs of comprehensive agrarian reform leading to effective transformation, where required, of unjust structures and systems of land tenure and use with a view to replacing latifundia and dwarf holdings by an equitable system of land tenure so that the land may become for the man who works it the basis for his economic stability, the foundation for his increasing welfare and the guarantee of his freedom and dignity.

The United States participation in the alliance was assigned to and carried out by the AID Latin American Bureau. As indicated above, the Alliance for Progress inaugurated a program of "social development in Latin America concentrating in the field of land reform, education, health and housing." During the past several years, criticism of total foreign aid has continued to grow in both Congress and the country as a whole. Some Congress members, of course, have always been critical of foreign aid. However, the continuing mounting deficit of the U.S. government together with the increasing debts of Third World countries seem to add substance to a need for a more critical examination
Another event that seems to add more credence to the need for examination of the aid program has been the Clay Report issued in 1963 by the Presidential Advisory Committee appointed by President John F. Kennedy in 1962. The committee headed by General Lucius Clay was appointed to examine the entire overseas assistance program and to determine how it could be redefined to do a better job. The report was brief and recognized that foreign aid programs serve United States interest. However, the report criticized the dispersion of aid to an excessive number of countries. Specifically, it recommended that United States aid to African countries should be limited in view of the colonial powers' responsibilities there. The committee also claimed that economic assistance to some non-allied countries in Asia was "beyond that necessary for our interest." It found the U.S. technical assistance program too large to be adequately staffed with qualified personnel. The committee was emphatic on the need for other industrialized countries to increase their aid effort. It strongly believed immediate reduction in U.S. programs to be in order because "it was convinced that the burden of sustaining foreign assistance is falling unfairly upon the U.S." Also the Clay Report especially urged the
improvement of lending terms by other donors; otherwise international consortia and coordinating groups for (recipient countries) will saddle these countries with impossible debt service requirements and U.S. funds would pay for these short-term and shortsighted debts.56

Finally, the report anticipated in the long run further reductions in U.S. assistance programs. It also expected that repayment of old loans would speed up and provide an increasing share of necessary funds. The committee favored a gradual shift towards multilateral administration of aid which would make aid "more coordinated than aid by many independent donors."57 The Clay Report could be described actually as a "brief and qualified endorsement of a policy which over the years has been restated and reviewed repeatedly."58 It is these policies which have been articulated in AID doctrine in recent years. Self-help has become a predominant theme in the disbursement of aid and the first criterion in allocating aid is said to be the effectiveness with which available resources are utilized by the recipient.59

Closely related to the issue of spending is that of reforms. In his foreign aid message to the Congress, President Johnson advocated "basic changes" in the program.60 Stressing that education, health and population control be put at the top of the list of priorities. Also he indicated that the U.S. aid programs "must
concentrate on countries not hostile to U.S. that give solid evidence that they are determined to help themselves.\textsuperscript{61}

There is no doubt therefore that by examining the above evidence one cannot but come to the conclusion that the evolution of aid programs has affected its objectives. However, it is also very clear from the above evidence that there has never been any essential change in the foreign aid policy objectives of the United States since World War II. There has, undoubtedly, been changes over the past thirty years in the tactics by which American objectives have been pursued. But these changes have been procedural rather than substantial. The aim of the next section of this paper will be to spell out what are believed to have always been the essential objectives of the United States in giving aid and to see how these objectives differ from the ones always maintained by many writers.

OBJECTIVES OF U.S. DISBURSEMENT OF AID

So far in this chapter we have seen how the objectives of aid appeared to have shifted from war relief to reconstruction aid, military defense and to economic development. A careful examination of the above evidence would seem to lead to a different conclusion concerning the essential objectives of the U.S. government in the disbursement of aid. It seems very much from the above
study that the essential objectives of sending foreign aid to various countries remain the same even though the tactics of pursuing these objectives have been constantly modified over the years.

As one examines the above record of the U.S. disbursement of aid since the end of the second World War, one cannot but come to the conclusion that in spite of the official rhetoric, foreign aid is first and foremost an instrument of foreign policy. As the official directives of the AID Program Guidance Manual\textsuperscript{62} clearly puts it:

\begin{quote}
\textit{aid is an instrument of foreign policy, an instrument necessary to create a community of 'free' nations cooperating on matters of mutual concern, basing their political system on consent and progressing in economic welfare and social justice ...(because)... such a world offers the best prospect of security and peace for the United States.}\textsuperscript{63}
\end{quote}

The specific role of economic aid in furthering the objectives of American foreign policy could be said to be fourfold. First, foreign aid is given to maintain political security and economic stability in countries which are thought to be threatened by external aggression. In this role economic aid is complementary to military assistance and may indeed be an alternative to direct American intervention or presence in a country.\textsuperscript{64} In other words, it is the national strategic interest rather than altruism or desire for development per se that have
many times been the determining factor in the disbursement of the United States foreign aid. Though humanitarian considerations or need for development sometimes play a part in the allocation of foreign aid, their roles have always been minimal and have increasingly diminished as the function of aid has been redefined over the years. As James Howe and Robert Hunter put it, "economic aid has never been popular in the United States except as an adjunct of some larger purpose of U.S. foreign policy."65

Howe and Hunter indeed go further to insist that even the Marshall Plan, which set a record for popularity and which was sold primarily as a measure to benefit the recipient countries, was in fact "a measure directly benefiting the United States national interest and a means of avoiding one day sending large U.S. troops to defend Europe."66

Howe and Hunter also noted that there is sometimes the element of altruism when aid is allocated, but this element has been important only to a very insignificant element of the population; it has never been the dominant purpose for the allocation of aid. In the case of economic aid to Third World countries in particular, Howe and Hunter observed that economic aid has been accepted over the years by many supporters in the United States as a "covert method of carrying out political intervention
The strategic objective in the United States is perhaps most clearly reflected by the huge allocations in the 1960s and 1970s to South Vietnam, South Korea, Thailand, Taiwan and the Persian Gulf states in the late 1970s to strengthen the ability of these countries to withstand the so-called spread of communism. These aids reflect more of change in strategic interest than in evaluation of economic needs. The same conclusion could be drawn from the allocation in recent years to Israel, Egypt, Sudan and El Salvador.

Indeed most aid programs to developing countries from the 1960s to the present were oriented more towards purchasing the recipients' security and propping up their sometimes shaky regimes (Vietnam, Sudan and Zaire) than promoting their long term social and economic development. Even the Alliance for Progress program presented in the 1960s as aiming at promoting Latin American economic development was in fact primarily formulated to be a direct response to the rise of Fidel Castro in Cuba. Once the perceived threat of communist takeover subsided and the security issue lost its importance the Alliance for Progress efforts came to a standstill and gradually began to fizzle out.

Aid disbursed shortly after the second World War,
the Marshall Plan and also aid allocated to different countries by the United States in exchange for the use of military bases, air rights and adherence to alliance are other examples of foreign aid disbursed to enhance United States national strategic interests.71

Finally, that American national strategic interests plays a major part in the allocation of foreign aid is illustrated by the fact that many of the congressional hearings on aid, committee reports and presidential addresses link the security of the United States with the disbursement of aid.72 At the time of this study there is a debate going on in the U.S. Congress concerning the disbursement of aid to El Salvador. Most of the arguments of those favoring aid to El Salvador center on the fact that if President Reagan loses El Salvador he will lose a very strategic country, thus the need to aid the Salvadorians to preserve U.S. strategic interest against potential aggressors. As President Reagan once put it, "El Salvador will demonstrate whether we can stand up to defend our interest in the hemisphere or not."73

The second conclusion that becomes obvious as the history of United States foreign aid is examined is that Cold War, especially since after the second World War, has become a major factor in the redefinition and allocation of United States foreign aid. As Judith Hart has pointed
out, "the major characteristic of United States aid is that it has inextricably linked economic and military assistance in a program primarily determined by cold war strategies." Foreign aid gains support in the United States in so far as it is seen as a potent anti-communist weapon, raising the living standards of others to make them less susceptible to communism and as an inducement or reward for nations allying themselves with the United States against immediate or potential communist aggression. The support for the Marshall Plan for the most part can be traced to the widespread feeling that not only American help to Europe would help prevent communism by external aggression, but also that in absence of aid some of the domestic politics of countries would probably become dominated by communists. Harold Wilson, former British Prime Minister noticed this trend in American aid as far back as 1953 when he observed that:

Economic aid is becoming more and more what Springfellow Berr has called a 'gimmick in the cold war;' it is granted now not so much on grounds of need...but on the grounds of military reliability. The Pentagon is to be the judge. It was the fear that the acceptance of U.S. aid means joining the American strategic bloc that caused not only Ireland but Burma and Indonesia to refuse much needed aid under the Military Security Assistance (MSA) program. It has already been noted that the U.S. did not seriously consider allocating aid to Third World countries that
desperately needed it until the Soviet Union made a move into this area of the world. Serious consideration to allocate aid to the Third World countries only took place after the Soviet Union had decided to venture into this area of the world. This is yet another evidence demonstrating how the United States foreign aid program is very greatly influenced by cold war considerations.

Finally, it is important to note that the bulk of the United States aid, especially after the second World War, went to the United States closest allies. As previously noted, the Marshall Plan was initiated to counter the effect of communist movements in Europe. The Soviet Union was invited to participate in the plan only because it was known from the outset that it would not participate due to the conditions laid down for participation. During the Eisenhower years, with the John Forster Dulles' military containment policy, a network of military bases stretching across the globe was established in which over forty-two nations became closely involved in an anti-communist alliance. As a result of the important role that the Cold War plays in determining who receives the United States aid, the greatest beneficiaries of U.S. aid since World War II have been such close allies as Western European countries, Israel, South Korea, Japan and Taiwan and now mainland China.
A third conclusion that could be reached as one examines the history of United States foreign aid programs is that foreign aid has increasingly become a "weapon of control" for the United States government. The case of the Marshall Plan and Soviet participation has been already cited. In other words, foreign aid has become a tool which the United States has used to try to influence the decision-making in the recipient nation. Through aid, political, economic and monetary policies of nations are either directly or indirectly influenced. For instance, countries who support the United States positions in international fora often end up being rewarded with the allocation of aid. Others who take a different position often end up being ignored despite their need or in some instances have their aid cut off or threatened to be cut off. The case of Nigeria's complaint to the head of the U.S. Mission in the United Nations is a typical example of how aid is often used to influence decision-making in recipient countries. There is a report that a member of the Nigerian delegation to the United Nations called the late American Ambassador, Stephenson to complain that a member of the American delegation had threatened withdrawal of United States aid to Nigeria unless Nigeria voted in favor of certain proposals. Ambassador Stephenson is reported to have disavowed any such threat and the
Nigerian vote was cast according to previous instructions from Lagos.

The above incident by no means is an isolated one. There are numerous other cases similar to the above that could be cited. For example, when Zimbabwe became independent in 1980, the United States quickly moved to establish a bilateral aid program in this country. In 1981 and 1982, United States aid to Zimbabwe reached $75 million per year. The United States expected that the aid would facilitate the relations between the two countries. As most other foreign aid programs the aid for Zimbabwe was meant to serve both political and economic purposes.

The Reagan administration recently decided to reduce U.S. aid to Zimbabwe from $64 million in 1983 to $40 million in 1984 and $30 million in 1985. The official explanation for the decrease was federal budget constraints. However, as Lancaster clearly pointed out:

It is rare for U.S. foreign aid to be cut by as much as Zimbabwe's programs were without the purpose of signalling the dissatisfaction or punishing the recipient government for policies the U.S. does not like. In Zimbabwe's case, the U.S. disapproved both that country's abstention on the U.N. Security Council's resolution condemning the Soviet Union for shooting Korean Airline Flight 007 and the active support that country lent to the Security Council resolution criticizing U.S. invasion of Grenada.

The above example demonstrates in part the truth of
what this paper has already pointed out. There is the tendency on the part of the U.S. to "raise, lower, change, free or at times scrap off aid based on the behavior of countries" in issues that are salient to the interests of the United States.

Ghana provides another case of a growing pattern of United States use of its foreign aid as a weapon to modify the behavior of recipients. The United States disbursement to Ghana was frozen in 1983 when a Ghanian official accused U.S. officials of supporting coup plotters. The United States demanded a public apology which Ghana refused to give. Despite the fact that since then Ghana has undertaken stringent economic reforms along lines required by the United States, only $3 million out of the $13 million package has been unfrozen. Besides, no bilateral aid has since been proposed to aid the recovering process.

But Africa is not the only victim of this aid policy of the United States. We have previously mentioned the Marshall Plan which could only benefit those countries who supported the United States plan for Europe. In addition, we cited the case of the U.S. decision to withdraw support from UNRRA because recipient nations were leaning towards the Soviet Union. Also in 1963 the U.S. actually suspended foreign aid to Panama to pressure it to accept its terms.
in the negotiations that were going on between the two countries.84

Cases like the above clearly show that though the humanitarian factor may be considered in the disbursement of U.S. foreign aid it is never an overriding factor. In contrast, more or less the need to control the behavior of recipients is becoming a very important factor in the disbursement of U.S. foreign aid.

Finally, the need to create stability and thereby diffuse potential revolutionary situations in recipient countries is another factor that induces the disbursement of the United States foreign aid. Numerous examples could be cited to support this point. The Marshall Plan, for instance, serves as a good example to illustrate this point. After the second World War there was a need to revitalize the economies of Western Europe. The fundamental aim was to prevent the politics of these countries from being overtaken by "communists" or for that matter being dominated by the so-called radicals who might work for revolutionary changes as was going to take place in Eastern Europe.85 Greek-Turkish aid under the Truman Doctrine is another example of aid allocated for the purpose of maintaining stability. In this case the aid was given to the governments in power to enable them to crush rebellions by those who were seeking to
overthrow the status quo in order to be able to carry out desired changes.\textsuperscript{86}

In the 1950s and 1960s a large portion of the United States aid went to both South Korea and South Vietnam for the same purpose.\textsuperscript{87} In recent years, American foreign aid has gone mostly to friendly countries as Israel, Egypt, South Korea, Taiwan, Sudan, Zaire and El Salvador to strengthen these countries and thus make them capable of crushing any resistance movements that may rise to seek to overthrow the status quo.\textsuperscript{88}

A number of conclusions become apparent as the history of the United States foreign aid is examined. One of which, of course, is the most important is that foreign aid has always been and is increasingly becoming an instrument of foreign policy. Since after the second World War there have always been foreign policy implications both in the allocation and administration of the United States foreign aid. Because of foreign policy considerations, foreign aid has become greatly influenced by Cold War, strategic national interests and the need to create stability in recipient countries.

As a corollary of the above conclusion, United States foreign aid does not often go to countries that most need it but to countries that support the United States foreign policy objectives.
Secondly, the need for development sometimes plays a role in determining where aid goes to, but for the most part the need for development is a subsidiary reason for the allocation of aid. United States aid very often is given to the United States strongest allies. That is why, for instance, Israel and Egypt have been the largest beneficiaries of the United States foreign aid today.89

AFRICA IN THE UNITED STATES EQUATION

Having therefore done a general survey of the history of the United States foreign aid, it may be good to examine briefly the evolution of United States foreign aid programs in Africa. As this is being discussed, two questions in particular will be kept in focus. First of all, we shall endeavor to answer the question, what has been the United States foreign aid philosophy as it pertains to Africa? The second question is, how was Africa incorporated into the United States political arithmetic?

Needless to say, the United States aid philosophy in Africa has not been different than in most other Third World countries that have already been discussed. Basically, whether it is in Africa or in Europe, aid for the United States has always been an instrument of foreign policy and a tool with which the United States has sought to bid for the favor of countries not yet committed to
either the socialist or the capitalist system.

The emergence of new nations in Africa in the 1950s and 1960s and the Soviet entry into the foreign aid arena led aid proponents in the United States to return to earlier Marshall Plan goals, mainly to provide economic and political stability while integrating these newly emerging nations into the so-called "democratic" and free enterprise oriented world order. It was this philosophy that prompted the United States to disburse economic aid to the beneficiary countries in Africa during the 1960s. Max Millikan and W.W. Rostow pointed this out in 1958 when they maintained that the United States was facing a major communist effort "to exploit the weakness, confusions and temptations of new nations...to clamp communism down firmly on them."90 According to Millikan and Rostow, American foreign policy should use whatever influence we can bring to bear to focus the local energies, talents and resources on the constructive task of modernization...Diplomatically, our stance should put a greater premium on the position of governments towards the modernization of their people than on the day-to-day position in the politics of cold war.91

It probably should be pointed out that Rostow's position expressed above in no way depicts unconcern for the so-called spread of the communist movement. On the other hand, Rostow and his colleagues were suggesting that the best way to fight the communist movement was by
giving aid to the new governments to enable them to create a stable condition in the recipient countries as a way of combating communists. Millikan and Rostow, in fact, went on to contend that the overall goal of the American development aid program should be to create a context of global interdependence favorable to American national interests, one in which

most men and governments in the world come to perceive that private capitalism, domestic and foreign has an expanding role to play in the new nations capable of reinforcing their larger political and social objectives.92

When John F. Kennedy became president he took up this development theme with the same characteristic vigor. In a major policy address in May 1961, Kennedy's Acting Secretary of State, Chester Bowles stated that the United States should

use American skills and resources to help build a world partnership in which all nations interested in freedom, security and progress can cooperate...the fate of America is intimately and inextricably bound up with the fate of the billion and half people living in the developed area of the world. Our survival no longer depends on guns, and tanks and bombs alone.93

As can be derived from the above statements, after the second World War, probably more than ever before, the United States was determined to make foreign aid an instrument of foreign policy. As a consequence of the above philosophy, Africa initially received little or no
foreign aid at all from the United States. This was because it really was not regarded as being strategically salient to the interests of the United States. However, as the cold war intensified, African nations and many other Third World nations, were perceived as arenas of conflict between the two superpowers. Consequently, they became increasingly important strategically. The result of this perception was increased foreign aid to some nations in Africa.

Shortly after the war, Britain, France and to a lesser extent, Portugal, extended economic assistance to the colonies. Although Britain and France were recipients of aid under the Marshall Plan, they used about $600 million of acquired capital for development in their colonies in Africa. Five hundred million dollars were allocated to North Africa and $100 million to Africa "South of the Sahara". Later in the 1950s, the United States, Germany and Italy established bilateral agreements with Africa.

As previously pointed out earlier in this paper the early extension of United States foreign aid to Africa coincided with the cold war which in fact provided justification for the technical assistance programs. Ideological and irreconcilable differences between the East and West dominated the international scene after
the second World War. The hostile attitude of the superpowers towards each other was coupled with rival in trade and aid in the developing world.

After the war the Soviet Union established educational facilities and a sports arena in Guinea. They also tried to reach out with millions of dollars to Algeria, Egypt, Ghana and Mali. The United States, of course, was not going to sit back and see the Soviet Union claim dominance in this part of the world. Therefore, it started its own aid program. Between 1946 and 1977, United States economic assistance to Africa, though very concentrated, amounted to about $6.287 billion. Of the amount, $2 billion consisted of loans and the remaining $4.062 billion of grants. During that period, United States military assistance to Africa amounted to $831.6 million. Of the military assistance, $401.9 million dollars were in loans and the remaining $429.7 million in military grants.96

Overall the United States financial commitments to Africa between the end of the second World War and 1979 amounted to approximately $7.119 billion.97 During this period, economic assistance was disbursed to countries that claimed allegiance or leaned towards the capitalist system. Such countries include Nigeria, Zaire, Morocco, Ethiopia and Kenya. However, when in the 1970s there were changes of governments like Egypt, Sudan, Somalia
and Ethiopia, the United States made some changes to respond to these changes. For instance, the United States after the death of Adul Nasser wooed Egypt to its camp. Today Egypt is the largest recipient of United States aid in Africa.

When Ethiopia went socialist it lost its favor with the United States and therefore lost most of its aid. Somalia switched to the capitalist camp and started receiving enormous amounts of aid. Sudan turned capitalist and was given enormous amounts of aid, but when in 1985 Nimeri, who was pro-West was overthrown in a coup, Sudan lost its aid. Mozambique and Angola, two socialist governments in southern Africa which are desperately in need of help, receive little or no foreign aid from the United States because of their ideological stands. Zimbabwe as previously pointed out started receiving some aid from the United States shortly after its independence but when it was discovered that it could not be wooed into the Western camp its aid was drastically cut down. Nigeria still receives some aid due to its pro-Western stand.

On the whole it could be said that for the most part the United States foreign aid to Africa has been based upon U.S. national strategic and economic interests. The various countries' ideological stands and whether or not countries are willing to modify their behavior to
accommodate U.S. national strategic and economic interests determine who gets or does not get U.S. aid. African countries which are willing to do this are often rewarded with aid. Those that are unwilling most often than not are punished for not being willing to modify their behavior.\textsuperscript{98} Of course, but for the cold war and the increasing strategic significance of Africa, African nations would not have been incorporated into the U.S. aid arithmetic at all.
NOTES


8. Through the system of weighted voting each member was assigned a number of votes relative to the proportion of contribution to the fund. Since the U.S. made the most contribution it together with other Western countries could exercise what amounted to veto power in decisions.


16. Ibid., pp. 299-300.


18. Ibid., p. 7.


27. Ibid., p. 40.


33. Walters, American and Soviet Aid, p. 30.


36. Morley, et al., The Patchwork History of Foreign Aid (Washington, D.C.: American Enterprise Institute, 1961), p. 34. An example of such treaties was the Austria-New Zealand-United States Treaty (ANZUS). Others include South East Asia Treaty Organization (SEATO)—an Asian counterpart of NATO and the Central Treaty Organization (CENTO) adhered to by Britain, Iran, Pakistan and Turkey.


47. The United States is a member of the Development Assistance Committee (DAAC) of OECD a committee which develops and coordinates aid policies for Western donors. See Ibid., p. 21.

49. Ibid., p. 24.

50. Ibid.


52. Morss, U.S. Foreign Aid, pp. 24-25.


54. Ibid.


56. Ibid., p. 15.


58. Ibid., p. 22.


61. Ibid.

62. PGM is an internal AID document consisting of several volumes which contain all the detailed aid policy instructions, rules, etc.

64. Ibid.


66. Ibid., p. 66.

67. Ibid., p. 65.


70. Ibid.


77. The U.S. has over the past five years directed its attention towards aiding mainland China against the USSR.
78. See also O'Leary, *The Politics of American Foreign Aid*, p. 25.


81. Ibid., p. 62.

82. Ibid. Note that Carol Lancaster is the Director of African Studies and Georgetown University. She has previously worked with the U.S. government in the Office of Management and Budget, the Senate and Congress. She has also served as deputy assistant secretary in the Bureau of African Affairs (1980-1981) responsible for U.S. economic relations with Africa.


84. Montgomery, *Foreign Aid in International Politics*, p. 16.


91. Ibid.

92. Ibid.


97. Ibid.

CHAPTER III

ORGANIZATION AND ADMINISTRATION OF AID

The focus of this chapter will be on the organization and administration of the United States foreign aid. It is here that the general mechanics of U.S. aid programs will be discussed. For instance, a distinction will be made between bilateral and multilateral aid. Furthermore, the different forms of aid such as economic assistance, technical and military assistance will be discussed.

In this chapter also will be examined the terms of the United States foreign aid, particularly as they relate to Africa. Such terms as grants and loans will be discussed in addition to the conditions of U.S. foreign aid to LDCs. Such conditions as project as opposed to program or plan aid will be considered. Also to be considered in this section will be such a condition as tying aid to domestic procurement and its effects on the overall result of aid.

The specific objectives of this chapter will be threefold. First, it is hoped that the discussion articulated here will enable us to better understand how the U.S. foreign aid program works in actual practice.
Secondly, it is hoped that this chapter will provide some framework which could be utilized in the next chapters in analyzing the United States foreign aid disbursement to African countries under study. Thirdly, we hope that these discussions will enable us to make some suggestions on how some aid problems that derive from administration could be solved so that aid could be of more benefit to the recipients.

THE UNITED STATES AS THE LARGEST FOREIGN AID DONOR

As it has been pointed out in the previous chapter the study of the United States foreign aid program is very important since the United States presently still remains the largest donor of foreign aid in terms of the overall percentage of aid given annually. According to the Development Assistance Committee Review published in 1980, the United States ranked as the number one largest bilateral aid donor in 1960, 1970 and 1979.¹ However, it can be seen from Table 1 that its netflow of aid has been going down since 1960. Examining the magnitude of aid only in terms of volume could be very deceiving. For instance, while the U.S. ranked first when the volume of its disbursement is compared to those of other nations (see Table 2), the United States does not rank among the first ten largest donors if the volume of aid is considered
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FLOW OF UNITED STATES AID IN TERMS OF GNP

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<td>ODA as % of GNP</td>
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<td>.45</td>
<td>.34</td>
<td>.35</td>
<td>.33</td>
</tr>
<tr>
<td>ODA ($ billion constant 1977 prices)</td>
<td>12.2</td>
<td>13.1</td>
<td>12.7</td>
<td>15.2</td>
<td>14.8</td>
</tr>
<tr>
<td>GNP ($ trillion nominal prices)</td>
<td>.9</td>
<td>1.3</td>
<td>2.0</td>
<td>3.8</td>
<td>4.2</td>
</tr>
<tr>
<td>ODA deflator</td>
<td>.38</td>
<td>.45</td>
<td>.54</td>
<td>.89</td>
<td>.92</td>
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TABLE 1 (continued)

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<td>.49</td>
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<td>.33</td>
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<td>.09</td>
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<td>Japan</td>
<td>.21</td>
<td>.23</td>
<td>.24</td>
<td>.25</td>
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<tr>
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<td>.85</td>
<td>.82</td>
<td>.91</td>
<td>.96</td>
<td>.99</td>
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<tr>
<td>New Zealand</td>
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<td>.35</td>
<td>.34</td>
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<tr>
<td>Norway</td>
<td>.82</td>
<td>.90</td>
<td>.98</td>
<td>.99</td>
<td>1.00</td>
</tr>
<tr>
<td>Portugal</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sweden</td>
<td>.99</td>
<td>.88</td>
<td>.96</td>
<td>.99</td>
<td>.99</td>
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<tr>
<td>Switzerland</td>
<td>.19</td>
<td>.20</td>
<td>.21</td>
<td>.21</td>
<td>.22</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>.37</td>
<td>.40</td>
<td>.41</td>
<td>.42</td>
<td>.43</td>
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<tr>
<td>United States</td>
<td>.22</td>
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DAC Totals

<table>
<thead>
<tr>
<th>ODA ($ billion nominal prices)</th>
<th>14.7</th>
<th>18.2</th>
<th>21.0</th>
<th>23.7</th>
<th>26.7</th>
</tr>
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<tbody>
<tr>
<td>ODA as % of GNP</td>
<td>.31</td>
<td>.32</td>
<td>.33</td>
<td>.34</td>
<td>.34</td>
</tr>
<tr>
<td>ODA ($ billion constant 1977 prices)</td>
<td>14.7</td>
<td>15.8</td>
<td>16.6</td>
<td>17.5</td>
<td>18.4</td>
</tr>
<tr>
<td>GNP ($ trillion nominal prices)</td>
<td>4.7</td>
<td>5.6</td>
<td>6.4</td>
<td>7.1</td>
<td>7.9</td>
</tr>
<tr>
<td>ODA deflator</td>
<td>1.00</td>
<td>1.16</td>
<td>1.27</td>
<td>1.36</td>
<td>1.45</td>
</tr>
</tbody>
</table>


*estimated **see below

Note: **It can be see from the above statistics that the net flow of U.S. aid in terms of GNP fell drastically from 1960-1979 when it leveled down. Note also that most of the donor countries including the U.S. failed to reach the target of 0.7% of GNP per year set for the United Nations Development Decade.
in terms of donors GNPs. In other words, whereas, the United States has for a number of years remained the largest bilateral aid donor, it is not the most generous aid donor, (see Table 3).

<table>
<thead>
<tr>
<th>Rank</th>
<th>Total amount ($USm)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1960</td>
</tr>
<tr>
<td>1</td>
<td>2702</td>
</tr>
<tr>
<td>2</td>
<td>847</td>
</tr>
<tr>
<td>3</td>
<td>237</td>
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<tr>
<td>4</td>
<td>105</td>
</tr>
<tr>
<td>5</td>
<td>407</td>
</tr>
<tr>
<td>6</td>
<td>n.a.</td>
</tr>
<tr>
<td>7</td>
<td>35</td>
</tr>
<tr>
<td>8</td>
<td>n.a.</td>
</tr>
<tr>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>10</td>
<td>75</td>
</tr>
</tbody>
</table>


- not in top ten.
- n.a. figures not available.

Note: a = These figures relate only to official development assistance by OECD and OPEC members. According to the DAC Review 1980 (Table VIII-7) the total net disbursements from USSR were as follows: 1970, US$783m, of which US$606m were to Cuba, Korea PDR and Vietnam; 1979, US$1432m, of which US$1150m were to Cuba, Korea PDR and Vietnam.
### TABLE 3
THE MOST GENEROUS BILATERAL AID DONORS RELATIVE TO GNP, 1979

<table>
<thead>
<tr>
<th>Country</th>
<th>Official development assistance as percentage of GNP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Qatar</td>
<td>5.60</td>
</tr>
<tr>
<td>2 UAE</td>
<td>5.42</td>
</tr>
<tr>
<td>3 Kuwait</td>
<td>5.14</td>
</tr>
<tr>
<td>4 Saudia Arabia</td>
<td>3.13</td>
</tr>
<tr>
<td>5 Iraq</td>
<td>2.94</td>
</tr>
<tr>
<td>6 Sweden</td>
<td>0.94</td>
</tr>
<tr>
<td>7 Norway</td>
<td>0.93</td>
</tr>
<tr>
<td>8 Netherlands</td>
<td>0.93</td>
</tr>
<tr>
<td>9 Denmark</td>
<td>0.75</td>
</tr>
<tr>
<td>10 France</td>
<td>0.59</td>
</tr>
</tbody>
</table>


Another point that has been made before about the United States foreign aid but needs restating is that it often does not go to countries that most need it but to very close allies. As can be seen from the following statistics, forty percent of the United States bilateral aid in 1978-79 went to only two countries, Israel and Egypt while the remaining sixty percent went to the remaining countries put together who received foreign aid from the United States in 1978-79 (see Table 4).
TABLE 4

THE GEOGRAPHICAL PATTERN OF BILATERAL AID, 1978/9

<table>
<thead>
<tr>
<th>Major Donors</th>
<th>Recipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA*</td>
<td>40 percent to Egypt and Israel</td>
</tr>
<tr>
<td>France</td>
<td>60 percent technical assistance, mainly to current and former dependencies</td>
</tr>
<tr>
<td>Germany</td>
<td>widely distributed</td>
</tr>
<tr>
<td>Japan</td>
<td>primarily to Asia, especially Indonesia</td>
</tr>
<tr>
<td>UK</td>
<td>widespread, largely to former colonies</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>75 percent to Arab countries</td>
</tr>
<tr>
<td>Netherlands</td>
<td>mainly to about 15 'target countries'</td>
</tr>
<tr>
<td>Canada</td>
<td>widely distributed - especially to poorest countries</td>
</tr>
<tr>
<td>Kuwait</td>
<td>50 percent to Arab countries</td>
</tr>
<tr>
<td>Sweden</td>
<td>widely distributed - especially to poorest countries</td>
</tr>
<tr>
<td>UAE</td>
<td>mainly Arab countries</td>
</tr>
<tr>
<td>Australia</td>
<td>c. 60 percent to Papua New Guinea and 20 percent to other SE Asian and Pacific countries</td>
</tr>
<tr>
<td>Belgium</td>
<td>half to Zaire, Rwanda and Burundi</td>
</tr>
<tr>
<td>Denmark</td>
<td>especially to Bangladesh, India, Kenya and Tanzania</td>
</tr>
<tr>
<td>Norway</td>
<td>c. 60 percent to 9 countries</td>
</tr>
<tr>
<td>USSR</td>
<td>mainly to Vietnam</td>
</tr>
<tr>
<td>China</td>
<td>largely to Korea</td>
</tr>
</tbody>
</table>


Note: *Forty percent of the foreign aid disbursed by the United States in 1978-79 went to two allies Israel and Egypt and sixty percent to the rest of the countries put together.
BILATERAL VS. MULTILATERAL AID

Foreign aid disbursed by the United States could be put into two categories - bilateral and multilateral aid.

Bilateral aid are those in which the actual disbursement takes place between an agency of the United States government and the recipient country. It could be in different forms such as economic assistance, military assistance, technical assistance and what has now come to be known as Food for Peace Program or PL 480. These we shall discuss in more detail in the later part of this chapter.

Most bilateral aids are tied. This means that the recipient countries are often compelled to spend the aid dollars they receive in purchases from the donor countries. However, bilateralism does not always involve tied conditions. In the early post war period the largest proportion of the United States aid was bilateral but was untied. In actual fact, however, those aid dollars were used to procure commodities in the United States where they were available.²

"Bilateral aid is often tied at both ends. This means that the aid given is specified for particular projects and involves the purchase of goods and services in the donor country."³

The objectives of tied aid are mostly political and
The latter permits the donor country to make fuller use of idle domestic resources, including industrial capacity, thus expanding domestic employment opportunities. Tied aid can also be used to expand exports and alleviate pressures on the balance of payments of the donor country.  

The political objectives involve the desire by the donor nations to be recognized as the initiator of particular projects and to receive credit which generates spillovers into political alignment or UN voting patterns that support the donor country.  

As K.B. Griffin and J.L. Enos put it, economic aid from the powerful to the powerless, from metropole to the satellites is an instrument of power politics. How much a country lends to another country will not be determined by its needs or its potential or its past economic performance, good or bad or its virtue but by benefit it yields in terms of political support.  

Finally, under tied aid, appropriations can be easily justified by legislators. There are a number of objections to tied aid which will be discussed later. For now three objectives relating to bilateral aid are going to be discussed. First, bilateral aid can become a subsidy for domestic products that cannot compete in the world market, especially when prices in the donor countries cannot compete internationally. Tying in a situation like this reduces the value of aid in comparison to the amount that would have been received in normal conditions.
Secondly, tied bilateral aid may restrict the expansion of trade among developing nations by forcing them to buy aid-financed goods and services only from the country disbursing the aid. Thirdly, both bilateral and tied aid are objected to by developing nations because they are apt to exert undue political influence on the recipient.\(^8\)

In addition to bilateral aid, the United States disburses multilateral aid. This is aid given through the contributions to the international aid organizations. Basically, there are three groups of multilateral organizations that the United States supports. These include the World Bank group, the Regional Development Banks and Funds and various United Nations agencies, the IMF and International Development Agency (IDA).\(^9\) It is the Treasury Department of the United States which is responsible for the United States contributions to international financial institutions.

Multilateral aid has become very popular among aid recipients in recent years for several reasons. Of great importance is the desire by the LDCs to channel both political and economic decisions into international bodies where each country is represented and can take position and vote. Furthermore, multilateral programs are preferred by smaller donors who cannot by themselves put together
comprehensive bilateral programs. These donors usually contribute the higher percentage of their aid through international organizations. Thirdly, multilateral aid has been advocated by many intellectuals who contend that it contributes to building an international community and consequently world peace. Finally, multilateral aid appeals especially to the recipient nations in that, even though it sometimes has some strings attached to it, it gives the recipient a large room for maneuver in that they can use aid money to procure aid commodities from anywhere they desire. However, it does not in any way mean that the political and economic pressures are altogether removed from these organizations. The fact as we have already pointed out is that the administrative arms of many international institutions are often tightly controlled and dominated by donor countries who therefore have the power to pressure the recipient countries to submit to political demands of their various governments in exchange for aid money.

The United States disburses its foreign aid to developing countries in different forms. In this discussion we shall consider specifically three forms in which the United States aid to developing states take. This will include economic assistance, military assistance and technical assistance.
During this discussion, we shall seek to examine the various forms of aid; which government agency administers it and the process in which they are administered.

ECONOMIC ASSISTANCE

Within the heading "economic assistance" are included many different kinds of economic aid. Some of these include development loans or grants, supporting assistance, and the so-called Food for Peace or PL 480.12

A loan is different from a grant - the country that receives a loan promises to pay back. A loan can be long term, medium term or short term. It can be interest free or interest bearing.13 Repayment of principal can begin promptly or after a period of grace. Finally, to either a grant or loan special conditions concerning receipt and use may be attached.14 These conditions are called "tying." A grant does not create external indebtedness or recipient country payable in convertible currency.

The lenders or aid donors differ in the terms they attach to the financial capital disbursed. For the most part the terms are often related to the purpose or project for which the aid or grant is intended. Grants are often reserved for technical assistance and soft term loans for capital improvement like roads and habors and infrastructure projects which do not yield any direct revenue. Hard term loans are often given for projects of greater
financial profitability. The United States has a rich spectrum of hard and soft loans. However, ordinary repayable loans seem to fall into either of the two categories namely - development loans (AID loans) or hard loans (mostly Export-Import Bank loans).

Development loans are of two varieties, namely project loans and program loans. Project loans are made available for goods and services needed by the recipient countries for rather specific purposes and investments such as factories, irrigation ditches, power dams and electrical systems. Program loans, on the other hand, have a much broader function. They are often designed to promote general development in the recipient country. For instance, programs loans could be used for reduction of inflation, to reform tax structure and improve revenues and for balance of payment purposes.

Recipients of aid are often encouraged by donors to produce plans. Such plans should set out the main problem and objectives in quantitative terms and should relate the means - coherent projects and their expenditures - to these problems and ends and explain in detail the need for external assistance. In an ideal situation the donor would study the situation closely, consider the urgency of the problem and finally decide whether it is appropriate to sponsor such a program. In consultation
with the recipient they would decide which level of support the donor can give over the plan period. If donor decides to give money for this plan or program it would be termed a plan or program aid. If the donor wants to give aid for specific projects within the plan or program it would be considered a project aid. Incidentally, it is sometimes not very easy to distinguish between these two types of aid.19

The above notion, of course, is rather an idealized version of how aid is given. If indeed aid was given in reality in this way it probably would be the best way to assist developing countries. But the reality is that when aid is considered both economic and political factors come to bear. Consequently, many donors often choose to fund projects perceived as politically more expedient. They prefer to fund those projects that are not only big but simple, which will not only be viable administratively, but will leave a monument behind when they leave. The result is that financial aid has only found its way into such things as power hydroelectricity, development of ports, building of airports and hard toppings of roads most of which are only beneficial to the big corporations and the very rich and of very little relationship at all as far as development is concerned. Not only are these projects big in the sense that they absorb so much aid at
once but they also make few administrative demands on the donor governments.

African countries are in many ways beginning to pay for such mistakes that were made in the past as just pointed out. In the past, money was spent on building huge conglomerates to the negligence of development in agriculture. Today, the countries that in the past exported food are devoting a huge portion of their budgets for importation of food. Population has grown immensely in these countries and fewer and fewer people practice farming, resulting in shortage of food and in some cases, famine.

Another reason why donors often choose big projects is that the risk of obvious failure in such projects is small. Thus, for instance, problems of construction in some projects are well known before hand and there is not much difference between developed and non-developed areas in this respect. Even if different methods ought to be used, there is often very little or no attempt to do so. For instance, there is usually no special attempt made in using labor intensive methods. Furthermore, either demand is relatively easy to forecast or it does not seem to matter as in the case of roads which have no commercial value or university colleges that do not have lecturers to teach or students to fill the buildings. Similarly,
infrastructure projects are fairly easy to manage. For example, running dynamos or filling roads is somewhat a routine thing which calls for little or no competence at all. So also are the running of social infrastructure such as school buildings and hospitals.

It is therefore no surprise that at the early stages of independence of African countries the only new industries that seemed to have been popular were the dam projects. Thus, we had the Kariba, Owen, Volta, Niger, Aswan dams, many of which, some believe, produced excess power that never were effectively utilized. These so-called great dams used a high proportion of the aid given to Africa in the 1960s and 1970s. Some of them, no doubt, had to be built but a lot of them were built too soon.

Turning to the communications sector, a similar argument could be made. There was and indeed still is a tendency to build hard-top main roads well before the density of traffic warranted it. Similarly, capital was wasted in the construction of excessive numbers of airports with long runways and expensive electronic equipment with no competent staff to manage. Today, in Nigeria we have, for instance, the Murtala Mohammed airport equipped with the most up-to-date sophisticated equipment which are neither used nor properly maintained. The only useful purpose that this equipment and long runways serve is the
memory of foreign engineers and technicians who constructed them.

As already pointed out, in education there is obviously the tendency for buildings to out run the supply of competent staff and possible students. Thus, we have endless numbers of universities in Nigeria which are very poorly staffed and whose students are on strike for half of the school year in protest for lack of teaching staff and equipment to work with in the classrooms.

All these add up to the conclusion that project aid has its built-in flaws. First, it encourages the recipient to limit its development plan not to the area of needs as in the case of agriculture and some industrial sectors but to plans that include projects that will appeal to the donors. Secondly, projects aid, so far as we have seen in the African situation, encourages waste in that it only caters for big and expensive projects which may benefit the big corporations but have no bearing at all with development as we understand it.

A third potential disadvantage of project aid is that most donors avoid small projects in favor of large economic and glamorous social infrastructure projects. Lastly, project aid as described above is limited in the sense that it does not encourage the development of projects which will involve recurrent expenditure.21 For
example, such projects as agricultural extension, research and education are often not given the kind of attention they deserve. The reason again is obvious. These are not the type of projects that easily leave the footmarks of the donors behind. Besides, they take a considerable length of time to yield results and neither the government in power nor the donor countries are often willing to wait so long for the result of their investments.

Program loans are often given to support certain policies of the recipient nations. For instance, it could be in the form of food aid to developing nations. Several different conditions make it necessary for this kind of aid to be given to recipients. The first is the food deficits in many less developed nations. In 1967, for instance, 18.6 percent of all bilateral commitments consist of food aid from Australia, Canada and the United States. ²

Secondly, the concentration on investments on projects sometimes does not take into consideration future requirements for spare parts and imported materials. As a result, further assistance in the form of imports become necessary in order for the new plants to operate more efficiently.

Thirdly, program aid has also been provided where the limited taxing power of a nation makes it difficult for the government to meet all local cost of its develop-
ment program. In a situation like this, a country may import and sell some goods locally to use the local currency for development purposes.

In other cases, as previously mentioned, assistance can go strictly for budget support. For many years, the colonial powers gave such assistance to the former colonies. The United States has included a separate item in its aid program called the Security Supporting Assistance which we shall discuss in detail later in this study. This assistance is often provided primarily to build the defensive strength of LDCs on the socialist or progressive perimeter. This, of course, is a different form of aid from military assistance.

As can be obvious, this kind of support does not go to all countries. For the most part, in the case of the United States, it goes to its closet allies. In the past South Korea, Taiwan and Israel used to be the greatest beneficiaries. In recent years Egypt, Sudan and Zaire have become some of the participants in the program. The intention of this kind of aid is obvious, too. For the most part, it is to help meet the defense costs beyond a country's immediate capacity. There is often much greater flexibility in the use of such funds. For this reason such funds are often not available except for close allies.
In the case of former colonial powers, program aid often goes to a former colony.

Program aid often comes under attack because of its political implications and side effects. It is often pointed out that the countries who receive this aid sometimes do not need them whereas countries that need the funds badly may not be able to have them because of the political alignment.24

Program aid is also criticized on economic grounds. For instance, pressure is often put upon recipients to produce results. Consequently, recipients are often forced to limit themselves to programs that yield quick results and not those that may necessarily be needed.25

In addition to the official bilateral disbursement or development assistance, the United States and other donors disburse what is normally referred to as security supporting assistance. The objective of this program is to promote economic and political stability in regions where the U.S. and other donors have special security interest and have determined that economic assistance will be useful in helping promote peace and avert major economic or political crises. As President Jimmy Carter put it in his budget proposal for this program for Fiscal Year 1981,

By assisting these nations to acquire and
maintain the capability to defend themselves we serve our worldwide interest in collective security and peace. By providing economic support in regions beset by serious conflict we promote the peaceful resolutions of disputes, encourage economic and political stability in selected countries and regions and support activities that further the national security interest of the United States.26

The Security Supporting Assistance program has financed capital projects, provided balance of payments support and could also augment bilateral programs supposedly directed at benefitting the poor.27 In the case of the United States, the program policies are set by the Secretary of State with the assistance of the Director of International Development Cooperation Agency (IDCA). The policies are administered by the Agency for International Development.

As it has already been demonstrated in this study, political factors enter so much into the donor's objectives in disbursing aid. With this in mind, the developing nations have also often attempted to exploit this situation by, for instance, trying to play the Eastern bloc countries against the Western donors. India and Ghana, for instance, played this game very successfully in the 1960s. In recent years, Taiwan, South Korea, Thailand, the Philippines, Pakistan and indirectly South Africa (during the Reagan administration) have been the beneficiaries of a large amount of United States aid supposedly meant to stave off
alleged invasion communist countries. Also in recent years, countries like Egypt and Israel, have been very successful in obtaining large amounts of aid from the United States just by threatening to go or offering not to go to war with each other. In 1979, the total economic assistance provided by the U.S. to foreign countries was $6,918 billion. Of this total, $1,982 billion were in security supporting assistance. During the same year, Egypt received $884.8 million in economic assistance, including $835 million in security supporting assistance. At the same time, Israel received $790.1 million in economic aid of which $785 million were in security supporting assistance.28

The Food for Peace Program (PL 480) was formed for the purpose of helping alleviate world hunger and create new markets for U.S. agricultural products. Approximately six million tons of food and agricultural products are given annually to developing nations at concessionary terms and as grants. Guidelines for the programs are established jointly by the Department of Agriculture and IDCA. The administration is managed by AID.29 Payment made to the U.S. for the agricultural commodities are then used by the U.S. in recipient countries for several purposes. The Food for Peace Program has been under very heavy criticism for a number of reasons. For instance, some
have pointed out that the program has been more of a means of "disposing of U.S. surpluses generated by price support program" than it is an aid.30

Like many permanent features of society, PL 480 was intended as a temporary measure that would last for three years only when the American agricultural surplus would be exhausted. However, within about a year of its creation its initial authorization was increased from one billion dollars to 1.8 billion dollars and to 3.5 billion dollars by the following year as the surplus grew larger and larger.31 By 1975, $24.25 billion worth of agricultural commodities were disbursed, an equivalent of sixteen percent of U.S. agricultural exports during the same period.

Initially, PL 480 was divided into three parts.32 The first part consisted of the sale of surplus agricultural commodities for payment in local currency. This could, therefore, be used either for U.S. purposes or for mutually agreed economic development projects in recipient countries. This part was the most important and in fact in time accumulated counterpart funds in local currencies faster than they could be used. Partly because of this, sales in local currencies have been replaced by sale in dollars. This change was initially authorized in 1966 and since 1971 no new local currency sales agreement has been reached.33
In 1966, PL 480 was revised drastically. The requirement that a commodity must be in "surplus" to be used was modified to being "available." Although the new terms were accompanied with some restrictions, the change has resulted in some flexibility. Furthermore, the U.S. decided to produce agricultural commodities specifically for this purpose.

The second part of this program covered grants of emergency relief. The third part of the program covered authorized domestic donations of surplus commodities as well as overseas donations through U.S. voluntary agencies and multilateral organizations. It also covered exports to finance barter trade.

In 1977, further changes were introduced by AID and the Food Assistance Act of 1977. Part one of this program was amended so that seventy-five percent of sales were to be made to countries which met the poverty criteria established by IDA. Besides, it is now possible for the U.S. government to cut off aid to countries that are determined to have violated human rights. The act also created the "Food for Development Program" under which funds realized from the local sales of commodities supplied from the first part need not be repaid if they are used for agricultural and rural development projects. However, there are all kinds of stringent strings attached to
participation in this program such as that a country must take steps to improve its food production, marketing, distribution and storage systems. The act specified that a minimum of five percent of part one funds be set aside for food in development in 1978 and fifteen percent from 1980 on.36

How does Africa fare in this program? Unfortunately, not very well. As Table 5 demonstrates, figures for part

<table>
<thead>
<tr>
<th>Region</th>
<th>Quantity (thousand lb)</th>
<th>Value (thousand $)</th>
<th>Value as % of total value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>9,458,366</td>
<td>1,097,995</td>
<td>16</td>
</tr>
<tr>
<td>Asia</td>
<td>31,378,095</td>
<td>2,503,200</td>
<td>36</td>
</tr>
<tr>
<td>Near East</td>
<td>24,886,741</td>
<td>1,733,546</td>
<td>25</td>
</tr>
<tr>
<td>Africa</td>
<td>6,284,397</td>
<td>458,250</td>
<td>7</td>
</tr>
<tr>
<td>Latin America</td>
<td>10,159,610</td>
<td>1,110,817</td>
<td>16</td>
</tr>
</tbody>
</table>

Source: USDA, Food for Peace: Fiscal Year 1975 (Washington, 1977), Table 18.

Note - *Sixty percent of the total aid disbursement from July 1954 to June 1975 went to the Near East and Asia. The rest of the regions had only thirty-nine percent. Africa had only seven percent of the total aid during this period despite its grave need.
two of the program in 1975 shows that Africa received less amount of aid than other regions of the world. Africa only accounted for seven percent of the whole program signed in Fiscal Year 1975. This in no way is surprising since until recently Africa had not been regarded as an important strategic area to the United States. The fact that the disbursement of this food is determined, despite the official rhetoric, by strategic considerations is demonstrated by the fact that in 1975 sixty-one percent of the disbursement went to the Near East and Asia whereas the rest of the regions together had only thirty-nine percent of the disbursement, (see Table 5).

Aid tying, as mentioned earlier, means that certain conditions are imposed upon the aid recipient on how the aid money may be spent. Aid can be tied to the source. In this case, aid has to be spent on the purchase of goods and services from a particular source. The standard practice is to tie aid to purchase in the donor country. One former United States aid official once portrayed the situation very vividly when he said:

The biggest single misconception about this foreign aid program is that we send money abroad. We don't...foreign aid consists of American equipment, raw materials, expert services, and food - all provided for specific development projects which we ourselves review and approve...ninety-three percent of AID funds are spent directly in the United
States to pay for these things. Just last year some 4,000 American firms in fifty states received $1.3 billion in AID funds for products supplied as part of the foreign aid program.40

However, there are other variations of aid tying. For instance, the United States has for some years, under Policy 31, enabled some LDCs to tender for AID financed contracts.41

Tying aid to a source can affect the worth of aid in that it can impose a number of costs on the LDCs aid recipient thus reducing its worth. Excess cost may be imposed because the specified source is an expensive supplier. This is because for the most part the donor countries impose aid tying so that they can secure contracts which they fear could otherwise accrue to lower-cost suppliers from other countries. Due to tying restrictions and elimination of competition, there is monopolistic pricing by suppliers from the designated source.42

Aid tying to a source also could impose other costs because goods and services needed by recipients may not be available in the most desired form from the designated source. For instance, the kinds of machinery which can be bought from the sources may be unsuited to the recipients country's economic needs. Thus machines bought from the United States often designed to minimize use of labor is often inappropriate for labor-surplus countries such as
most African countries are. However, if the United States funds such projects, the machines would have to be bought anyway from the United States even though machines from Japan, for instance, could have been more suitable for the African situation. To this excess cost of machines and equipment could be added the costs of spare parts, inputs and raw materials which may follow. 43

Aid as we have seen could be tied to a project, in which case the money is prevented from being spent on raw materials and intermediaries. The damage which tied aid causes both to the effectiveness of aid as a means of development and political impact of aid was in a sense partly discussed in the section that dealt with project versus plan aid. However, it may be appropriate to point out again some of the effects of tied aid, especially in terms of its impact on political and economic decisions on the part of recipients.

As previously pointed out, one of the effects of tying aid to certain projects is that the recipient is forced to neglect projects which though maybe needed do not appeal to the donor. An example is the case of research and agricultural extension as pointed out earlier in this discussion. Consequently, rather than lead to development, aid in such situations leads to dependency both economically and politically, since the decisions
made by the recipients are conditioned by the pressure brought to bear on them by donor countries.

Another harmful effect of tying aid to a project is that it may result in serious delays. Detailed project agreements are very time consuming and where there are serious delays the aid money cannot be switched to other projects.45

In conclusion, therefore, it could be said that aid tying by source of project does great damage to the concept of aid and its purpose. First, it imposes excess cost on the recipient thus reducing any benefits that could have resulted in receiving the aid. Secondly, aid tying causes the dependence of the recipient of the aid on the donor, since economic and political decisions of recipient countries are often greatly influenced by factors on the part of the donor. Thirdly, aid tying encourages incoherency in the recipients development programs, since for the most part the choice of projects does not depend on what will be good for the overall development strategy of recipient nations, but what will be acceptable to the donor. In most cases, the recipient is forced to neglect projects, which though it would contribute to the general development of the the nation, do not appeal to donors. Finally, tying aid to a particular project may cause delays as it takes a considerable length of time
to work out detailed agreements on projects and aid tying makes it difficult to switch the funds from one project to another.

It would seem from the above that the logical ideal solution would be to eliminate entirely the practice of aid tying. However, it is difficult to foresee this happening in the near future as long as aid remains an instrument of foreign policy for most donors and as long as there remains the problem of balance of payment in the donor countries. If therefore aid is to fulfill its functions as a tool for development, one area that has to be strongly examined is the area just discussed - that of aid tying.

From the beginning of the Marshall Plan in 1948 to 1959, the total United States aid bill amounted to about fifty-five billion dollars for both economic and military support to aid recipients. Of this total amount about twenty-six billion dollars went to Western European nations, 1.2 billion dollars went to Latin American countries, 1.9 billion dollars went to Southeast Asia, the Middle East, India and Africa. About three-fifths of this aid was in the form of grants, one-fifth in loans and another one-fifth in food grants through the PL 480 program.46

By and large foreign aid in this period was untied
to domestic procurement. In the early post-war period, however, most of the recipients of U.S. aid spent the money in U.S. procuring capital equipment required for the post-war recovery. By the mid-fifties, the European and Japanese economies were well on their feet and began to compete with that of the United States. Consequently, a growing portion of U.S. foreign aid was not used for the purchase of goods and services in the United States but elsewhere. Also with increased deficits in the U.S. balance of payment and with employment opportunities dwindling in the domestic economy, there was increased pressure from Congress to tie United States foreign aid to domestic procurement.

The period between 1960 to 1969 differed from the preceding one in that greater emphasis was placed on loans rather than grants. Long terms loans became especially important. These were usually given at low interest rates to be repaid in hard currency. From 1960 with President Eisenhower's directives, U.S. foreign assistance was progressively tied to U.S. purchases so that procurement in the United States increased from forty percent AID-financed commodities in 1959 to ninety-nine percent in 1969. It was the Eisenhower policy which was adopted for most of the 1960s and throughout four presidents. The Eisenhower policy was actually a move
to strengthen the United States economy by easing pressures on balance of payment and helping slow down the trend towards further disequilibrium in the U.S. trade balance. As a result of Eisenhower's policy, there was a steady rise of procurement in the United States during the 1960-1969 decade in relation to procurement in third world countries. Table 6 shows a breakdown, by standard industrial trade classification (STIC) of total U.S. aid and proportion expended in the United States in 1960-1969 period. Over this period, eighty-one percent of the United States aid funds were used to purchase commodities in the United States.

The percentage ranged from a low fifty-three percent for stone, clay and glass products to ninety-seven percent for miscellaneous manufactures. Over the entire period, 8.2 billion dollars or approximately three percent of annual U.S. exports were a result of the Eisenhower procurement policy. If the observation is limited to 1965-1971 data after tied procurement had been fully implemented, the picture is more dramatic with more than ninety-six percent of AID dollars tied to domestic procurement. Table 7 shows a yearly breakdown of the percentage of Aid dollars used by LDCs to purchase commodities from the U.S. market.

In 1964 at the first United Nations Conference on Trade and Development (UNCTAD), the Eisenhower procurement
### TABLE 6

PROPORTION OF AID LOANS SPENT IN THE UNITED STATES BY MAJOR INDUSTRIAL GROUPS, 1960-1969

(in millions of U.S. dollars)

<table>
<thead>
<tr>
<th>Major Industry Group</th>
<th>Total Aid</th>
<th>Amount Spent in U.S.</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery (excluding electrical) (35)</td>
<td>2,197</td>
<td>1,911</td>
<td>0.87</td>
</tr>
<tr>
<td>Primary Metal - Fab. &amp; Metal Products (33-34)</td>
<td>1,968</td>
<td>1,611</td>
<td>0.82</td>
</tr>
<tr>
<td>Chemicals (28)</td>
<td>1,785</td>
<td>1,513</td>
<td>0.85</td>
</tr>
<tr>
<td>Transportation Equip. (37)</td>
<td>1,105</td>
<td>972</td>
<td>0.88</td>
</tr>
<tr>
<td>Petroleum Refining (29)</td>
<td>686</td>
<td>375</td>
<td>0.55</td>
</tr>
<tr>
<td>Electrical Machinery (36)</td>
<td>620</td>
<td>481</td>
<td>0.76</td>
</tr>
<tr>
<td>Food Products (20)</td>
<td>516</td>
<td>415</td>
<td>0.80</td>
</tr>
<tr>
<td>Rubber Products (30)</td>
<td>290</td>
<td>205</td>
<td>0.71</td>
</tr>
<tr>
<td>Textile Mill Products (22)</td>
<td>287</td>
<td>199</td>
<td>0.69</td>
</tr>
<tr>
<td>Paper (26)</td>
<td>268</td>
<td>232</td>
<td>0.87</td>
</tr>
<tr>
<td>Stone, Clay, Glass (32)</td>
<td>156</td>
<td>82</td>
<td>0.53</td>
</tr>
<tr>
<td>Misc. Manufactures (39)</td>
<td>117</td>
<td>114</td>
<td>0.97</td>
</tr>
<tr>
<td>Pror. Scientific (38)</td>
<td>64</td>
<td>57</td>
<td>0.89</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>10,059</strong></td>
<td><strong>8,167</strong></td>
<td><strong>0.81</strong></td>
</tr>
</tbody>
</table>


*From 1960 to 1969 eighty-one percent of aid funds disbursed by the United States were used to purchase commodities in the U.S.
TABLE 7
PERCENTAGE OF AID COMMODITY EXPENDITURE
(by source of purchase)

<table>
<thead>
<tr>
<th>Year</th>
<th>USA</th>
<th>Total</th>
<th>Developed Countries</th>
<th>Offshore Developing Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1959</td>
<td>47.4</td>
<td>52.6</td>
<td>42.1</td>
<td>10.5</td>
</tr>
<tr>
<td>1960</td>
<td>40.6</td>
<td>59.4</td>
<td>49.4</td>
<td>10.0</td>
</tr>
<tr>
<td>1961</td>
<td>44.2</td>
<td>55.8</td>
<td>47.1</td>
<td>8.7</td>
</tr>
<tr>
<td>1962</td>
<td>66.3</td>
<td>33.7</td>
<td>15.8</td>
<td>17.9</td>
</tr>
<tr>
<td>1963</td>
<td>79.4</td>
<td>20.6</td>
<td>6.7</td>
<td>13.9</td>
</tr>
<tr>
<td>1964</td>
<td>86.6</td>
<td>13.4</td>
<td>3.3</td>
<td>10.1</td>
</tr>
<tr>
<td>1965</td>
<td>92.1</td>
<td>7.9</td>
<td>1.7</td>
<td>6.2</td>
</tr>
<tr>
<td>1966</td>
<td>90.2</td>
<td>9.8</td>
<td>0.9</td>
<td>8.9</td>
</tr>
<tr>
<td>1967</td>
<td>96.2</td>
<td>3.8</td>
<td>0.5</td>
<td>3.3</td>
</tr>
<tr>
<td>1968</td>
<td>98.4</td>
<td>1.6</td>
<td>0.7</td>
<td>0.9</td>
</tr>
<tr>
<td>1969</td>
<td>98.9</td>
<td>1.1</td>
<td>0.2</td>
<td>0.9</td>
</tr>
<tr>
<td>1970</td>
<td>98.0</td>
<td>2.0</td>
<td>0.1</td>
<td>1.0</td>
</tr>
<tr>
<td>1971</td>
<td>99.7</td>
<td>0.3</td>
<td>0.1</td>
<td>0.2</td>
</tr>
<tr>
<td>1972</td>
<td>95.5</td>
<td>4.5</td>
<td>0.0</td>
<td>4.5</td>
</tr>
<tr>
<td>1973</td>
<td>94.1</td>
<td>5.9</td>
<td>0.0</td>
<td>5.9</td>
</tr>
</tbody>
</table>

Source: AID, 1974.*

*Between 1965-1971 an average of ninety-six percent of aid disbursed to LDCs were used for purchase in the U.S. Note that only 4.5 percent of U.S aid during this period was spent in LDCs.
policy was heavily criticized. One recommendation that emerged from the conference was that donor nations should progressively channel their aid through multilateral organizations. At home in the United States, some economists argued that aid recipients should be allowed to spend their aid money where they would have maximum benefit in the light of opposition to aid package by Congress and also its shrinking package. Consequently, there was increased pressure for foreign aid dollars to be stretched to allow purchase of goods and services at lowest world prices, regardless of source or nationality of contractor.

Richard Nixon, in his speech titled, "Foreign Assistance Program for the Seventies," to the Congress on September 16, 1970, stated that the United States would untie its aid program provided other Western industrialized nations would follow suit. This new policy would make it possible for AID money to be spent in any country. Nixon's new policy was based, for the most part, on four foreign aid policy recommendations. The first was the so-called Rockefeller Report on Latin America (1969) which states that:

The United States program has become increasingly encumbered with conditions which seriously reduce the effectiveness of the assistance. These include requirement to ship half of the goods purchased on assistance loans on United States freighters, provision that all imports be purchased in the U.S. no matter how
U.S. no matter how much more expensive.  

The second recommendation was by a U.S. government sponsored study titled "U.S. Foreign Assistance in the 1970s: A New Approach." This study was directed by Rudolph Peterson and stated that:

the United States proposes that all industrialized countries agree to untie their bilateral development lending, permitting the developing countries to use these loans for procurement from cheapest sources on competitive bid basis.

Similarly, as a result of the meeting in Tokyo in the summer of 1970, the members of the Development Assistance Committee (DAC) of OECD in which the United States is a member, recommended that aid be untied. Finally, the so-called Pearson Report sponsored by the World Bank in 1969 made recommendations along the same line.

At first the process of untying aid began with great momentum. However, it later slowed down as implementation of legislation became more difficult and other members of the DAC, especially those with huge balance of payment problems, refused to untie substantially their foreign aid programs. On November 11, 1970 the United States acted unilaterally by untying AID loans to Latin American states. On September 15, 1971, the untying process was expanded to include some lower income countries which were closely aligned with the United States. This effort was to enable some LDCs who received United States
foreign aid to procure commodities in any country in the world except the recipients' country, the socialists countries and countries which were directly in competition with the U.S. Legislation allowing procurement in any of these countries would follow as industrialized countries also untied their foreign aid programs.

Three things should quickly be pointed out as we consider this episode of aid untying. First, the list of countries that U.S. money could be used for purchase kept changing as the international political climate changed. Secondly, the untying legislations only covered the AID grants since aid disbursed through the PL 480 is already covered by untying regulation. Lastly, since important Western aid donors as Japan and Western European countries refused to untie their aid, commodities could not be purchased from those countries with U.S. dollars. This in effect, therefore, meant that even though on the surface U.S. aid was supposed to be untied, in actual fact it is still as strictly tied as ever.

There has been tremendous opposition to the untying of aid dollars disbursed by the United States. At the forefront of the criticism is the American Labor Movement. For instance, a research memorandum of the Maritime Trade Department of the AFL-CIO on this subject stated in 1979 that, "When we look at jobs...specific industries...our
balance of trade, we are left with one conclusion. There should be no "untying" of United States aid, now or in the immediate future."\textsuperscript{57}

Furthermore, an empirical study undertaken by the same group pointed out that over 169,700 jobs would be lost per year if the United States totally untied its aid program. Table 8 shows a breakdown of the institutes estimates of U.S. jobs loss per year with untied aid. It is important to note one of the assumptions used to reach this conclusion. It is the assumption that U.S. aid-generated exports would come to zero under untied conditions. While it is unrealistic that aid-generated exports would cease in the U.S., this assumption clearly shows how aid donor countries make use of aid to improve their trade and exports and thus their overall economic conditions. But what is even more important is that all these are done despite the effect the actions are expected to have on the overall result of aid.

In addition to labor and other groups who benefit from untied aid conditions such as American industries are adamantly opposed to aid untlying. The issue of untied aid becomes important to the American industries in the context of indirect subsidies. Consequently, the American industries are greatly opposed to channelling U.S. aid through multinational institutions. At the forefront of
<table>
<thead>
<tr>
<th>Major Industry Group (SITC Category)</th>
<th>Direct Job Loss per Year</th>
<th>Total Job Loss - Direct and Indirect per Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery (excluding electrical) (35)</td>
<td>16,000</td>
<td>48,000</td>
</tr>
<tr>
<td>Primary Metal - Fab. &amp; Metal Products (33-34)</td>
<td>13,000</td>
<td>29,000</td>
</tr>
<tr>
<td>Chemicals (28)</td>
<td>6,300</td>
<td>19,000</td>
</tr>
<tr>
<td>Transportation Equip. (37)</td>
<td>6,400</td>
<td>21,000</td>
</tr>
<tr>
<td>Petroleum Refining (29)</td>
<td>1,400</td>
<td>4,300</td>
</tr>
<tr>
<td>Electrical Machinery (36)</td>
<td>4,200</td>
<td>13,000</td>
</tr>
<tr>
<td>Food Products (20)</td>
<td>3,100</td>
<td>9,300</td>
</tr>
<tr>
<td>Rubber Products (30)</td>
<td>1,600</td>
<td>5,500</td>
</tr>
<tr>
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<td>2,800</td>
<td>8,400</td>
</tr>
<tr>
<td>Paper (26)</td>
<td>1,800</td>
<td>5,500</td>
</tr>
<tr>
<td>Stone, Clay, Glass (32)</td>
<td>650</td>
<td>2,000</td>
</tr>
<tr>
<td>Misc. Manufactures (39)</td>
<td>1,100</td>
<td>3,400</td>
</tr>
<tr>
<td>Prof. Scientific (38)</td>
<td>430</td>
<td>1,300</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>58,780</strong></td>
<td><strong>169,700</strong></td>
</tr>
</tbody>
</table>

Source: Transportation Institute, 1971.
this opposition by industries is the American maritime industries which perhaps is the most subsidized industry of the United States. Many years ago it became obvious that without assistance from the government the industry would go bankrupt. Therefore, the subsidy program was administered by two important acts of Congress - the Merchant Marine Act of 1936 and of 1970. Both acts provided that subsidies would have to be applied to make the maritime industry competitive in the international economy. These subsidies could take either two forms - operation and construction subsidies which are direct subsidies or an indirect form such as the Cargo Preference Regulations, part of which states that:

Whenever the U.S. shall procure contract for or otherwise obtain for its own account or shall furnish to any foreign nation...any equipment, materials or commodities within or without the United States or shall advance funds for..., the appropriate agency shall take steps as may be necessary and practicable to assure that at least 50 percent of the gross of such equipment, materials or commodities... (is) transported on privately owned United States flag commercial vessels.

As can be seen from the above legislation, no less than fifty percent of U.S. government-generated cargo could be transported on U.S. flag vessels. It is therefore, very obvious what impact aid untying would have on this industry. For one thing there is no guarantee that
an aid recipient would expand aid money in the United States. This in effect would mean that there would be no guarantee that cargo would be available to the merchant marine.

Another industry that is opposed to aid untying is the fertilizer industry. In 1973, the U.S. was the largest producer of fertilizer with total output of about $4 billion. During this period, 11.7 percent of domestic output of fertilizer was exported. In recent years, AID has begun large scale financing of U.S. fertilizer exports. Table 9 presents U.S. exports of selected fertilizer in 1973 and their relative proportions financed by AID. In 1972, according to the U.S. Department of Agriculture Report, 14.42 percent of total U.S. fertilizer exports was financed by AID loans. In 1973 this percentage rose to nineteen percent. In 1972, AID funds provided one hundred percent of the exports of mixed fertilizer and sixty-nine percent of the exports of Urea. In 1973, these percentages rose to one hundred percent of the exports. As was pointed out earlier, present untying regulations do not permit AID dollars to procure commodities in other Western industrialized or socialist countries. Therefore, the untying proposals which have so far been implemented have had little or no effect at all on the fertilizer industry. It is therefore not surprising that
### TABLE 9
TOTAL FERTILIZER EXPORTS AND PROPORTIONS FINANCED BY AID
(in millions of U.S. dollars)

<table>
<thead>
<tr>
<th>Fertilizer*</th>
<th>1972</th>
<th>1973</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Exports</td>
<td>AID Financed</td>
</tr>
<tr>
<td>Urea</td>
<td>21.40</td>
<td>14.80</td>
</tr>
<tr>
<td>Ammonium Sulphate</td>
<td>9.80</td>
<td>0.39</td>
</tr>
<tr>
<td>Ammonium Phosphate</td>
<td>9.60</td>
<td>0.02</td>
</tr>
<tr>
<td>Potassium Chloride</td>
<td>28.10</td>
<td>0.24</td>
</tr>
<tr>
<td>Mixed Fertilizer</td>
<td>9.20</td>
<td>9.20</td>
</tr>
<tr>
<td>Concentrated Superphosphates</td>
<td>33.10</td>
<td>3.12</td>
</tr>
<tr>
<td>Others</td>
<td>227.10</td>
<td>21.10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>338.90</strong></td>
<td><strong>48.87</strong></td>
</tr>
</tbody>
</table>


Note: *Ninety-three percent of fertilizer exports by the U.S. in 1973 was AID financed as compared to 48.87 percent in 1972, an increase of forty-four percent over a one year period.
this industry is opposed to further untying measures by
the U.S. government. To make the matter worse, this
situation is most likely not going to change until either
aid becomes totally untied or the LDCs become exporters
of fertilizers. So far none of these has happened and
there is no prospect that this is going to happen in the
foreseeable future.

What conclusion could therefore be drawn from the
above assessments? One of them, very obviously, is that
maximum benefit cannot be derived from aid by recipients
as long as tying conditions remain. If the United States
sincerely desires to match actions with rhetoric, in
respect to aid, some new regulations in the form of
congressional acts will have to be passed to give more
leverage in the use of aid by the aid recipients. Whether
this could be done now in light of the national debate on
how to cut down the deficit remains to be seen.

TECHNICAL ASSISTANCE

The whole concept of foreign aid is based upon the
argument that the developed nations who are rich not only
in terms of dollars but also in terms of skills and
experience should use their resources to help the LDCs to
move on the path to development. One way of helping the
LDCs to move on this path is to provide funds for required
commodities in the form of economic aid. The other way
is through the transmission of knowledge and skills from the developed nations to the LDCs. Indeed, there is a sense in which it could be argued that the greatest contribution that the IDCs can make to the LDCs is to pass along its knowledge and experience. Whereas, machinery could be replaced, the knowledge of how to build or even maintain a machine is a product of a long period of trial and error. Not only are the skills of engineers required in this case but also the common knowledge of an unskilled worker.

Unfortunately, most children in the LDCs do not grow up with wheels and mechanical toys. They rarely have the opportunity to play with nuts or bolts, nor do they grow up in an environment where complicated toys are commonplace. Consequently, it becomes necessary that not only are the machines needed to enhance development, but also transmission of that knowledge of machines.

The transmission of knowledge from the developed to the developing nations is usually referred to as "technical assistance." Technical assistance is not necessarily a matter of technology, in the narrow sense, but it includes managerial and administrative skills and arrangements. For instance, the technical knowledge needed to operate a particular manufacturing factory may be specific, but related problems of manpower training, appropriate methods
of compensation and efficient marketing, leave more room for judgment. Besides, knowledge and experience may have to be adapted to a particular culture - for example, the most skilled census taker in the United States or France will still have to adapt to the African culture to be able to use his skills in Nigeria or Cameroon.

A very large proportion of foreign aid is disbursed in the form of technical assistance. Some of the advisors and consultants financed by aid funds often work on preparation and appraisal of projects or their actual implementation. Others are often attached to the recipient governments as teachers, nurses or advisors in different ministries - for example, treasury or agriculture.

But it would be wrong to assume that the transmission of knowledge only takes place by sending experts from the IDCs to the LDCs. The transmission of knowledge also takes place by students being sent from the LDCs to train in the developed countries. Aid is often provided in the form of grants and scholarships to make it possible for such students to train in particular fields and return home to utilize the knowledge and experience gained during their studies. In addition, knowledge is transmitted by observers being sent to developed countries from LDCs. In this way, they can observe first hand how a particular knowledge is being utilized in practice so that on
returning the observer will gain better knowledge of how such knowledge could be used in the home country.63

Nor is knowledge transmitted only through human beings. In many LDCs the shortage of books and magazines creates equal if not more problems than the shortage of experts. Therefore, in some cases, technical assistance funds are provided for setting up of libraries and the acquisition of books and equipment for such libraries.

A number of steps are involved in the process of providing technical assistance to less developed countries. First, it involves agreeing on the projects to be financed. The next step involves finding competent personnel to carry it out; and finally, making sure, through on-the-spot arrangements, that actual transfer does take place. There are times when technical assistance may be an essential part of some large project as in the case of building a new agricultural research station. In the 1940s and 1950s, technical assistance was disbursed in the form of unrelated projects resulting from requests by recipient governments. In recent years, there have been concerted efforts to substitute for such a scattered collection of projects a large scale and more continuous operation in the form of a regional program which usually combines both capital and technical assistance.64 For example, instead of providing teachers here and there,
the emphasis may be in building a whole school system which may include teacher training school buildings and equipment and administrative machinery. A public health center, a new road and a factory might be associated with educational efforts. This consolidation, therefore, helps to reduce the complexity in administration and also permits economy of scale. Besides, the cumulative process of several developmental projects in a community or region is usually geared towards minimizing various resistance which could result from efforts fragmented over a wider area.

As far as the United States is concerned, transmission of knowledge and skills has always been an important part of developing assistance programs. Indeed, as it was pointed out in Chapter Two, it was a major element of the Point Four Proposal by President Harry Truman in the 1949 foreign aid proposal. Initially, the United States technical aid program only involved sending experts from the United States to foreign countries as either advisers or teachers. Later on, it was expanded to include the bringing over of students from recipient countries to train in several universities and colleges in the United States. It also included the sponsoring of several nationals in the universities and colleges in their home countries.
Several universities have shared the responsibility for assisting specific educational institutions in less developed countries. With AID support these universities and technical schools have helped create institutes of technology and agricultural universities in some developing countries. With such funds the Agricultural University of West Pakistan was at one time being assisted through Washington State University. Southern Illinois University was also very active in Afghanistan before the Soviet invasion a few years ago. Also Hampton University in Sierra Leone was assisted through the same university by use of AID funds. In all, several American universities and colleges, at one time or another, had AID contracts to carry out various projects in less developed countries though not all in educational fields, per se.

As already stated, student training received major emphasis during the initial stage of the technical assistance program. For example, in 1968, the U.S. financed in whole or in part 11,027 foreign students who came to the United States for studies - one-third each from Africa and Asia, twenty-four percent from the Americas and six percent from Europe - mainly Turkey. At the same time, 1,484 persons were given scholarships to study in other countries. In addition, 6,406 trainees came to the U.S. and 1,809 were helped to go to other countries.
In recent years, this trend has dramatically changed due mostly to the diminishing interest and in some cases opposition by both the United States Congress and the American people to foreign aid. While there have been dramatic decreases in the number of students brought over to study, there seems to be an increase in the law enforcement officers being sponsored to come for studies in the United States. The reason for this is obvious. As pointed out earlier in Chapter Two, one of the major objectives of the United States foreign aid program is to create stability abroad thereby reducing potential revolutionary conditions in recipient countries. It is therefore not surprising that so much emphasis in recent years has been placed in the training of law enforcement and security personnel who, it is hoped, would help carry out this objective of the U.S. when they return home. But the question that many keep asking is stability for what and for whom? Is it to help a corrupt and elitist few to continue to exploit the masses? If so, then the whole aim of foreign aid is misdirected.

When the technical assistance program of the United States was initiated in 1950 through Point Four, there was a high expectation of what that program could accomplish. It was indeed thought that the program would serve as a prototype for a more sophisticated development
scheme later in the decade. In the 1950s, it was suggested that relatively small sums of money invested in this program would yield dramatic results. By means of technical assistance the political, social and economic framework would be created which would allow the funding of large capital projects mainly from public and private sectors with loans to be repaid by recipients. 69

The above concept is reflected in the statement by Henry Bennett, the administrator of the Technical Cooperation Administration at that time. In his statement Bennett pointed out that:

whenever possible the project has been geared to have impact through a dramatic demonstration or pilot operation...it is hoped that in the course of few years there would be less need for outside technical experts...As Point IV is successful the popular understanding and support of people for government will be increased which will make for stability and be effective deterrent to communist propaganda...It is believed that the benefits of pilot projects...will result in improved earnings of governments so that to a maximum extent the large scale project may be financed from loans, either private or public. 70

The above quotation demonstrates the high hopes and expectations characteristic of the early American approach to technical assistance programs. It is obvious from the above quotation that one of the expectations was that technical assistance given for a few years would result
in the reduction of the need for foreign aid programs. Well, we do not need to look very far to find out that so far this objective has not been accomplished. Indeed, instead of reducing the need for aid there seems to be more need for aid in all and every country that has so far depended on aid. Debt services for all LDCs keep mounting with every passing day. More and more money is being borrowed everyday not for new projects but to pay interest on past debts. Despite all the past technical aid, most of the LDCs still remain unindustrialized; agriculture in particular in most of the Third World countries remains in worse shape than it was before the independence of these countries and the need for technical assistance keeps mounting instead of diminishing. The question then remains, what went wrong? Why did this aid not yield the kind of expected results?

Obviously, there could be a thousand different answers to the above question depending on who answers it. Be that as it may, it probably would be good to carefully examine the situation and make some suggestions on why the program failed to yield the expected results.

One of the major factors that has contributed so much to the failed expectations about aid was the fundamental assumption that foreign aid was "the solution" to the underdevelopment of LDCs. It was this assumption
that led the early designers of the U.S. aid program to think that not only will aid lead to economic growth and political development in the LDCs, but also to a much more significant claim that aid can lead to the establishment of politically stable, "democratic societies." This developmental model for U.S. aid was fully articulated in the work of Max Milikan and Walt Rostow referred to earlier in this study. This notion was subsequently reinforced in a collection of studies prepared for the Special Senate Committee to study foreign aid programs. Indeed, it was these and other studies that led to the formation of AID in 1961. Walters has observed that:

This approach to development effects of aid reflects a highly complex view of the nature of society in which the economic and political spheres are clearly distinguishable and interconnected in manner such that primary, secondary and even tertiary effects of a new stimulus (aid) to the society of an LDC became predictable.

As Robert S. Walters goes on to point out, this type of reasoning leads to

an expectation of semi-automatic development process in which a relatively U.S. aid input generates a series of interactions within economy and polity of recipients ultimately resulting in a self-sustained economic growth with help of temporary U.S. economic aid before and after the take off.

Because of the above assumption, AID makes a practice
of linking the type and quantity of aid to the level of development. The underlying reasoning here is that virtually every less developed country can successfully achieve self-sustained economic growth. Of course, this reasoning is based on the assumption that the LDCs are like the IDCs at the earlier stage of their development. The essential fact, as Samir Amin pointed out, is left out, mainly that the LDCs form a part of the world capitalist system and that the history of their integration into this system forged their special structure which places them in a unique and different situation from what the IDCs were when they started.

Since no consideration is given to the dependent state of the LDCs economy, equally no efforts have been made to adapt the technology to the needs of the LDCs. Similarly, no attempt has been made to adapt the training to the needs of the LDCs. All along it is assumed that the length of time required for each LDC to complete this almost automatic development cycle depends a great deal upon each country's initial stage of development and the vigor of its own efforts. Nowhere is the possibility addressed at length that self-sustained growth will not be possible in some countries until the dependent condition is removed.

AID has very often cited countries like Israel,
Taiwan and South Korea as recipients which are now self-sufficient and require no more aid from the U.S. The implication has always been that these countries are representative of what the U.S. expects or hopes to accomplish through economic assistance to LDCs. What AID has often failed to point out is that these countries are certainly exceptions to the rule for several reasons. First of all, untypically large amounts of per capita assistance given to these countries put them in a separate category of U.S. aid recipients. Secondly, though some aid funds have been terminated, U.S. assistance is still flowing into these countries through export-import long term bank loans, Food for Peace and other sources. Lastly, some of these countries still receive aid. For example, Israel is the recipient of the largest amount of U.S. aid.

Also, in relation to technical assistance is a topic that has only recently come to the forefront of the aid discussion - the fact of what some refer to as the "brain drain." This, of course, refers to the fact that a good proportion of those either trained in the United States or in the LDCs end up working in the United States instead of their home countries due to the economic opportunities in the West.

In conclusion, therefore, we could say that, the
reason that the technical assistance program has not been very successful, among other things, is that the knowledge and skills are often given in a package and not adapted to meet the needs of LDCs. Secondly, training is very often inadequate because they are never adapted to suit the needs of LDCs and finally, a host of those who benefit from this training end up working in the West due to the economic opportunities available in these countries.

MILITARY ASSISTANCE

In addition to disbursing aid to LDCs for economic development, the United States spends billions of dollars every year in arming its friends and allies. We have already mentioned the United States military aid to Greece and Turkey shortly after the second World War. Immediately after that, followed the spending of millions of dollars to establish and support the NATO alliance. At the same time, a huge sum of money was spent in Southeast Asia and the South Pacific to enable the United States allies to build and maintain modern up-to-date military forces. Indeed, there is evidence that the United States, on the whole, spends more money on military assistance per year than on economic and technical assistance put together.

For what purpose does the United States spend so much money in military aid? The major purpose of military
assistance is not different than that of economic assistance mentioned earlier in this study. The major purpose for military assistance to LDCs is that the United States hopes that by helping its friends and allies to build up modern military forces, they in turn, will help the United States maintain immediate security and political interests. For instance, since the British withdrawal from the Persian Gulf area in the 1960s and early 1970s, the United States has spent billions of dollars on military hardware on Israel to enable it to maintain the most up-to-date military force in the Middle East. The underlining purpose for this has been, as Under-secretary of State in presenting the economic and military proposal for fiscal year 1970 put it, "strengthening internal and external security of friendly nations." Similarly, then the Secretary of Defense, Meloin Haird argued that one beneficial effect of United States military aid program was the potential opportunity it afforded to discourage military coups. Related statements and discussions of intentions of United States military assistance can be found in other sources.

In recent years, the United States has either given or sold billions of dollars in military hardware to Saudi Arabia and until 1979 to Iran to enable these two countries to maintain status quo in the Persian Gulf and to prevent
any radical Arab government from gaining control of oil transportation routes. Similarly, billions of dollars have been given in aid to both Sudan and Egypt to enable them to build modern forces not only to strengthen their security, but also to act as a deterrence to Libya, regarded as the number one enemy of the United States in that area. In short, military aid is often used "to create local power balances and preponderances"81 to reduce the likelihood that the donor will have to station or send troops abroad to conduct a military operation to protect its interests.82

In addition to disbursing military aid to help deter external aggression, the United States has often used its aid to establish special military forces trained to put down internal opposition. By the use of the Military Assistant Program (MAP), thousands of army personnel and soldiers are brought over to train in the United States on counterinsurgency tactics. Besides advisers sent to the local police force, others like Green Berets attached to local armies, assist governments in putting down local insurgent movements in many parts of the LDCs.82 In 1978, during the Shaba crisis in Zaire, the United States, even though it did not want to get directly involved, strongly encouraged its allies, France and Belgium, to send in military aid to enable Mobutu's regime to crush
that rebellion. At the time of this study the United States through its military aid program is supporting the government in El Salvador in order to crush the resistance movement. In Nicaragua, it is supporting the opposition movement that is attempting to overthrow the government.

One of the official claims of the United States has always been that its military aid is often disbursed to help to maintain "democracy" in recipient nations. As the above evidence and many other cases that could be cited show, there is no evidence to support this assertion. On the contrary, evidence has shown that many of the countries supported by United States military aid are dictatorships and many of them could not survive without the military support they receive from the United States. For instance, the dictatorial regimes of South Korea, the Phillipines, Zaire (for the most part) and Egypt could have been long gone if they were not strongly backed by United States military assistance. Indeed, there is evidence to show that some democratically elected governments have been overthrown as a result of the United States.84

Obviously, it could be said that the United States organization and administration of aid in African countries has not differed in any significant manner from what takes place in other countries. The United States foreign aid
to Africa has basically been in two categories, namely, bilateral and multilateral. Bilateral aid is most often disbursed through AID which, of course, is the official government agency responsible for this. Multilateral aid is often distributed through multilateral organizations such as the different organs of the United Nations.

Aid to Africa also, for the most part, is often disbursed in three forms; namely, economic assistance, technical assistance and military assistance. In terms of the amount of aid it has already been pointed out that Africa as a whole receives a very insignificant amount of economic aid from the United States. Also as it was noted earlier in this chapter, between 1954 and 1965, Africa (excluding Egypt) received only seven percent of the total aid disbursed by the United States. It should also be pointed out that most of the aid disbursed to Africa during this period went to only a handful of very key countries like Nigeria, Morocco and Ethiopia. In recent years, most of the aid disbursed to Africa has gone to allies like Egypt, Sudan, Ethiopia and Zaire.

The United States, as a matter of fact, is a member of the Development Assistance Commission, a committee which coordinates and promotes aid policies for Western nations. As a result, all aid disbursements, whether to Africa or other parts of the world, follow the same
general rules. However, there are some unique aspects of United States disbursement to Africa which may be worth noting in brief. These aspects will be discussed in detail as we later examine the different countries under study.

For example, military assistance has always been a part and parcel of American aid to Africa. But in recent years, there has been a great increase in the amount of this form of aid to Africa and a subsequent cut in the amount of economic aid. The reason as will be discussed, particularly in the case of Sudan, is that the United States has come to believe that military assistance provides a more viable tool for achieving its foreign policy objectives than either economic or technical aid.

In the past a good portion of United States aid to Africa was devoted to bringing nationals from African countries for training in the United States. Recently, that approach has been gradually phased out. The new approach has been to send more technical experts who are supposed to train the nationals on the job as technicians. There is nothing basically wrong with the training of technicians, but two things happen when there is over-emphasis on this approach. One of them is that there is bound to be a neglect of strong local training and research facilities. Secondly, that reservoir of well-trained,
indigenous manpower adequate for managing current and future developments is cut off. The result is that some AID projects, as will be seen in the case of some projects in Zaire, seem to do well while the technical experts are there. But when they are gone the projects begin to deteriorate and finally die down. Besides, it costs in many cases about three or four times to more bring an expert to Africa than it would to bring a national over for graduate work. This in effect increase the cost of aid and puts more burden on the recipient countries.

In general, we could say this about the organization and administration of United States foreign aid to Africa. Aid given is very little and very concentrated. It does not address the needs of African nations but is geared toward the fulfillment of United States foreign policy objectives. While it may address the short term needs of reaching the poor, it has neglected the long term needs of adequate, well-trained indigenous manpower which would be used for managing future development projects. As we go into the discussions of the different countries under study in the following chapters, we are going to see how these points are firmly illustrated.
NOTES


3. Ibid.

4. Ibid.


8. Ibid., pp. 132-133.


10. Ibid., p. 134.

11. Ibid.

CHAPTER IV

UNITED STATES FOREIGN AID TO EGYPT, 1965-1982

Though still a less developed country, Egypt has many characteristics not generally associated with a LDC. For example, it is highly productive in its agricultural system, it is self-sufficient in energy, and it retains a strong human resource base in terms of education and skills. Also, oil export, Suez Canal tolls, remittance from Egyptian workers abroad and tourism bring annually substantial foreign exchange earnings into Egypt. For the first five years, beginning in 1977, real economic growth ranged between eight and nine percent, up from three percent in the 1970s.

However, despite the above positive characteristics, Egypt still remains one of a number of LDCs which is very heavily dependent on foreign aid for its economic survival. Through the 1980s, Egypt received billions of dollars in both bilateral and multilateral grants and loans - mostly from Western nations - to enable it to cope with its budget deficits, feed its population, and augment available capital and technology for its industries, agricultural and social services sectors. One of the countries on
which Egypt has become heavily dependent for economic as well as military assistance in recent years has been the United States. In this chapter, we shall examine very closely the United States foreign aid to Egypt and the impact that such aid has had on the nation as a whole. Specifically, we shall examine the magnitude of United States foreign aid to Egypt from 1965 to 1982. In addition, we shall examine the impact that such aid has made on the nation in terms of its political decisions, economic development and social development.

As it has already been discussed, Egypt and Israel are the largest recipients of U.S. bilateral aid at the present time. The Camp David agreement signed by Egypt and Israel, with the help of the United States in 1979, assured that these two nations would be recipients of the most massive American assistance after the Marshall Plan.

Egypt did not receive American military aid until 1977. The economic aid it received before then was almost negligible as compared to that received by Israel, for instance. Table 10 shows U.S. military and economic aid to Egypt and Israel between 1946 and 1980. Through 1977, Israel had received 10.1 billion dollars in aid from the United States. Of that amount only 1.4 billion was paid back by 1977. By 1979 the United States had given Israel 13.7 billion dollars, Egypt by then had only received
TABLE 10
U.S. AID TO ISRAEL AND EGYPT SINCE 1946
(in U.S. dollars)

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<tr>
<td>Military</td>
<td>1,122.3</td>
<td>307.5</td>
<td>2,482.7</td>
<td>300.0</td>
<td>793.0</td>
<td>1,000.0</td>
<td>1,000.0</td>
<td>1,000.0</td>
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<tr>
<td>Economic</td>
<td>1,146.0</td>
<td>109.8</td>
<td>51.5</td>
<td>353.1</td>
<td>1,016.8</td>
<td>907.7</td>
<td>934.8</td>
<td>957.0</td>
<td>970.6</td>
</tr>
<tr>
<td><strong>EGYPT</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Military</td>
<td>896.0</td>
<td>0.8</td>
<td>21.3</td>
<td>370.1</td>
<td>0.2</td>
<td>0.4</td>
<td>1.0</td>
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<tr>
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<td></td>
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<td>934.8</td>
<td>957.0</td>
<td>970.6</td>
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</tbody>
</table>

5.4 billion dollars. Most of the aid to Egypt was given after the 1973 war. Between 1973 to 1979, Israel received about 11.4 billion dollars in aid from the U.S., Egypt had only then received aid valued at 275 million dollars which made Egypt by far the largest recipient as it captured thirty-seven percent of PL 480 funding for the entire world.

The United States foreign aid program to Egypt from the beginning has been multifaceted and broad gauged. It included community transfer of consumer goods, raw materials and finished goods as well as development aid for capital projects, technical assistance and recently military assistance. The program has always involved every sector of the Egyptian economy mainly industry, commerce and agriculture and also basic human services and local government financing. Funds often go to the public sector though support for the private sector has gained increased support especially since President Ronald Reagan took office in 1980.

Funding of U.S. aid to Egypt is often in the form of grants or loans or both, with the balance shifting towards outright grants in recent years. Food aid in concessional terms remains one of the few categories still covered by loans, (see Table 11). Foreign aid to Egypt is often channelled through a government agency which then has the
**TABLE 11**

**U.S. ECONOMIC ASSISTANCE TO EGYPT, FY 1975-81**

*(in millions of dollars)*

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<thead>
<tr>
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<tr>
<td>I. General Economic Support</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Support Incl. Commodity Import and PL 480, Title I</td>
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<td></td>
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<tr>
<td>Loan</td>
<td>250.0</td>
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<td>647.1</td>
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<tr>
<td>Grant</td>
<td>248.1</td>
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<tr>
<td>II. Infrastructure</td>
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<td></td>
</tr>
<tr>
<td>Loan</td>
<td>1.9</td>
<td>17.0</td>
<td>26.4</td>
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<tr>
<td>Grant</td>
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<td>123.1</td>
</tr>
<tr>
<td>III. Decentralization</td>
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<td></td>
<td>1.4</td>
</tr>
<tr>
<td>IV. Transport, Industry Commerce and Finance</td>
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<tr>
<td>Loan</td>
<td>79.3</td>
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<td>Grant</td>
<td>44.3</td>
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<tr>
<td>V. Food and Agriculture</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Loan</td>
<td>35.0</td>
<td>96.6</td>
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<tr>
<td>Grant</td>
<td>32.5</td>
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<td>VI. Social Services, incl. PL 480, Title II</td>
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<td>Total, excl. PL 480</td>
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<td>794.9</td>
<td>699.2</td>
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<td>PL 480 Program Grant Total, US</td>
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<td>191.7</td>
<td>192.7</td>
</tr>
<tr>
<td>Economic Assistance</td>
<td>371.9</td>
<td>986.6</td>
<td>891.9</td>
</tr>
<tr>
<td></td>
<td>FY1979</td>
<td>FY1980</td>
<td>FY1981</td>
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<tr>
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<tr>
<td>I. General Economic</td>
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<tr>
<td>Support incl. Commodity</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Import and PL480, Title I</td>
<td>564.6</td>
<td>702.8</td>
<td>588.0</td>
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<td>Loan</td>
<td>462.1</td>
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</tr>
<tr>
<td>Loan</td>
<td>305.8</td>
<td>193.1</td>
<td>197.0</td>
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<tr>
<td>Grant</td>
<td>305.8</td>
<td>193.0</td>
<td>197.0</td>
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<tr>
<td>III. Decentralization</td>
<td>2.5</td>
<td>127.3</td>
<td>55.0</td>
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<td>IV. Transport, Industry, Commerce and Finance</td>
<td>54.0</td>
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<td>80.5</td>
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<td>Loan</td>
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<td>80.5</td>
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<tr>
<td>Grant</td>
<td>54.0</td>
<td>70.8</td>
<td>80.5</td>
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<tr>
<td>V. Food and Agriculture</td>
<td>105.5</td>
<td>78.0</td>
<td>64.0</td>
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<tr>
<td>Loan</td>
<td>105.5</td>
<td>78.0</td>
<td>64.0</td>
</tr>
<tr>
<td>Grant</td>
<td>105.5</td>
<td>78.0</td>
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</tr>
<tr>
<td>VI. Social Services, incl. PL 480, Title II</td>
<td>33.7</td>
<td>112.8</td>
<td>141.7</td>
</tr>
<tr>
<td>Total, excl. PL 480</td>
<td>835.0*</td>
<td>865.0*</td>
<td>829.0</td>
</tr>
<tr>
<td>PL 480 Program</td>
<td>226.1</td>
<td>340.0</td>
<td>328.9</td>
</tr>
<tr>
<td>Grant Total, US</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Assistance</td>
<td>1,061.1</td>
<td>1,205.0</td>
<td>1,182.6</td>
</tr>
</tbody>
</table>

*Including Supplemental Peace Allotment.

responsibility of contracting for imports, engaging in technical services and distributing loans. The program often reflects conflicting values and goals within the official American community in Cairo, the Washington bureaucracy and the United States Congress. For example, in 1973, Congress enacted the so-called "New Directions" legislation aimed at redirecting the U.S. bilateral foreign aid program towards projects designed to benefit directly the poorest majority in developing countries and away from large development projects. These large projects emphasized growth oriented development strategies which assumed that economic benefits would trickle down to the poor masses. While in office, President Carter tried to apply the basic human needs concept, but as soon as the Reagan administration came to office the "New Directions" basic human needs policies in U.S. foreign aid program were abandoned. In its place the Reagan administration has promoted "short term security and politically oriented foreign policy goals."

But not only is the aid program to Egypt affected by these conflicting values, it is also, to a great extent, affected by the development ideas, procedures and regulations which have resulted from forty years experience of disbursing foreign aid to poor nations. The economic course as envisioned by foreign aid framers presupposed a
large, vigorous private sector, a stabilized and improved public sector and a greater decentralization of decisions.

Domestic interests in the U.S. have also helped to shape the nature of U.S. assistance to Africa as a whole and Egypt in particular. For example, the familiar constraint imposed by the desire to find markets for American commodities together with support for U.S. industries and farmers influence, to a great extent, the nature of foreign aid Egypt receives. It is not surprising then that U.S. millers of wheat flour count Egypt as their largest foreign customer. Also, it is estimated that over four hundred U.S firms have benefited directly from the Commodity Import Program in the U.S. aid package to Egypt. About forty percent of the agricultural sales to Egypt during the early 1980s were on strictly commercial bases. Also, due to the fact that contracts going to U.S. firms and procurement from U.S. exporters are very important in the U.S. balance of payment, "aid legislations contain specific provisions to avoid or lessen foreign competition." This in effect means that Egypt is often charged for goods far in excess than it would have paid had there existed such competition.

Predictably, officials in charge of managing U.S. foreign policy have tended to emphasize the political significance of aid, particularly at the time when it was
seen as strengthening Sadat at home to enable him to pursue risky and unpopular foreign politics abroad. This approach has tended to emphasize the need for transfer of quickly consumed food items and supplies intended to overcome immediate shortages and relieve foreign exchange problems.\textsuperscript{13} It goes without saying that this kind of approach while it may be good politics creates a number of problems. In other words, while the Commodity Import Program may help to pacify the population in the short run, it does not at all address the problem of food shortages in the long run.

Some U.S. aid officials are concerned that the long term effects of American financed imports may only bring temporary benefits. For instance, Herman Eilts, U.S. Ambassador to Egypt from 1974 to 1979, insisted that part of the Commodity Import Program component of U.S. aid be set aside for capital equipment (a tangible form of aid more likely to influence Egyptian public opinion).\textsuperscript{14} Others, however, have argued that too much pressure on the Egyptians to introduce economic reforms or alter development priorities, though it may be good economic advice, may backfire in that it may work to undermine larger U.S. political goals.\textsuperscript{15}

Finally, there are other aid officials in Cairo and Washington who disparage relatively short term/high impact
programs. For example, Donald Brown, AID administrator in Egypt for six years until 1982, defended grants for major capital projects which though they may not yield immediate returns, nevertheless, have the potential to rehabilitate and modernize the Egyptian infrastructure. Brown and others with this point of view also favored, as part of the overall strategy, a diversified aid package designed to raise productivity in industry, agriculture and other sectors of the economy in association with structural reforms in the Egyptian economy. 16

Before closing this section, it may be good to examine the nature of United States technical assistance to Egypt. Responding to competing pressures, AID has deemphasized two most effective tools: strong local training and research facilities and the supply of well-trained indigenous manpower adequate for managing current and future development projects. The symptoms of this practice are clearly seen in Africa. For example, a page-by-page review of budgets for 219 separate African projects in the AID's congressional presentation for Fiscal Year 1979 shows that only 12.2 percent of AID funds spent in Africa was devoted to training. Of this, just over half ($18 million) was allocated for long term higher level education. By contrast nearly ninety percent of AID's African program money went for AID technicians ($88 million or 32.3
percent), commodity purchase ($60 million or 22.8 percent).

Stanley Reed, a freelance journalist specializing in Near East Affairs, conducted a study in Egypt between 1979 and 1982. He pointed out that each year hundreds of so-called American experts often (with little or no experience abroad) arrive in Egypt and spend most of their time arranging for office space and telephones and haggling with their Egyptian counterparts.17

He further noted that in spite of the fact that some AID programs had been operating for five years, AID was only able to complete two of its major programs. Besides, these so-called "experts" and specialists often charge two hundred percent overhead on top of salaries.18

Also, there is an additional problem of American experts disparaging their Egyptian counterparts even though they might have gone through the same kind of training in the same school, most probably the United States. Furthermore, there is always the growing feeling among the Egyptians that the American embassy is running the country. Ismail Sabri Abdullah, an economist, who in the 1970s served as President Sadat's Minister of Finance, called AID "a second government in the country."19 Such problems, as have been pointed out also plagued American efforts to re-equip and retrain the Egyptian armed forces. For instance, a hundred man air force team sent to train Egyptians on F-4 Phantom fighters ran into problems when
their equipment was impounded by the Egyptian custom services. This early inconvenience contributed as Reed noted, to a bad working relationship between Americans and Egyptians.

Therefore, we note here that not only is technical assistance too costly, but it is not at all geared towards the long term developmental needs of Egypt. Too much emphasis is placed on seeking short term solutions and very little is devoted to research to discover long term solutions to problems that plague the Egyptian economy. For example, AID believed that investment would come from private sectors, both domestic and foreign, as soon as infrastructural problems were overcome. However, experience shows that the Egyptians prefer to invest in sectors such as construction, spinning and weaving, tourism and pharmaceuticals, while foreign capital remains heavily concentrated in the oil and tourism industries. Very little investment is made in research and manufacturing sectors and without heavy investment in them "there seems little possibility of taking up the economic slack." Also as Weinbaum points out, rather than a process of building slowly over several years, AID decided to disburse funds mainly for consumable goods, spare parts and raw materials. This choice was made, according to Weinbaum, because AID was "unprepared to identify worthy development
Consequently, questionable investment decisions were made, unrealizable expectations were created and bureaucratic patterns that turned out to be regrettable were established.

OBJECTIVES AND GOALS

As it has now been clearly established, Egypt is not just another friendly country among the LDCs to the U.S. If it were, overall economic assistance would probably not have exceeded several millions of dollars yearly. Successive U.S. presidents - Democrats and Republicans - have concluded that strategic objectives, primarily the cessation of Egypt's hostility with Israel and securing American interest in a wider regional political stability, would be served through the use of massive economic aid. If Egypt's cooperation was to be gained, the U.S. had "to show positive and tangible commitment" to a vigorous and expanding Egyptian economy. Thus, Henry Kissenger, in 1975, during the Sinai II Disengagement negotiation, committed to Egypt $750 million yearly (excluding PL 480 funding) as a weakly disguised political statement. No serious thought was given by either the U.S. or Egypt as to the most appropriate level or form of assistance required. As far as the U.S. was concerned, aid was to be substantial enough to address Egypt's grave economic problems. The level of support on the United States part
was essentially contrived to satisfy President Sadat's demand that Egypt be treated on the same level as Israel. Also grants and loans were given as a reward for Egypt's plans to reconstruct its economy away from the socially oriented policies embarked upon since the 1952 revolution.26 The loans granted Egypt by the United States for the clearing of the Suez Canal and the reconstruction of Egypt war torn cities were, more or less, meant to be a signal that the peace initiative between Egypt and Israel mediated by the United States would stand.27

Funding for U.S. assistance programs to Egypt were authorized in the amended Foreign Assistance Act of 1961 and under the Security Assistance Legislation replaced in 1978 by the Economic Support Fund (ESF), which explicitly recognized U.S. objectives and security interests in foreign aid. U.S. officials undoubtedly, are encouraged in the later legislation to seek out economically worthwhile projects and to promote development goals. However, the allocations were less restricted by the "New Directions" mandate which was initiated by Congress to avoid disguised ineffective uses of economic aid. A separate accounting for ESF funds from other foreign aid funds has discouraged criticisms of higher level funding and disproportionate shares of foreign aid to a few nations.28 Consequently, Israel and Egypt were able to carry away the bulk of
allocations, almost two-thirds of the ESF in FY 1982.

Realizing that without political stability in Egypt there could be no long term assistance role for the U.S., AID officials cooperated in pushing specific politically symbolic policies such as the Commodity Import Program proposal, a Peace Fellowship program as "quick repackaging of funds to increase commodity and food assistance at the wake of 1977 food riots." The need for "quick fixes" through commodity financing and budgetary support started to diminish with improvement in the Egyptian economy in the late 1970s. This made it possible to put increased emphasis on larger capital projects as well as efforts to assist agriculture, small business, science and technology.

Egypt under Abdul Nasser had a socialist oriented economy set up between the 1950s and 1960s. To the United States this, therefore, was a good place to test how an American assisted reorientation towards private enterprise could work. It was hoped that Egypt would act as a model to LDCs seeking to reorganize an economy dominated by the public sector. The expansion of private industry in Egypt was meant to aid in implementing policies whereby the market system was utilized to allocate resources and to set up domestic priorities. Private U.S firms and other private investors, it was hoped, would join in turning around the Egyptian economy.
Un fortunately, Egypt turned out not to be a good test ground for this experiment; therefore, the result came far short of the expectations of policymakers both in Washington and in Cairo. It was not very long before U.S. policymakers and administrators realized how much they had underestimated the depth of structural problems in the Egyptian economy and how much the Egyptian people were determined to retain the economic gains that they made as a result of the 1952 revolution. The 1977 food crisis marked off the limits of policy reforms the people were willing to allow. Sadat, himself by 1981, was particularly disappointed by foreign firms, which though legally favored, did very little to invest in the area of basic production enterprises that could employ the large numbers of Egyptians. Instead, these firms concentrated their investments in consumption-oriented industries which did very little to help the unemployment situation in Egypt and if anything did a great deal to help American industries and employment situation.

Furthermore, the Egyptians often complained about American advice that fails to take into consideration social costs, political risks and the national aspirations in Egypt's policies. The Egyptian leadership often cautions about how much the urban peace depends upon a number of circumstances and societal values that must be
preserved.35 For example, uppermost, in the minds of the leadership is a commitment to the equal distribution of wealth. As a result of this, they often come at odds with U.S and IMF advisors who employ strictly economic criteria to determine what projects to finance. Egyptians find it so difficult to understand why these criteria are often employed in the assessment or determination of the aid which is supposed to be political, anyway.

The USAID officials insist that they do not intend to impose any particular sets of economic goals or divert from the schedule set by Egyptians. However, it is very obvious that the U.S. government only funds those programs it views as economically sound and feasible. It is such projects that are often selected from the list submitted by the Egyptians. Because of this subtle and far reaching influence, the Egyptian bureaucracy presents only those projects that it feels will gain U.S. approval. Thus, the Egyptians are pushed into accepting programs they would not have opted for alone or forced to proceed more cautiously with favored programs.36

President Anwar Sadat's abrupt departure from the Egyptian political scene due to his assassination brought about some changes in Egyptian-American relations, particularly in aid relations. Whereas, Sadat believed that aid donors should determine how they wanted their money
spent, Mubarak "instituted a centralization of contacts with aid donors through strengthened economic management structure." He encouraged ministries to become more closely involved in monitoring the details of projects and to be sensitive to how funds were used. In addition, Mubarak's government became increasingly dissatisfied with the length of time it took to start and finish U.S. projects. He also became uncomfortable with some aspects of Sadat's "open door policy", aimed at expanding the private sector with the help of foreign investments. His principal objection to "infitah" (open door policy) was its emphasis on consumption. In his speech to the Peoples Assembly on October 14, 1981, he indicated his intention to crack down on "those who had made their fortunes overnight through infitah speculation."

Shortly before President Sadat's death, he jailed about 1,500 political rivals and religious extremists, banned religious and political publications and sought to silence those who did not support him. But as soon as Mubarak came to office, in the spirit of national reconciliation, he released from jail thirty political opponents imprisoned by Sadat, allowing them to return to their posts to resume their opposition roles. In addition, bans on opposition publications were lifted and they were allowed to resume publication. Also with the disappearance
of Sadat, his decisive style which involved a high personal stake in the maintenance of success of American aid connection also disappeared.

As a result of the limited freedom granted to the press, they started to express concern over the huge salaries paid to U.S. aid consultants and the high cost of administrative overheads. Besides, AID policies which made it possible for foreign expertise to be employed rather than local skills also came under heavy attack by the Egyptians.41 Furthermore, the Mubarak government insisted that as much as possible AID's programs and strategies be made to coincide with Egypt's development plan. He demanded flexibility with funds already committed and asked that he be allowed control over the direction of aid and to transfer funds more freely among projects. In other words, he did everything possible to bring the assistance program more in line with his priorities.42 Finally, Mubarak called for incremental budgeting in aid programs which would allow allocations to be made on a yearly basis rather than on a long term basis which created a lengthy pipeline of unspent but committed funds.

Mubarak's requests were granted in principle in a memorandum of understanding after he personally pressed for it in 1982. While Mubarak is to be commended for some of the actions taken, it should be remembered that
he still had to operate in the same inept and corrupt political and economic system under which Sadat operated. Therefore, it has been almost impossible to change much in the system. For instance, even though Mubarak remained convinced that corruption was the main cause of Sadat's assassination, "only the more severe cases of corruption were prosecuted." 43

Another factor that affected the course and nature of aid to Egypt, was the change that took place in Washington. It took almost a year for the Reagan administration to formulate its aid policy. It was therefore difficult to make any alterations in the short run with so much money already put into programs already in progress in Egypt. When the change finally came in 1982, it was not surprising at all. Predictably, the philosophy of facilitating growth among already productive sectors replaced the attempt to make aid beneficial to the poor. For instance, according to Weinbaum, USAID officials were encouraged to seek and support so-called, "worthy" projects. As a consequence of the "opportunist" choices and haste to spend money, projects with long term effects were neglected. Instead funds were invested in projects that led to unrealizable expectations and bureaucratic patterns which are now difficult to shake off. 44
EGYPT'S AGRICULTURE

Agriculture continues to be the dominant economic activity employing about 44.4 percent of the population as compared to 14.3 percent of the work force engaged in the industrial sector. Less than four percent of the land - about six million acres is under cultivation. Egypt's principal agricultural products include cotton, wheat, rice, sugar and corn. Food imports running at about 2.6 billion in 1981 accounted for the greater proportion of Egypt's total food requirement. Food deficits have existed since 1974 and growing demands for food keeps creating greater food dependency.

The total agricultural purchases from the United States along with FY 1981 came to $950 million dollars. Forty-eight percent was purchased through some kind of credit program principally under PL 480 (the Food for Peace Program). The total of $2.2 billion dollars in 1981 rose to about $2.5 billion dollars in 1982. Most of the chicken, bread and tobacco for that matter, consumed in Egypt between 1980 and 1983 came from the United States. Egypt was the recipient of thirty-three percent of all commodities shipped to all countries under Title I of PL 480 in FY 1981. In spite of this, it is surprising that more attention is not given to aid for the development of the agricultural sector in Egypt.
In order that a correct assessment of United States foreign aid to Egypt be properly made some questions would have to be answered. One of the first questions to be asked is, have the billions of dollars loaned from the United States actually helped to bring development in Egypt or not? To what extent has Egypt received its money's worth in the different categories that aid money was spent in? In other words, what was the economic impact of United States foreign aid to Egypt? Another question would be as to what is the political and social impact of U.S. aid on Egypt? Did aid affect the overall political atmosphere in Egypt? Finally, what was the effect of aid on employment and other aspects of Egypt's social life? The answer to these questions may give us an idea as to the overall impact of United States aid in Egypt.

According to AID reports, both the Consumer Import Program (CIP) and PL 480 accounted for fifty-seven percent of United States foreign economic assistance to Egypt between 1975 and 1981. The remaining forty-three percent went into industrial and agricultural sectors. What does this therefore mean? As it was pointed out earlier, concentrating so much aid on the Consumer Import Program, while it may be good for the short term does not, in any way, help in the need for development in Egypt. All it does is create a dependency which later on becomes
difficult to break.

A second objection to concentrating so much money on the CIP is that it is not the people who are in need for the most part who benefit from it. For instance, there is no use for there to be bread on the counter in the supermarket in Cairo if an average Egyptian cannot afford it because he does not have a job. What it therefore means is that those who need the help do not have it and those who do not need the help get it by subsidy.

Thirdly, since CIP creates no income that could be recycled into the economy, a huge deficit is built into the Egyptian budget every year through the import of these luxury goods. In 1982, there was a two billion deficit created by food imports as compared to a $1.3 billion deficit in 1980. As it was pointed out earlier, food deficits have existed in Egypt since 1974. Even AID admits when assessing CIP that:

While these programs have achieved social improvements, they also have produced a heavy drain on the economy. The food subsidies have cut deeply into the national budget. By 1980, the subsidy program costs $1.7 billion - an amount equal to Egypt's 1979 budget deficit or over 10 percent of GNP.

To AID it may be good to point out that African countries need more than just "social improvements." What Africa needs now is the kind of development that is radical in
nature and reaches out to benefit most of the population in the continent. Africa needs the kind of development that will lead to a fair distribution of the wealth of its nations.

The point that CIP creates both political and economic dependency could not be overemphasized. Due to the conditions for disbursing the aid, it is not possible for Egyptians to have freedom in the use of the money loaned to them. They have to use the money in the United States and they have to take what they are given irrespective of whether there are better quality products in European, Japanese or LDCs markets.

Furthermore, though it may be an unfortunate conclusion to reach, it is obvious that those who benefit from these programs are the U.S. farmers and companies who are given contracts to supply these consumer and agricultural products. Again, even AID in many of its publications, admits that the ultimate beneficiary of these programs are the U.S. farmers and firms. As James Bednar of AID again puts it in explaining how CIP works:

Over 400 firms throughout the United States have directly benefited from CIP. In addition, U.S. trade with Egypt has increased, surpassing $2 billion from 1975 to 1980. The United States has become Egypt's major trading partner followed by Italy and West Germany. The opportunities offered by Egyptian market are just beginning for U.S business.50
As far as creating new jobs is concerned, CIP does very little to help. Jobs that may be created by the CIP most likely are going to be temporary, which leaves the worker, often Egyptian labor, to wonder what is going to happen after a particular contract is terminated.

Finally, Stanley Reed in his report makes an observation which, though it does specifically pertain to CIP, nevertheless could be applied in the context. He points out that:

AID's size, combined with lack of Egyptian expertise, takes the process of development out of the hands of Egyptians. Because Egyptian government policy requires major projects to be funded with concessional, loans i.e. foreign financing, AID decisions strongly shape the agendas of the Egyptian ministries.51

Reed in a sense is pointing out that the U.S. either directly or indirectly interferes with both the political and economic decision-making process in Egypt. In other words, he is confirming the points that the radical school has emphasized about aid, that it encourages political and economic dependency.

SUEZ CANAL AND ALEXANDRIA PORT PROJECTS AND DEVELOPMENT

Initial aid projects focus on the reparation of the war torn Suez Canal Zone. The U.S, together with France and Britain, helped Egypt clear the canal which opened in 1975. Later a program to deepen the waterway for
supertankers was carried out. While the Suez Canal was closed during the war with Israel, the Alexandria port was the only exit out of Egypt. But the port was becoming too congested because it was increasingly burdened with "piled up cargoes," bags of grain, flour, fertilizer, cement, etc.52

In April 1975, AID brought Eirnie Bell of PRC Harris Inc. to Alexandria to recommend ways to solve the port's congestion. His recommendation resulted in a U.S.-World Bank-Japanese project. Japan supplied twenty-five million dollars worth of marine equipment, the World Bank provided fifty-five million dollars for improving the dock and ship baths and AID financed a thirty million dollar cargo-handling equipment project. With these projects, the port of Alexandria was improved to handle more goods more efficiently.53

To what extent do these two projects contribute to the development process in Egypt? This is indeed not a simple question as it may seem when we first look at it. Probably the question to be asked here would be, what was the underlining motive for Britain, France and the United States teaming together to help open the Suez Canal? Was it out of concern and desire to improve Egypt's economy? To answer that question we have to go back to 1956 when the canal was nationalized by President Addul Nasser of
Egypt. It will be recalled that it was France and Britain who went to war with Egypt to have the canal reopened. The reason is that the Suez Canal is the most important waterway serving as an outlet for ships going from the Persian Gulf to Europe. To have the Suez Canal opened does not only mean that ships going to Europe would take shorter time but also means that the canal, which is strategic for European powers, would be opened for use at any time. Therefore, it is no surprise that these three allies teamed together to have this waterway opened. Certainly, there have been some economic benefits that have accrued to Egypt as a result of opening and deepening the waterway. But to say that these aids were given for altruistic reasons is entirely missing the point.

The above argument could be applied to the aid given for improvement of the Alexandria port. It is very obvious that the widening and improvement of the port was crucial in the smooth delivery of consumer goods which were to be exported from Japan, the United States and Germany. Is it therefore any surprise that the funds for improving these came from these countries who would make most use of it? The question is who benefits from these millions of dollars invested in these projects? The answer is simple - it is the multinational corporations who would use the port to transport the goods to and from
Egypt; it is the American consultant who charges two hundred percent overhead to give advice on these projects. It is the Egyptian contractor who will charge for goods he may never deliver and it is the corrupt politicians who act as middlemen between contractors and companies. These are the people who benefit from very costly projects that are funded by aid money.54

AID FOR INFRASTRUCTURE DEVELOPMENT

Aid for infrastructure development is the aid given for the development of all forms of means of communication such as the Suez Canal project, just discussed, roads, telephone communications, the development of power plants, etc. Between 1975 and 1982, with the help of other Western nations and the World Bank, the United States spent millions of dollars to help improve the infrastructure system in Egypt. We have already cited the Suez Canal and Alexandria port projects. In addition to these, millions of dollars were spent on projects like the Shoubrah Power Plant a 900MW thermal power plant which is the largest power plant in Egypt. As a joint project between the United States and the World Bank it cost about $640 million to complete. Another U.S. based firm, Westinghouse, supplies the turbine generators which are powered by natural gas.
The questions to be asked of the projects is who benefits from them? The answer is not difficult to come by. It is obvious that the average Egyptian does not benefit much from these amenities. Most members of the Egyptian population who live outside of the urban centers spend most of their time seeking to make enough money for food. So who benefits from these infrastructural projects? First, it is the American companies who will be able to conduct business more successfully using these infrastructural systems. Also, it is the American consultants who earn so much for very little or no jobs that have been done.

As pointed out earlier, AID depends so much on American consultancy for the oversight of its projects. According to an Egyptian specialist estimates in 1980, there were at least 1,116 U.S. so-called experts working in Egypt directing and supervising the different ministries. In contrast, AID had not more than three experts in Israel, although the USAID package to Israel was larger and more varied. Moreover, the consultancy which absorbs such a large amount of the aid to Egypt is very often given to low level experts. But putting all that has been said aside, some think that U.S. technical expertise has been of a very low level. According to a GAO report, consultants paid from AID funded agricultural development
projects only paid a brief visit to Egypt. Seven of the nine consultants who came to Egypt between September 1979 and January 1980, averaged not more than a thirteen day stay.\textsuperscript{58}

Even the Egyptian government admits that large and sometimes inflated consultancy fees paid to American experts use up a large portion of grants and leave very little funds for actual project implementation, including the purchase of equipment. According to a report by the Agency for Accounting (an Egyptian counterpart of GAO) sixteen percent of a twenty-five million grant allocated to the Greater Cairo Sewage Project was paid out in consultancy fees and 24.9 percent of the energy development grant was similarly disposed.\textsuperscript{59}

**ARMS TRANSFER**

One of the criticisms of U.S. foreign aid to LDCs has been the strong leaning towards military aid. This has been the case in almost all American administrations during the past two decades, but much more so with the Reagan administration. For instance, in 1984 the Reagan administration proposed $9.2 billion of foreign military sales (FMS) credit, military aid grants and security related economic support. This exceeded the 1981 budget by seventy percent.\textsuperscript{60}

The boost in security related assistance stood in
contrast to $3.5 billion in the bilateral assistance program. As Harry Shaw has pointed out, this large disbursement for the purchase of arms and services may even present more danger than it does to give military security to the recipients.61

Between 1950 and 1975, the United States supplied no more than $37,000 worth of military hardware to Egypt and whatever was supplied was on a cash sale basis.62 This was because the U.S. government refused to extend military aid as long as the Nasser regime refused certain conditions dictated by the United States.63

The period 1970 to 1974 witnessed a step-by-step development of appropriate conditions for the disbursement of foreign aid by Western nations to Egypt under President Sadat. This went on until the Camp David Treaty of 1980.64 Since the Camp David Treaty, U.S. military aid has increased many more times than it has before. The political and strategic importance of Egypt is indicated by the very large amount of aid it receives. For example, in 1980, Egypt and its partner received $1.5 billion out of the two billion package of Economic Security Fund - economic assistance given to countries that were defined as crucial to U.S. political and strategic interest.65

Under Sadat, Egypt accepted conditions for U.S. military aid previously rejected by Nasser. Within the
framework of the Security Assistance Program, Egypt has become the second largest recipient of U.S. military aid, next to Israel. Foreign military sales to Egypt totalled $900 million in 1982, in addition to over three billion in U.S. military aid extended to Egypt during the past preceding years. In 1984, whereas the U.S. disbursed to Egypt $300 million in CIP, $250 million in PL 480 and $450 million in project and sector assistance, it sent over two billion in military and security related aid. This included $750 million in Economic Security Fund and $1.3 billion in foreign military sales (FMS).

A close examination of U.S. military aid to Egypt reveals that it is anything but aid to Egypt. Indeed, if it is aid, it is to the donor country the U.S. For example, the interest charges on military aid is very exhorbitant. According to a U.S. government report on U.S. military aid in 1982, Egypt will pay the equivalent of the full amount on the loan in interest payment before the grace period of ten years is over. It should also be pointed out that military aid which consists of loans at Treasury Department interest rates has been used by Egypt to buy a variety of military equipment at highly inflated prices. At one time Egypt found out that it could purchase TOW launchers from a commercial dealer for only $67,000 each whereas the same equipment was quoted
by the U.S. Army at a cost of $103,000 each. According to a memorandum of understanding, the U.S. signed an agreement in 1979 to develop Egypt's domestic arms industry. But according to the GAO report in 1982, U.S. assistance "has produced studies but little else...virtually no jobs have been created in Egypt and no new manufacturing were underway." Indeed, according to the same report "Egyptian officials cited cases of U.S. charging Egypt to train U.S. personnel who will in turn train Egyptians." One wonders why Egyptians could at least not be trained to train other Egyptians.

What conclusions then do we draw from the above studies? Does U.S. foreign aid help in Egypt's development or not? According to Weinbaum, "if judged by the proportion of promised dollars, the projected completed and the popular image of U.S. aid in Egypt then the program could hardly be labelled a success." Morsy in his study points out that:

In the light of direct experience with U.S. foreign aid programs an increasing number of Egyptians are beginning to realize that the promise of prosperity and development as a companion to U.S. is nothing but a mirage.

He noted that Egyptian opposition to U.S. aid mounts as the priorities and disbursement conditions of aid become public. Besides, many Egyptians continue to raise
questions about the conditions and terms of U.S. aid to Egypt. A representative of the assembly from Alexandria, Abu al Hariri once said that "Egypt is ruled by AID and not by the Egyptian government." 75

Yet, members of the opposition are not the only ones who criticize aid. During the People's Assembly session in January 1984, a member of the ruling National Democratic Party (NDP) described the conditions of aid as an affront to Egyptian sovereignty. He demanded renegotiation with AID in order to relocate a grant originally earmarked for private sector infrastructural development to what he termed "productive sectors." In his words:

It is not reasonable that we receive grants for the purpose of transferring technology to 130 business men. It would have been more appropriate to direct this grant to the public sector because it is not acceptable that we give to the rich and to the owners of private business while the people are poor. 76

It seems from the above evidence presented that rather than help with development, U.S. aid to Egypt helps to develop more the condition of dependency. Furthermore, if the above evidence is examined closely we cannot but come to the following conclusions.

First, the United States foreign aid to Egypt is first and foremost for geostrategic purposes. The aid, though it may have had some economic consequences was
meant to neutralize Egypt, the most populous and strongest Arab state. In this case, United States foreign aid has been extremely successful. Secondly, aid was meant to bring stability in a country that was beginning to be friendly towards the United States. In this case, so far it has been successful. Thirdly, aid was meant to cause Egypt to make peace with Israel and to cease its hostility towards it. So far it has succeeded to do just that. Fourthly, aid was meant to enable the U.S. to enhance its exporting capability. To a great extent that objective has been accomplished. Whether aid will lead to development in Egypt is a fact that is yet to be established. So far that does not seem to be the case. Therefore, from the above study we can only conclude that so far U.S. aid in Egypt has led to a greater dependency on the U.S. in every area rather than development.
NOTES


3. Ibid.


7. Ibid., pp. 1007-1008.

8. Ibid., pp. 998-1000.


15. Ibid.


18. Ibid., pp. 175-176.

19. Ibid., p. 178.

20. Ibid., p. 176.


23. Ibid., p. 641.


27. Ibid., p. 7.


35. Ibid. See also Reed, "Dateline Cairo," p. 6.


37. Ibid.

38. Ibid., p. 646.


40. Ibid.

41. In October and November 1982 media criticism of U.S. activities in Egypt reached a peak in a series of articles Al-Ahram al Iqtisadi a weekly newspaper. U.S. sponsored AID funded program constitute a threat to Egypt's national security. AID mission was accused of forming a shadow government and spearheading American penetration of Egypt.

42. Weinbaum, "Politics and Development in Foreign Aid," p. 646.


46. Ibid.


48. Ibid.


51. Reed, "Dateline Cairo," p. 177.


53. Ibid.

54. Reed, "Dateline Cairo," p. 178. See also Bednar, "Stopgap: U.S. Assistance is Buying Time," p. 12. Here Bednar points out that over 400 U.S. firms benefit from the CIP. The U.S. has become Egypt's major trading partner followed by Italy and West Germany. See also William R. Cotter, "How Aid Fails to Aid Africa," Foreign Policy 34 (Spring 1977), p. 111.


58. GAO, U.S. Assistance to Egyptian Agriculture, p. 147.


61. Ibid.


64. Ibid., p. 265.


66. GAO, Forging a New Relationship with Egypt, p. 1.


68. GAO, Forging a New Relationship with Egypt, p. 15.

69. Ibid., pp. 3, 17.

70. Ibid., pp. 21-22.

71. Ibid., pp. 3, 13.


74. Ibid.

75. Ibid.

76. Ibid.
SUDAN

As it has been outlined in Chapter Two of this paper, the United States foreign aid program to African countries is of fairly recent origin. Just as in other parts of the world, for three decades, since the end of the second World War, particularly in the 1960s and 1980s, aid has been an instrument of United States foreign policy. Realizing its enormous technical, military and economic capabilities, the United States adopted a foreign policy that responded to a series of external challenges. It is these responses that have clearly defined the crucial United States intentions as far as its role as world leader is concerned.

The early extension of the United States foreign aid to African countries coincided with the cold war. In fact, the cold war provided, and in some ways still provides, justification for United States technical and economic assistance to many African countries. Sudan has been no exception to this rule. In Sudan, as in most other
countries in Africa, the United States foreign aid over the years has been guided by considerations of U.S. national interests and was influenced by cold war rivalries. During the 1960s and early 1970s, the United States foreign aid to Sudan was very minimal and almost negligible. However, by the late 1970s, Sudan had tackled some of its internal political problems scoring a measure of success in some areas such as resettling the desert nomads and increasing agricultural productivity. As a result, the investment potential in Sudan increased, thus encouraging the United States to begin warming up its relations with this country. But even this early move was not without strategic, security and economic considerations.1

As a result, the U.S. assistance to Sudan was already on the rise by 1979 totalling almost forty-three million dollars. Of this, five million dollars was for military credits. In 1977, the Carter administration extended credits to Sudan for the purchase of the twelve F-5 fighter aircrafts and six C-130 transport aircrafts, which as the administration put it "will provide that nation with air defense and troop transport capabilities against potential threats."2 However, following Sudan's decision to support Egypt's separate peace with Israel, U.S. foreign aid to Sudan increased even more. For FY 1981, the Carter administration requested a total of 135.5 million
dollars for Sudan. That figure included thirty million dollars in military credits or two-thirds of all military credits to sub-Saharan Africa.\textsuperscript{3}

The Subcommittee on Africa in the House of Representatives, in fact, added another sixty-five million dollars to the proposal to enable Sudan to purchase some more F-5 fighter aircrafts which up until then no other country in sub-Saharan Africa had been able to purchase.

For President Jafar Nimeri, support of the United States initiative for peace in the Middle East and of U.S. actions in the Iran and Afghan crises in 1979, Sudan was awarded fifty million dollars in Economic Support Fund (ESF) in 1980. The ESF, which took the form of financing "commodity imports vital to development" was to enable Sudan to "overcome a major development constraint - a severe and continuing balance of payment shortage."\textsuperscript{4} Part of the fifty million dollars was also designed to compliment and support "our project and PL 480 assistance ...to support the economic reforms suggested by IMF."\textsuperscript{5}

For FY 1981, the Carter administration proposed a Foreign Military Sales program of thirty million dollars and an International Military Education Training (IMET) program of $746,000 for Sudan. One may wonder why Sudan was singled out like this for such aid. The answer was partially provided by the Assistant Secretary of State
for African Affairs, Richard M. Moose, when he said:

We believe very strongly that it is in our national interest to support the government of Sudan. The proposed IMET program, which would provide some fifty officers with professional/technical training in U.S. military schools in Fiscal Year 1981 compliments the acquisition of U.S. weapons and provides training in the essentials of modern military management.6

The point to note in the above statement is the emphasis on the strategic and economic benefits that the above aid brings to the United States. The money is used to acquire equipment from the United States and for training the Sudanese in the United States so that they could return home to protect the national and security interest of the United States.

The Reagan administration set down new criteria for giving foreign aid to any developing country. Unlike President Jimmy Carter, who for the most part premised the disbursement of foreign aid on three issues: United States security and national interests, strategic considerations, and a country's human rights record, Ronald Reagan, when he came to office, defined the criteria for disbursing foreign aid slightly differently. Speaking during the Foreign Assistance Legislation for FY 1982 hearings, the Acting Assistant Secretary of State for African Affairs, Lennon Walker outlined the Reagan administrations "policy
as it applies to Africa." During this testimony, Walker outlined, four criteria upon which aid for African countries would be considered. First, he pointed out that "U.S. national security interest will be a major determinant in assistance." Second, the secretary noted, "concern over the interplay, on the one hand, of trouble making by the Soviet Union and its surrogates and on the other hand of growing economic and related political instability in various parts of the world." Third, the secretary emphasized that the United States would "demonstrate that it pays to be America's friend." Finally, it would be the "U.S. tradition of helping the world's most needy" that would determine who gets what.

It should be noted that Lennon Walker was actually repeating statements made previously by Alexander Haig, the then Secretary of State for the Reagan administration during his testimony to the same committee on March 18, 1981.

When we consider the above criteria for disbursement of foreign aid, it is not surprising that during the 1981 proposal for FY 1982 security assistance doubled while development assistance only increased by twenty-eight percent over the previous year.

The consideration of national strategic interest of the United States in the disbursement of foreign aid was
clearly demonstrated in the FY 1982 Reagan administration's proposal. Looking at the country totals in all categories, it was obvious that only seven countries benefited from one half of the United States foreign aid to the African continent. These included Sudan which was to receive $206.6 million dollars, Kenya $116.2 million dollars, Somalia $78.5 million dollars, Zimbabwe $116.2 million dollars, Senegal 35 million dollars and Zaire 32 million dollars.

During the hearing for this aid, Walker was careful to emphasize the strategic importance of Sudan. Sudan, he pointed out, was one of the countries the U.S. needed in order to build a "strategic framework to protect our interest in the Middle East, the Persian Gulf and Africa." It is also important to point out that of the total package of $206.6 million given to Sudan, about $101.3 million was in military aid. According to Walker, $100 million for FMS and $1.3 million for IMET were proposed for Sudan "at a reduced rate of interest to accelerate its military modernization program." This money was to be used for the purchase of tanks, artillery, anti-aircraft weapons and spare parts. Also the money was expected to help deal with "increased tensions in the region and potential threats from Libya."

On March 17, 1982, during a presentation before the Subcommittee of the House of Appropriations Committee,
the Deputy Assistant Secretary of States for African Affairs, James Bishop pointed out again the aim of the United States, namely

the establishment of economic stability in such countries as Sudan, Kenya and Somalia (as) vital to development of ability to resist increasing threats from countries such as Ethiopia and Libya.17

Bishop went on to point out that in West Africa, the United States has strategic interest to protect which involves the gaining of access to the region's mineral resources and key military and communications facilities, citing for example, the need to be able to have access to the oil in Nigeria. Sudan also, he pointed out, was vital as the U.S. sought to "achieve objectives corresponding to a wide range of U.S. interests including "ensuring continued Western access to key strategic minerals and reducing opportunities for Cuban and Soviet adventurism."18

FY 1983 was no exception at all from the previous years. When an examination is done on the figures of the appropriation request made by the Reagan administration for Sudan, the same pattern is noticed. During this year, military related assistance outweighed other forms of aid by one to two. In 1983, the administration requested only twenty-five million dollars as development assistance for Sudan and thirty million dollars in PL 480. In contrast, $101.5 million for foreign military sales
credit and $1.5 million for International Military Education Training (IMET). 19

| TABLE 12 |
|-----------------|-----------------|
| FY 1983 U.S. ECONOMIC ASSISTANCE TO SUDAN (figures in millions) |
| Development Assistance | $25 |
| Foreign Military Sales  | $100 |
| PL 480                | $30 |
| International Military Education Training | $1.5 |


Again, from the above statements and data there is no doubt what the objectives of the United States are in the disbursement of aid to Sudan. There is no doubt after examining the statements and data that the United States foreign aid to Sudan and to the few other African countries who receive it is first and foremost for the support of United States national, economic and strategic interests. Whether the aid contributes to the development of Sudan, Zaire or any other country is really not the uppermost concern of the United States. The primary
objective of disbursing aid to Sudan is to protect the interest of the United States. That is why Sudan was given more aid as it took each new step in the support of the United States foreign policy in the Middle East. The strategic importance of Sudan to the United States is further demonstrated by the Rapid Deployment Forces exercises that took place between Sudanese troops and U.S. forces every year until 1985.

As it has been noted before, the United States foreign aid to Sudan has been mainly military. This has been the case throughout all administrations both Democratic and Republican. However, more than ever before, there has been a greater emphasis on military aid during the Reagan administration than under any other president.

The cost, notwithstanding, the Reagan administration has continued to press for increases in security assistance for example. Also, under this administration, FMS financing for Egypt has increased to $1.3 billion in 1984, a 136 percent increase over $550 billion in 1981. Military assistance to Sudan increased in 1984 to 220 percent from the previous year.20

How can we explain the fact that the United States aid to many African states like Sudan has been military. One answer is that most administrations in the White House often perceive the threat to the United States in
military terms. Consequently, they respond by increasing military strength both at home and abroad. These administrations often justify increased security assistance by vague reference, as in the case of Sudan, to Soviet threats. Rhetoric is often designed to hide security assistance expenditures under defense cover.

The United States bias against economic aid to African countries, most especially in recent years, derives from its overriding preoccupation with strategic and security threats. It has come to believe that development aid is less effective than security assistance in achieving United States objectives. Besides, many of the administrations consider the resources required for economic development too large for U.S. aid to have any considerable impact. Security assistance, on the other hand, could be concentrated on a few key states like Sudan, Zaire, Egypt and Somalia. Just as in other areas of the world, the administrations over the years have come to believe that strong pro-U.S. local forces in Africa can uniquely serve American interest. For them, security assistance is especially suited as an alternative to military bases abroad.

The second answer to the above question has to do with the economic benefits and advantages that arms transfer brings to the exporter. Arms sales have come
to be viewed as important earners of foreign exchange and contributors to balance of payment. It becomes even more important to the United States, with its current deficit and balance of payment problems. Besides arms sales provide employment in the defense industries of producers. In addition, the export of arms is an excellent way to create an economy of scale, thereby reducing the per unit cost of production of arms for arms forces of producer countries. Exports are also a way of spreading out or recapturing some of the research and development expenses. Therefore, it is no surprise, that the United States places so much emphasis on military assistance rather than on economic assistance which increasingly has been deemed not as useful as military aid.

A third advantage that accrues to the United States through military aid is in the area of security and stability. The supply of arms is supposed to help fulfill the security requirements of its allies and friends. From the early postwar period until now, this has been one of the reasons for the United States disbursement of aid to NATO and the Japanese and certainly one of the foremost reasons for the disbursement of aid to Sudan and Egypt. As the danger posed by both external and internal subversion is perceived, the increased transfer of arms for the purpose of counterinsurgence becomes increasingly
important. This reasoning applies more so in the case of Sudan fighting the rebels in the south and supposedly constantly under the threat of invasion by the Libyans in the north.

Finally, there is the question of influence and leverage in the transfer of arms or disbursement of military. Arms or military assistance could be an important symbol of support or a tool of control of the aid recipient. For example, in 1975 the United States withheld seventy-five million dollars of the Economic Support Fund appropriated to Sudan in the 1984 fiscal year budget. The reason was to force Sudan to carry out certain economic reforms, which included "exchange rate adjustments, elimination of subsidies and limitation of budget deficit." It was not until the demands were met that the aid money was released in 1985.

But it is one thing for foreign aid to find its way to the recipient country and another thing for it to be properly applied to meet the needs of the people. Even USAID admits that in many cases the assistance that found its way to Sudan ended up not being adequately utilized. For example, USAID sponsored a study to evaluate a special integrated rural program (IRD), the Abyei development project showed that the project was inadequately designed, poorly managed and the project very poorly implemented.
The report went on to show that the project failed because the implementor did not accept full responsibility for implementation and adequate direction of the project; no adequate attention was given to designing a time table also or coordinating the project. Because of the project's overall failure the project was cancelled and the money put into it wasted.25

Indeed, there was a case in which a project was started and was on the way without anybody being able to determine whether the project was needed or not. The case in point was that of the Wadi Halfa Community Development Project - an integrated rural project in Wadi Halfa, Sudan. According to an AID sponsored report which was carried out between November 1978 and December 1979, there were a number of questions raised when the project was evaluated. For example, there was question as to whether the nutrition education/preschool program which was a part of the project was needed.26 For six weeks no Title II food arrived for the program and no nutrition education was provided due to lack of personnel.27 It should be pointed out that even the report points out that if an adequate feasible study had been done before the project was started some of the unnecessary waste would have been avoided.28

When the above data are examined a number of
conclusions become obvious. First, it is evident from the data examined that the U.S. foreign assistance is really not the free lunch that is often portrayed to be. As in the other countries, U.S. aid to Sudan is first and foremost for political and strategic reasons. Aid to Sudan is given or withheld depending on whether it serves the U.S. strategic interest or not. In fact, that was why the United States moved in to suspend foreign aid to Sudan after President Nimeri, a friend of the United States, was overthrown in 1986.

The second conclusion that we can reach from examination of the data is that aid rarely serves the needs of the people, since there is often no adequate study of the needs of the people to see whether they do need a particular service or not.

Thirdly, a good part of aid is often wasted because of the above reason - lack of a proper feasible study of a situation before a problem is attacked. As we see from the delay of aid in 1985, the people who are supposed to be helped often end up suffering. It is obvious who gets hurt when food or educational subsidies get cut off or eliminated. Very often the person who ends up hurt is the poor farmer or student in secondary school or college.

Therefore, we find out that rather than help development in Sudan it seems that aid tends to perpetuate more
the dependent state of Sudan on the U.S.

ZAIRE

United States interest in Zaire went back to a period even before Zaire's political independence in 1960. In particular, the United States had a vested economic and strategic interest in Zaire since the end of the second World War and probably beyond then. Access and investment interests have since the second World War been the most important material incentive for United States involvement in Zaire.

Zaire can be characterized as a country with vast human and economic potential. It is a country whose vast size, large population, important geographical position, strategic mineral wealth and support of the United States in international fora makes it one of the most important states to the United States in Africa. In 1959, the then Congo, produced nine percent of the "free world's" copper, forty-nine percent of its cobalt, sixty-nine percent of its industrial diamonds, and 6.5 percent of its tin as well as a number of specialized metals used in nuclear and electrical industries.

Three quarters of the mining production, in the then Congo, came from Katanga. Another important mining area was neighboring South Kasai from which came the industrial
diamonds. Just across Katanga's southern border, the copperbelt stretched into the then Northern Rhodesia which contributed an additional fifteen percent of the "free world's" copper and twelve percent of its cobalt. From 1956 to 1960 all electric power for the Rhodesian mines came from dams in Katanga. In fact, even after the commissioning of the Kariba Dam on the Zambezi River between the then Northern and Southern Rhodesia, Katanga continued to be an important source of power. Because of the above reason American officials considered Zaire and Katanga in particular as particularly important and salient to the interest of the United States.

In 1960, three quarters of the cobalt imported into the United States and one half of the metal tantalum, both of which had important strategic uses in aerospace production and were mined only in very small quantities in the United States, were produced in Katanga. The two sides of the copperbelt accounted for ten percent of the United States copper imports in 1950. The strategic importance of these metals became even greater when the mineral requirement of the Korean War had prompted the United States to loan sixty million dollars to the Rhodesian Congo Power Corporation. The loan payments were for the most part made by deliveries of copper and cobalt to the United States stockpiles.
Besides the invested American interests in the copper-belt mines, Western European countries were also heavily dependent upon the Katangan and Rhodesian mines for these strategic minerals. This gave America direct interest in the stability of those mines since the economic health of the Western European countries was one of the main concerns of the United States at this time. As some of the business journals in the United States observed in the summer of 1960, any protracted closing of the Katangan mine would seriously affect the United States market, causing shortages and thus raising prices throughout the Western world. It was therefore no surprise that officials in the United States raised concerns that with its massive and rapidly growing investment in NATO, the United States had a strategic stake in resources "essential to the industrial life of Western Europe."  

Besides the strategic interest that the United States had in Zaire, it also had what could be described as an investment interest. Actually, the United States controlled investment in sub-Saharan Africa was relatively small. It only amounted to three percent of the total U.S. investment abroad in 1960. However, it is important to note that most of this investment was concentrated in southern Africa, especially South Africa, Rhodesia and Angola. This accounted for more than half of American
investments in Africa. The fact that U.S. direct investment in the Congo amounted to only twenty million dollars was less important since in the minds of U.S. officials, any instability in the Congo had the potential of spreading to other parts of the region. But U.S. investment was not only direct, the most engaged and powerful business interest in the Congo, but must be traced by way of indirect investment in the Congo through European companies or governments doing business in southern Africa including Southern Kasai and Katanga. With the economic and strategic stake that the United States had in the Congo, particularly in the Katangan region, it becomes clear why it would be important that governments in that region have deference to her. It also becomes clear why the United States advocated for and threw its support behind Belgium in 1960 during Belgian military intervention in the Congo, killing Congolese citizens during a domestic situation.

Despite the strategic and economic interests of the U.S. in the Congo, it had endeavored to be careful not to offend Belgium in Belgian Congo. In fact, in 1957, the U.S. barred black Americans from the Congo for fear that they might instigate the Congolese to push for independence. The U.S. Consul-General in Leopoldville was so cautious that in January 1960, when the Belgians
announced for independence in six months, there was almost no American intelligence in the Congo. Also in 1960, when a handful of Congolese leaders were invited to the United States it was the Belgians who composed the list.

At the time of independence, American officials still considered the Congo to be an exclusive territory of Belgium. In fact since Belgium had major interests in the Congo, the United States decided that Belgium would take care of any problems that would develop in the Congo while it would play the role of an understanding friend. Thus the United States plans for economic assistance for the new independent nation were indeed pushed by the American embassy in Brussels only in response to Belgian request for help. The proposal was worked out in close cooperation with the Belgian government and the program was essentially one of technical assistance designed to augment Belgian budgetary assistance.

By July 20, 1960, the Belgian troops had left Leopoldville and were being replaced by U.N. troops. By August 7, 1960, Belgium troops had departed from five of the Congo's six provinces and a week later they began to withdraw from Katanga. The problem of the Katangan secession by now had caused the Americans to reconsider and to choose between their two stands of policy; namely, the conservative deferences to the Belgians and the hardline...
anti-communism which had become a policy by now. It finally became obvious that the U.S. could not, in view of its interests in the region, afford to continue with the so-called conservative stand. Eventually, the United States Central Intelligence Agency (CIA) took up the task of resolving the problem. After a protracted period of civil war and shuffle for power in the Congo, Patrice Lumumba, the Prime Minister of the Congo after independence, was eliminated from the scene when Joseph Mobutu came to power in 1960 in a coup believed by many to have been sponsored by the American CIA.45

For over two decades, Mobutu has ruled the country either directly or indirectly with the help of the United States. He has followed a so-called anti-communist route since he took over the presidency in 1965.

For the most part U.S. bilateral assistance to Zaire has been in two components; namely, so-called development aid and security assistance. The total 1960 to 1980 economic assistance from the United States to Zaire amounted to $562.9 million. The United States security assistance from the time period 1962 to 1980 totalled $156.9 million with eight million allocated in 1981. For FY1982 $24.2 million was programmed for economic assistance.

In addition to economic assistance, the president proposed in 1982 $10.5 million to Zaire for FMS and
$1.56 million for IMET. The FMS program as pointed out before is normally allocated for the purchase of arms and military equipment from the U.S. and the IMET for personnel training for the use of the equipment.46

Furthermore, Zaire was expected to request, in 1982, FMS financing for maintenance and support of previously supplied C-130 aircraft as well as spare parts for U.S. supplied ground transport, patrol boats, communications equipment and additional jeeps and trucks. Finally, the Reagan administration, in addition to all of the above, proposed an ESF of $32 million for Zaire.47

Since the independence of Zaire in 1960, different U.S. administrations have taken different approaches to Zaire. These approaches, for the most part, have determined the amount and nature of foreign aid that the U.S. gives to Zaire. For instance, during the 1960s the U.S. perceived Zaire as a Belgian sphere of influence. Consequently, it made very little effort in helping it with economic or military aid. In fact, the U.S. only extended economic help to Zaire when it absolutely could not avoid doing so.

The United States made no secret of the fact that as far as economic aid was concerned in the 1960s, it considered Zaire as the responsibility of Belgium. For example, addressing the Ford Hall Forum in Boston on
April 25, 1965, the then Assistant Secretary of State for African Affairs, Mennen G. Williams, pointed out that:

The United States as its contribution to nation building, conducts a program of aid in the Congo. We believe, however, that Belgium as a former metropole is in the best position to contribute to the economic recovery and prosperity.\textsuperscript{48}

As it has been previously stated, as far as the United States was concerned in the late fifties and early sixties, Africa ranked near the bottom of its foreign policy priorities. However, as the cold war was intensified in Africa as a whole, some countries in particular became important to the U.S. because of geopolitical and strategic reasons. Zaire is one of those countries. President Jimmy Carter in a statement during a news conference in Chicago, May 25, 1978, put it this way:

U.S. interest over the long term - Zaire's geopolitical and economic weight in Africa's scales of power is significant. When Zaire is at peace, the major region breathes easier. When Zaire's significant mineral resources move to market under stable conditions the world breathes easier.\textsuperscript{49}

As Africa became relatively important in the cold war equation, the amount of aid and the nations that benefited from it kept increasing. Zaire received a steady and increasing amount of aid from the United States until 1977 when President Jimmy Carter took over as president. The Carter administration in Zaire's case as
well as elsewhere, resisted the notion of supporting right-wing military dictatorships. Consequently, it distanced itself as much as possible from Mobutu and his regime.

However, when the exiles from Zaire's Shaba province invaded Shaba for the second time in a little over one year, threatening the destruction of the mining installations that produced most of the wealth of the nation, the Carter administration decided to change its approach. The United States decided to provide logistical support for the French and Belgian paratroopers who swiftly moved in and pushed the rebels out. Then the administration continued to provide Mobutu with limited military aid while pressing for political reforms. Cyrus Vance, the Secretary of State in Carter's administration, put clearly the administrations' position when he said:

We are prepared, along with others to help Zaire get back on its feet. But the economic and security assistance we provide must be followed by a genuine effort on Zaire's part to solve its long term problems. Increased economic aid without economic reforms would be fruitless.  

Vance went on to point out that Western assistance must be accompanied by the cooperation of Zaire in strengthening the management and organization of its armed forces. He also insisted that there must be a genuine attempt on Mobutu's part to allow a wider participation in political life in Zaire. Until that was done,
Vance pointed out, it would be difficult to achieve real stability which in effect would enable the United States to give the Mobutu regime an active support.

Of course, Carter's reaction could only be judged in the light of the conditions in Zaire then. Unfortunately, the same condition has continued until this present time. As it has formerly been stated, Zaire is one of the richest countries in Africa. It is the world's largest exporter of industrial diamonds and it supplies seventy percent of the world's cobalt and nearly nine percent of its copper. But despite this enormous wealth, Zaire remains one of the most heavily indebted countries not only in Africa but in the world as a whole. Normally, a situation where a nation's debt payments amount to one quarter of its export earnings is considered dangerous. But in two major African countries, Sudan and Zaire, debt payments due in 1983 exceeded available export earnings, leaving nothing for essential exports.51 The Western banks which had loaned huge sums of money to Zaire before 1974 and also encouraged Mobutu to build glamorous, non-essential projects were in the 1982 finding that Zaire was unable to pay the loans on schedule. The banks were forced to reschedule the debts and Western governments were forced to come in with additional loans to try to bail Zaire out of imminent threats of default.
In addition to the economic mismanagement was the epidemic corruption among the ruling class in Zaire. Public funds were directed to personal accounts. Mobutu's personal fortune is estimated to be in the billions of dollars. Furthermore, there were then and now gross human rights abuse in Zaire. It is therefore no surprise that the Carter administration with the stand it took on human rights would have decided to put a distance between the U.S. and the government of Mobutu.

Since the Reagan administration came to power in 1981 the story has been a different one. Instead of the human rights approach adopted by the Carter administration which was a determining factor in the disbursement of aid, the Reagan administration adopted what has now come to be known as the "constructive engagement" approach to foreign policy. According to the Reagan administration, no friend of the United States should be forced to change its human rights policy especially when such "changes" might lead to a political change that might be detrimental to the interests of the United States. For instance, if the change in human rights policy in Zaire would lead to the overthrow of Mobutu, a long time friend of the United States, then the change is not worth it. Friends can be quietly persuaded to carry out reforms as long as such reforms do not lead to the erosion of power of such
friendly governments. The reason is that since these so-called friendly governments perceive that the United States will support them irrespective of their economic or human rights records, they have persistently refused to carry out any wishes of their people. Zaire is a typical case of a country in that situation.

The end result of this blind and uncritical support is that the Mobutu government has become one of the most brutal and repressive governments in Africa today. Corruption and gross economic mismanagement have become the rule of the day in Zaire. Essentially, the Mobutu regime has been run on a monstrous patronage system in which the president's entourage and subordinates are totally dependent upon his wishes for their welfare and wealth. Massive corruption is exemplified and institutionalized in all walks of life by Mobutu himself. Indeed, Mobutu is quoted to have advised his people in a speech delivered in a football stadium on May 20, 1976 before a crowd of 70,000:

If you want to steal, steal a little in a nice way, but if you steal too much you will be caught. And if you have succeeded in stealing please reinvest in our country the product of your theft. You become the Republic's enemy if you transfer this product overseas.\(^{53}\)

Even by this standard Mobutu remains Zaire's greatest enemy.
Critics of Mobutu's regime point out that his "support of patronage system and payoffs" has created an extortionist culture evident at all levels of society that is becoming increasingly oppressive. Madeleine Kalb, for instance, states that Mobutu "keeps the peace by dipping into government coffers to pay off not only his supporters but his potential rival and trouble makers as well." She points out that:

- Corruption affects all aspects of society (in Zaire). Army officers pocket the pay of their soldiers, who in turn extort money from people. The system is a farce. The only efficient branch of government is the secret police, which deals with trouble-makers who cannot be bought off - political opponents are jailed, exiled or kept under house arrest.

Economic experts agree that Zaire has become a perfect example of Third World horror stories in negative development. The only people who do not seem to be bothered are those presently in the White House. For instance, during the first year in office, the Reagan administration proposed a fifty percent increase over President Carter's military aid to Zaire. The amount of military aid to Zaire from the U.S. for FY 1983 was doubled from the 1982 figure with a request of twenty-one million dollars. In addition, fifteen million dollars in ESF was proposed - the most flexible form of aid which could be used for anything from the purchase of grain to military trucks.
The Reagan administration admits that most of the aid given in the past has been wasted. However, according to Chester Crocker, "we do not think it is helpful to dissemble on that point." Furthermore, the administration keeps believing that the "potential (for improvement) is there and we are seeking to improve it at all times." As a result of the Reagan administration actions, the Mobutu regime has become more emboldened to continue with its failed policies despite the fact that thousands are being directly hurt by these policies.

In September 1981, Nguza Karl-I-Bond, the former Prime Minister of Zaire, came to Washington to testify before the House African Subcommittee. He stated that arrests and torture were on the increase in Zaire. He also noted that popular unrest was mounting to the point that Zaire was ripe for a third Shaba invasion or a revolt in the capital. Bond passionately pleaded with the United States to end its support for Mobutu. He warned of the danger of "another Iran" and urged the West to withdraw support from this inept government.

After Bond's testimony, the State Department issued the following statement:

Prime Minister Nguza Karl-I-Bond has declared himself the leader of opposition to the present government of Republic of Zaire. His accusations and counter accusations generated by the public remarks are an internal, Zairean matter. We do not intend to comment, except to state that
we fully support the legitimate and recognized government of the Republic of Zaire. Zairean people, as a whole, will be best served by the continued adherence to our present policy.61

The Reagan administration took this stand despite the continued deterioration of both economic and political situations in Zaire since independence, Zaire at that time being one of the richest countries in black Africa. The events that followed Zaire plunged into deeper chaos and confusion. After assuming office in 1965, Mobutu proceeded to try and bring order in this chaotic situation. He started with policies like currency devaluation and definite attempts to attract foreign investors from the Western world. Consequently, in 1969, the National Bank of Zaire reported an increase in GNP which had exceeded that of 1959. Also, the country had a surplus in its balance of payment and its foreign currency reserves totalled $250 million due largely to the high world price of copper, the nation's major export.

However, despite the fact that the construction of state power since 1965 enabled the economic decision-making to be concentrated in the governmental apparatus, Zaire still remained a dependent state and played the role of a modern "periphery capitalist state." In no way was Zaire able to drastically change the structure of uneven development which was a feature of the old colonial pattern. Being a country characterized by uneven develop-
ment meant in effect that any economic surplus has increasingly depended upon mineral exports. The share of agricultural output has constantly dropped, from forty percent in 1958 to twenty-two percent in 1972. On the other hand, mining and metallurgy rose during the same period from thirty-three to forty-one percent. By 1972, there had been a growth in GNP of fifty percent since 1965 but this was characterized by uneven development since the fastest growing sectors were in trading, manufactured goods, mixing, states services and public works.

The end result of the above is obviously very predictable. One result is that the agricultural sector continues to suffer from negligence and consequently millions of dollars are spent in the importation of food items - part of which is borrowed from the United States government through the PL 480 program. Secondly, as a result of the negligence of the agricultural sector, state income has become increasingly dependent upon the production of mineral resources such as copper and upon its fluctuations in price on the world markets. It should be pointed out that in 1959 the agricultural sector accounted for forty percent of Zaire's total exports mainly coffee, cotton, tea, palm oil, sisal and groundnuts. In 1979, Zaire was even forced to import palm oil from the United Kingdom. The extent to which
agriculture development is neglected was demonstrated in the budget allocation of 1979 which only specified four percent of the total budget to agriculture as compared to the seventeen percent directly allocated to Mobutu's "Presidential Services."  

In 1950, Zaire was self-sufficient in corn production but in 1970 it imported 87,500 tons of corn and by 1975 the figure had risen to 170,000 tons. Now Zaire spends a substantial portion of its foreign exchange (33 percent in 1977) for the importation of foodstuffs. Worse still, most of the food products are from racist South Africa which has been barred by the Organization of African Unity from trading with independent African states.

The question arises as to why Mobutu does not make a concerted effort to improve the economic situation or situations as related to other areas. Most analysts agree that Mobutu has perceived that there is no immediate pressure on him to carry out any reforms. He has realized that no matter what he does, because of Zaire's strategic position, the United States in particular and most Western countries in general, will give him the support he needs to stay in power. He knows that even though he is not under any immediate outside threat he will always be supplied with enough arms to enable him to ward off any
threats domestic or foreign. Mobutu believes that if the worst comes in terms of food the United States will loan him the money to buy grain and foodstuffs to pacify the situation in Zaire and thus make it difficult for it to explode. Finally, Mobutu believes that as long as he is alive neither the United States nor any other Western power would dump him over another alternative. It is therefore no surprise that Mobutu under the above circumstances makes no effort whatsoever to improve the situation in Zaire.

In 1982, the Committee on Foreign Relations dispatched a group of Senators to Zaire to study the impact of United States foreign aid to Zaire. In this section we shall examine this report and hopefully use it as one of the tools to enable us to understand the impact of U.S. foreign aid to Zaire.

During this visit to Zaire, the members of the mission took time to talk to members of the United States embassy in Zaire. In addition, visits were paid to AID sponsored projects and a number of people in these projects also were interviewed to enable the Senators make an objective judgment on the aid situation. This study will focus mainly on that section that dealt with aid sponsored projects. The congressional staff reports on three projects will be examined here, mainly the visits to: the military
airfield - which gave them some glimpse into the use of military aid; the Project North Shaba (PNS) - which represented a major AID agricultural development effort; and the Inga-Shaba Power Project.

The visit to the military airfield in Kinshasa revealed some facts which illustrate the use of military aid disbursed to Zaire. As we noted earlier in this study, a good portion of the aid given to Zaire in recent years went into the purchase and maintenance of a number of C-130 transport aircrafts. According to the report, during the visit to the airfield it was found that of the seven aircrafts provided by the United States, one was destroyed in a crash. Of the six remaining, only two were operational on the day of the visit - two were grounded because of crash damage and lack of parts, one was in preparation to be sent to Italy for servicing and one was already in Italy for the same purpose.

Of the two aircrafts that were operational, one was Mobutu's personal plane, "purchased with FMS credits in 1977 but outfitted with "special executive capsule permanently installed as president's own expense." According to the report, "the complete and comfortable presidential quarters...left little space in the aircraft for cargo or military related equipment." Mobutu was reported to have employed the aircraft very frequently -
which, of course, meant that if the aircraft was needed for any emergency the chances that it would be available would be very slim.

According to the Senate report, the only other operational C-130 during their visit was found to be loading a "cargo of cattle for livestock breeding." Later they found out that this mission, most likely, had a private objective - "to transport the cattle to Mobutu's ranch for improving his own land."

It should here be noted that while section 4(a) of the FMS law allows the use of FMS sponsored equipment for a variety of purposes, it nevertheless, requires that "such civic action or activities not significantly detract from the capability of military forces to perform their military missions" and that such use should be "coordinated with and form a part of a total economic and social development effort." It seems evident from the above that those aircrafts were used in total violation of the purpose for which they were specified. Yet, it is not difficult at all to see why that could be done. It is obvious that Mobutu realizing that the Reagan administration was willing to support him at all costs, was willing to take that chance even to the point of breaking the U.S. law before their Senators.

The Agency for International Development conducts
programs in Zaire in the areas of agriculture, transport
development, health, nutrition and manpower development.
When the Senate mission was in Zaire it visited a major
AID agricultural development project called Project North
Shaba.

Project North Shaba had two goals, one of which was
to raise farmer income by the end of 1983 through increasing
annual corn production. Secondly, the project was to
establish a model for rural development for other parts
of the country. The project covered an area of 15,000
square kilometers.

The above goals were to be accomplished, firstly, by
reconstruction of 724 kilometers of previously abandoned
roads. It also involved the developments of new subsystems
in research and training, production and sale of tools.
Finally, it involved the organization of small cooperative
farmer groups and evaluation of the whole project.

At the time of the visit, Project North Shaba was
reported to have made good strides forward and the
directors were reported to have claimed a good deal of
success. However, they also acknowledged that there were
a number of problems that remained to be solved. For
instance, hundreds of sacks of maize were said to have
been stacked at one rail station, awaiting shipment
because of the shortage of train cars. Besides, the farmers were not able to bring additional grain for sale due to scarcity of sacks. Again this graphically illustrates how mismanagement on the part of the government very often leads to inefficiency and sometimes total breakdown in the ability to accomplish good results from the use of aid money.

Project North Shaba also illustrates another point that we have dealt with in this study before. This is the fact that many of the AID projects are geared not necessarily towards economic development but that they are meant to be political showcases. According to the report, PNS was regarded by Mobutu as a "high prestige project showing the president's ability to deliver tangible American aid to rural poor in troubled area." As a result, rather than encourage the consolidation of the project, Mobutu continued to urge the expansion of the operation even further. This was done inspite of the fact that AID staff expressed fears that the enormous economic domestic and administrative problems will develop after the project is handed over to Zaireans. According to the congressional report:

Zaire's budgetary troubles coupled with government's record of administration, mismanagement and neglect left staff wondering how long PNS and its various subsystems can be properly maintained.
The Inga-Shaba Power Project is another example of how aid money is wasted in Zaire. It also shows the lack of planning and foresight in Mobutu's rule. Thirdly, it is another vivid demonstration of a project constructed mainly for political reasons - to use as a showcase to confuse both the people of Zaire and those who lend money to Mobutu.

The Inga-Shaba Power Project is made up of two components, namely, the Inga power transmitting site and the Shaba power receiving site. This project was originally planned to serve as a permanent lifeline across the whole of Zaire. It was constructed to bring power from the Inga Dam near Kinshasa to the mines of Shaba province. As a result of overhead cost of imported materials and machinery and the construction of thousands of miles of access roads as well as construction village at the Shaba site, at the completion of the project nearly a billion dollars was spent on it. About $400 million dollars of the cost of the project came from a combination of loans and guarantees from the United States government.74

The construction of the Inga Shaba project started in 1974 at a time when Shaba already had sufficient hydroelectric resources. The power resources remained sufficient at the time of the completion of the Inga Shaba project. However, the project was meant to be
future oriented - constructed in anticipation of a doubling of mining activities from the 1974 level by the time it was completed.

When the project was completed in 1981, the power facility had no predictable use since instead of increasing, the mining activities had actually dropped due to the sinking copper prices, the high cost of mining operations in Zaire due to exchange rates and "eroding investor confidence under present politico-economic conditions." The saddest part of this whole episode was that while the project stood there not being made use of other isolated areas and facilities along its paths could have readily made use of the power. However, only direct current could flow the distance from Inga to Shaba making its use en route impossible. To be able to make use of this facility, transformers would have to be installed to transform the direct to alternating current. At the time of completion only one such transformer was installed outside Lumumbashi. Since the installation of such transformers would cost additional millions of dollars, none was planned at the time of the completion of the project, thus the Inga Shaba project started showing signs of neglect even before it really had an opportunity to start off.

As we have maintained all through this study, the
above report once again shows that there is no relationship between the economic development of Zaire and the disbursement of U.S. aid. Our contention through this study has been that United States foreign aid to Zaire is more for political, strategic and ideological reasons than it is for economic development. It is obvious that the above study demonstrates these assertions.

The United States foreign aid to Zaire at present cannot be interpreted in any other way than that the United States is willing to tolerate indefinitely Zaire's economic inadequacies and human rights abuses as long as it continues to give the U.S. the political support it has been getting over the years.

There is nothing in this study to indicate that U.S. aid to Zaire has in any way helped unemployment, agriculture or has helped raise the standard of living of the people in any way whatever. Rather, there is indeed every reason to believe that these projects will not continue for long and those presently employed in different projects stand the chance of losing their jobs once the different projects are handed over to the government of Zaire. This is because many skilled workers have fled Zaire because of the repressive policies of Mobutu and as it was indicated previously the chances that there would be money to pay those presently working after AID
hands over the projects are slim.

Of course, since there is doubt as to the continuation of projects after AID contracts expire, there is also some doubts as to the ability of the Zairean government to replicate these projects elsewhere in the country.

There is one thing that is very certain as this study examined, it is the fact that aid causes Zaire to become dependent upon the donor. Many of the important decisions in Zaire are made by the aid donors because of Mobutu's style of rule. For instance, during the senatorial mission to Zaire, the officials in the U.S. embassy readily admitted to the visiting senators that "high turn over among Zairean officials meant that there was little difficulty in gaining approval of aid projects as proposed by American embassy." Embassy officials also pointed out that no Zairean official has been able to remain long enough to gain the expertise that would enable him to evaluate proposals. Likewise, none of the officials remained long enough in power to implement the projects to which they gave approval of.

The chances that Mobutu will carry out any reforms, be it political or economic, to relieve the tension in the country is very far-fetched as long as he receives foreign aid from the United States. The reason is that Mobutu translates the disbursement of aid to be political
support and an endorsement from Washington. His constant drive for more security assistance arises from the need to give credibility to this claim.

If the U.S. is very serious about giving the people of Zaire a chance to develop, it must take a stand against the rampant economic mismanagement and human rights abuses by withdrawing its support from this inept and corrupt government.

Finally, it may be worth pointing out that it will be difficult for Mobutu and his regime to make independent political judgments and decisions in international fora in matters relating to the United States as long as it continues to depend on the United States for support in propping up his puppet regime. In other words, Zaire will continue to be politically dependent upon the United States for as long as aid continues to flow in whatever form it may be.
NOTES


5. Ibid.

6. Ibid., p. 1152.


8. Ibid.

9. Ibid.

10. Ibid.


13. Ibid.


15. Ibid., p. 1069.

16. Ibid.

18. Ibid.


22. Ibid., p. 19.


25. Ibid.


27. Ibid.

28. Ibid.


31. Ibid., pp. 28-29.


34. Weissman, *American Foreign Policy in the Congo*, p. 29.

35. Ibid.


39. Ibid.


41. Weissman, *American Foreign Policy in the Congo*, p. 44.

43. Weissman, *American Foreign Policy in the Congo*, p. 44.


47. Ibid., pp. 1066, 1070.


54. Ibid.
55. Ibid.

56. See Kabwit, "Zaire: The Root of Continuing Crisis," pp. 399-400. This is also supported by the testimony of Nguza Karl-I-Bond, the Prime Minister of Zaire who resigned in 1981 from the Subcommittee of Foreign Affairs, U.S. House of Representatives on September 15, 1981, see Africa Report 26:6 (November/December 1981), pp. 19-21.

57. See testimony by the Assistant Secretary of State for African Affairs (Chester Crocker) Before the Senate Foreign Relations Committee, April 16, 1982 in American Foreign Policy: Current Documents, 1982, pp. 1237-1238.

58. Ibid., p. 1238.

59. Ibid.


61. Ibid., p. 22.


66. Ibid.

67. Ibid.

68. Ibid.
69. Ibid.


71. Ibid.

72. Ibid., pp. 9-10.

73. U.S. Senate, Zaire: A Staff Report, p. 10.

74. Ibid., p. 3.

75. Ibid.

76. Ibid.

77. Ibid.
What is the effect of the United States foreign aid to African countries? First of all, what is the effect on economic development - that is the effect on economic growth and inequality together? Secondly, what kind of sociological effect does it have - for instance, on the employment situation and consumption lifestyle? Thirdly, what is the political effect that the United States disbursement of aid has on the important political decisions made by each of the countries under study?

To conclude this study, the evidence thus presented will be used to analyze the situation in Africa in four different dimensions. These will include; direction of impact (negative vs. positive), magnitude of impact (large vs. small), timing of impact (short term vs. long term), and domestic constituent or focus of impact (rich vs. poor).

The review of the evidence presented in the above study will undoubtedly lead to the conclusion that directionally the overall impact of the United States foreign aid to African countries has been negative.
In none of the three countries studied has there been any significant improvement in the overall standard of living that could be attributed to the foreign aid disbursed to these countries by the United States or any other developed country for that matter. If anything, some decline in the people's overall standard of living may have resulted from the support given to these countries by the United States disbursing aid to them. Zaire is a perfect example of that. There is certainly no doubt about the fact that part of the reason why Mobutu refused to carry out any reforms that may lead to the improvement of the quality of life is that he is sure that there would always be help from the United States and other Western countries should there be any domestic upheaval.

Before independence, Zaire was self-sufficient in food. Over twenty years later, it is now importing palm oil from Britain. Undoubtedly, this fall in the standard of living has been caused by a number of factors, one of which is economic mismanagement. However, the other reason is that Zaire is indebted to Western nations, particularly the United States by billions of dollars. As a result, economic growth has been depressed due to the fact that so much money is drained out of the country by both capital and interest repayment.

Egypt is also so heavily indebted to the United States.
And yet there is not much to show for the billions of dollars loaned to Egypt by the United States over the past several years. There has not been any significant improvement in the overall living standard of the people.

This study in many ways goes to confirm the conclusions that many studies have already arrived at; namely, that the effect of foreign aid has increased underdevelopment and inequality in the countries that are recipients of such aids.¹

Not only do these aid disbursements produce negative results as far as economic growth is concerned, but they tend to deepen the gap between the income distribution of the poor and the rich. The poor become poorer by virtue of exploitation by the core who drain resources from these periphery countries which are needed for development. Secondly, profits on interests on credit transfer value from the periphery to the core retard the development of the periphery.

In each of these three countries it is also obvious that external oriented production distorts the economic structure of these countries. This is particularly evident in Egypt and, of course, also in Zaire in which the aid proposal is drawn in the American embassy, evaluated by American experts and implemented by American technicians. As a result, the differentiation and
integration of national economies are obstructed and patterns of resource use are created that maintain a state of dynamic underdevelopment.

Another observation is actually the collary of the above, namely, that links between the elites in the donor countries and the elites of the periphery act to surpress autonomous mobilization of national resources. For instance, Egypt is being dumped with consumer goods that it has to buy if it must spend the money allocated to it. Therefore, it ends up buying consumer goods not because it needs them but just to be able to spend the money allocated to it.

Finally, aid affects income inequalities in two ways - first it is the ruling class that obtains a large share of national income through government contracts and salary inflation. Egypt is also a good example of this. But besides that, as in the case of Zaire, not only is their income increased but they also prevent the distribution of income because of their alliances with the core. Secondly, foreign aid enlarges the wage-earning working class and salaried middle class which in turn lowers the income distribution and enlarges overall inequality.

Having therefore examined the nature and direction of impact of United States foreign aid in these countries, the next section of this paper will focus on the magnitude
of impact. In other words, are the impacts resulting from this disbursement of aid large or small and if so how small is it?

As it has already been discussed in the above section, there has been no evidence to indicate that there has been any significant improvement in the standard of living, economic growth or overall income of the people in these countries. There have, no doubt, been significant improvements in the standard of living of the elites of these countries. This is very evident in all the three countries. If anything there has been a dramatic drop in the standard of living of the people in the lower class section of the society. Undoubtedly, there are many factors contributing to this including population explosion and mismanagement. However, there is no doubt that the dramatic drop in the overall standard of living in these countries could be attributed also to the massive debts resulting from the purchase of unnecessary military hardware, the building of roads that are never utilized to their full capacities or the building of dams and electrical installations that are not fully utilized.

The study of these three countries produces evidence that would lead to the conclusion that whatever improvement in economic growth that resulted from aid disbursement was only short term. This is true especially in the
case of Zaire. The study of the country showed that there was no evidence to indicate that the programs that were being carried out as a result of AID activities would be replicated. And in the case of Egypt, most of the money was spent on consumer goods and construction of large infrastructures. There was no evidence to indicate that these infrastructures would be properly maintained after AID personnel were gone. Therefore, for the majority of people the so-called gains that were made were temporary and could only be sustained by additional aid and indebtedness to these donor countries which in this case happens to be the United States.

Most of the foreign aid extended to Sudan, as it has been demonstrated, has been for military hardware and training. The justification has always been that Sudan is being surrounded by outside enemies, where the real problem has been more of an internal nature than an external one. If Sudan has ever had enemies it has not been Libya as it has been the disgruntled members of Sudanese society. The truth is that the masses of people are tired of African heads of state who feed fat on the wealth of the nation but deliver very little on the promises they make. Consequently, the leaders always fear that they might be ousted from their positions. To prevent this they always arm themselves to the teeth
ready for any indication of discontentment from the masses. Therefore, the arms purchased with millions of dollars of the people's money end up being used against the very people they were supposed to protect. The argument has always been that even though the purchase of arms does not yield immediate economic benefits, nevertheless, it helps in the long run to produce a quiet environment for economic development.

The above argument would, of course, be true if there was a concerted effort on the part of leaders to develop. It would be true if the arms were not ultimately turned against the people they were supposed to protect. But the fact is that very often this is what happens and the people continue to be on the losing end of the battle against poverty in spite of millions of dollars spent on foreign aid.

It is very obvious from this study who are the beneficiaries of aid in whatever form it may be. The main beneficiaries of aid in every situation studied above have been the government contractors. Whether it be the construction of a new road or the importation of consumer goods the contractor ends up having the bigger share of the pie. People get employed on a temporary basis but go back to the employment line after the contracts are completed.
Not only do the contractors and civil servants benefit from these contracts but they very often are the only ones able to afford to import consumer goods. Therefore, either way this whole issue is looked at, it is the people who need the most help that receive none and those who do not need help who end up receiving all the help. In a sense, this is actually what the donors of aid want to happen. Their aim may not necessarily be to perpetually subject the masses of people to chronic poverty but it has always been to pacify those who have the capability to paralyze the government so that their national elites may continue to be in power.

In the final analysis, then we could say that the study just concluded shows, without any doubt, that aid produces dependence and dependence produces various kinds of inequality. Indeed, from this study it could be concluded that dependence and inequality whether it be sectoral or income are two mutually reinforcing patterns. The effect of dependence on sectoral inequality, as we have found out, is due to the peculiarly uneven development caused by the foreign aid which promotes growth in the immediate sector that attracts aid but structurally retards overall economic growth and development in other sectors. For instance, in all the countries studied emphasis was laid on the development of such programs as
electrical power projects and dams to the negligence of agricultural research and development. Development of the agricultural sector is neglected in all the three countries studied.

The effect of dependence on income inequality is due to its effects on class structure of the countries studied and the translation of this class structure into political power. Since people in the higher income group tend to be more politically organized it follows that they also end up controlling most of the power. Therefore, we find out that the masses end up losing not only economically, but also politically and sociologically.

Despite the official rhetoric of the United States government, aid has never been disbursed for the purpose of economic development. Rather the aim of disbursing aid has been to help protect the national strategic interest of the United States. In neither of the three cases studied could it be said that aid was disbursed for the expressed purpose of development and in none of the countries did the disbursement lead to development.

One of the reasons why aid has been so ineffectively applied is that the purpose of aid has never been clearly defined. It will help the cause of aid so much if a clear definition of the purpose of aid is given and there is adherence to this purpose by the United States.
has happened in the past was that while aid was said to be given for economic development purposes, it was nevertheless aimed at fulfilling other purposes than the officially designated one.

Another recommendation that will strongly enhance the cause of United States foreign aid in Africa is that the recipients of United States foreign aid such as Egypt, Sudan and Zaire must be given the opportunity to make a greater input in the decision-making process of aid than it is at the present. For example, recipients of foreign aid must make a greater input as to how foreign aid money should be spent than they do now.

Thirdly, if the United States is genuinely interested in the use of aid for economic development it should increase economic aid rather than the present trend of increasing military aid to Africa. This study, therefore, recommends an increase in economic rather than military aid which is being hiked up every year.

Fourthly, for the United States foreign aid to be effective in Africa the part of foreign aid devoted to technical aid should be increasingly spent on training African nationals rather than the present trend of spending it to hire expensive consultants from the United States.

Furthermore, in the light of all the findings in the study, national policies in African nations which stress
self-reliance and careful control over inputs from the core must be seen as other than reactive ignorance. Indeed, if the U.S is genuinely interested in the economic development of African countries such policies should be encouraged.

Also, regional agreements such as the Economic Community of West African States and others which emphasize regional cooperation must be developed to provide an alternative to the present heavy dependence upon foreign aid by key African states.

Lastly, aid will not be effective as long as it continues to be tied. Foreign aid must be untied to make it more effective.

It is my belief that if these recommendations are implemented it will go a long way in improving the condition of aid and thus making it possible for foreign aid to be effectively employed.
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