

INSTITUTE OF CURRENT WORLD AFFAIRS

CM-5

Rumination on Foreign Aid

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Dear Dick:

"Why doesn't the United States give us aid?" asked an official of the Malaysian Finance Ministry. "You have given aid to Cambodia and Indonesia for many years. Neither supports your principles of free enterprise, both question your motives, and there is a good chance both will end up in the camp of your opponents. Why do you help your enemies and ignore your friends?"

I fumbled for an answer and tried the official line: "You don't need aid." But I gagged at that since Malaysia's per capita income is below \$300 annually. I tried to take the initiative by suggesting that Malaysians ought to be proud of the fact that they can stand on their own feet and get along without American aid. My Malaysian friend gagged.

Malaya (Malaysia since September 16, 1963) became a sovereign member of the international community in 1957. Tin, rubber, an efficient civil service trained by the British, and an orderly transfer of power in the face of communist attack, have kept Malaysia the most prosperous state in Southeast Asia. Her balance of payments is favorable, private investment is encouraged with tax exemptions for pioneer enterprises, and politically she stands firmly with the free world. Aside from two \$10 million, hard currency Development Fund loans, Malaysia doesn't get a dime of United States foreign aid.

Since the United States has AID missions in 84 countries and territories, the official felt there was discrimination against Malaysia. United States aid programs in less friendly neighboring countries and the world-wide spread of aid is creating problems for United States foreign policy in Malaysia for no other reason than that Malaysia doesn't get aid. This seems fantastic.

It is hard to escape the conclusion that somehow U.S. foreign aid programs have gone awry. In the decade since the Marshall Plan these programs have not yet acquired a rationale. Although aid has become a new foreign policy instrument, it is often used willy nilly as a political crutch or to try to buy political results which it is assumed cannot otherwise be obtained.

The record suggests that the United States has not yet learned how to use this relatively new instrument of policy and power. When a new nation comes into being the political purpose of aid may

be to get there fustest with the mostest, or some variation on that theme. When an election is in the offing, United States aid may be crucial - or dangerous if our friends lose. When a coup d'état occurs, aid may be an instrument of support or coercion. And sometimes aid programs continue just because no one is willing to take the consequences of stopping them. The thread of constancy of purpose is missing.

The fact that aid goes to so many nations largely negates its effectiveness as a political instrument. Once a donation has been made to a new state, or to beat the Russians to the punch, the continuation of aid is viewed as a matter of right by the recipient and a duty of the United States. When so many states receive U. S. aid - even if in modest amounts - the state not receiving aid believes it is the object of discrimination. This suggests that the more powerful use of aid involves its denial, rather than its extension. Yet, aside from a few terminations at Congressional demand, the instances when the United States has taken the initiative in withdrawing aid can be numbered on one's fingers. But even the termination of aid to produce a political result is of dubious value. Termination of aid may make a formerly friendly government hostile, or lead to the replacement of that government by unknowns. Yet the real test of friendship is whether it survives the termination of aid.

The combination of two factors, first, the development of aid programs, country-by-country without a clear understanding of how these programs further total United States interests, and, second, the self-imposed straitjacket of not being able to stop aid once it is started, suggests that it might be more productive of rational thinking to list the reasons why countries should not get aid, rather than to justify aid on a country-by-country basis.

Perhaps it could quickly be agreed that a country should not get United States aid (1) if it is communist; (2) if within the context of its own environment it is prosperous; and (3) if it expropriates United States private property without compensation. But even these negative factors don't circumscribe aid programs very seriously. Those of the "persuasion" school of thought might well argue - and some do - that foreign aid should be used to help communist states move toward accommodation with the free world, to keep relatively prosperous states from becoming disillusioned with U.S. policy, and to keep states within the free world orbit even though they are moving toward socialization of substantial parts of their economy.

There is little evidence that Americans, official or unofficial, have a clear understanding of the purposes of aid programs - some view them as soft-headed, others view them as too materialistic.

Recipients of foreign aid are also often confused. Sometimes aid is rejected as an effort to control the recipient and to interfere in its internal affairs; and at other times aid is demanded as a right - an obligation of the richer nations to the poor.

Perhaps Americans' confusion about aid programs arises from a schizophrenia in our national character. As the Chairman of the Committee on Foreign Relations recently observed, the Puritan element in our history is reflected in "our traditional vacillation between self-righteous isolation and total involvement, and in our attitude toward foreign policy as a series of idealistic crusades rather than as a continuing defense of the national interest."

Sometimes Americans seek to use aid as an instrument of national power. At other times aid is viewed as a tithe - a substitute for missionary activities, an instrument of gentle persuasion to lead new nations into the ways of righteousness through economic development and, hopefully, into a democratic political structure which might be in America's self-interest in a decade or so.

One of the troubles with aid as an instrument of gentle persuasion, however, is that it is a little too sophisticated to be believed by nations only recently free from the power politics of colonial patrons. New nations often stand in awe of power and they expect, within limits, that such power will be used. These nations usually pursue their own national interests with very little regard for the niceties of international morality or law. And, as a general rule, they believe American aid immediately and directly serves American purposes, otherwise the United States would not give aid.

Americans' understanding of foreign aid might be clarified by a more candid recognition that aid programs do not develop out of a desire to give something for nothing. Although the constitutionality of the use of federal tax funds for foreign aid has not been tested in the highest court, it is clear that federal expenditures for this purpose must be justified as providing for the common defense and the general welfare of the United States.

Annual foreign aid struggles, characterized by reductions but ultimate approval, suggest that the Congress and the American people believe aid programs serve a national interest. But they are not quite sure why, or how.

Part of the confusion may arise from the fact that the annual aid bill has become an omnibus foreign policy bill. It has something for everyone. There is money for United Nations activities like the Children's Fund and Palestine Refugees, money for industrial development in Formosa, funds to fight the Viet Cong in Vietnam, money to guard against Castro subversion in Latin America, aid for hospitals and for technical assistance and education. And usually before the bill is passed, Congress will have spoken directly or indirectly on such varied subjects as Israeli-U.A.R. relations, the non-admission of Communist China to the U.N., free enterprise, trade with communist nations, American shipping, and now birth control.

Originally the idea behind the omnibus foreign aid bill was to consolidate in one bill all aid money items so that Congress

would have some concept of the overall size and spread of aid programs. There was also a theory favored by some that military assistance funds in the bill would attract support for less popular economic assistance programs. These factors may have made some sense at one time, but the multiplication of programs and the mere's nest quality of recent bills have made it almost impossible for Congress to see the trees, let alone the forest. As a result, aid bills have become models of obfuscation. Usually the Executive Branch has a few extraneous little items it wishes to attach to the bill; then Committees add riders; and by the time the bill reaches the floor of the House or the Senate it is an open invitation for members to use it for parochial purposes, which they do.

Recent aid bills have dealt with so many subjects that Congress has lost control over much of the legislation. Congressional committees devoting six to nine months out of every year to foreign aid have little time for other subjects of legislative concern. The annual omnibus aid bill tends to force Congress into a negative role - the striking out or the reduction of funds for particular programs. It is increasingly difficult for Congress to make positive policy contributions because Executive Branch drafts of aid bills tend to set the metes and bounds of thinking and debate.

Congress is not the only victim of the annual omnibus aid bill. The Executive Branch is required to put far too much of its material and intellectual resources into interminable and repetitious explanations, and often into defense of the indefensible. There is a tendency for officials to be more concerned about how to justify programs to Congress than how to administer them. It takes very little foreign travel to uncover complaints such as these:

An Aid Mission chief: "This Mission is overstaffed. We get all the misfits. And once Washington agrees to move a man it takes at least eight months to get him out."

A career foreign service officer: "AID missions are too numerous, too big, and lacking in political sophistication." His wife: "The AID people have all the cars, refrigerators, and air conditioners."

An AID official: "Political decisions here interfere with economic development. We could get this country off the ground if we weren't forced to put our money into prestige-type projects with no economic potential."

An AID official: "Now that we're in here, I don't see how we can get out."

A UN official on detail to a foreign government: "This country doesn't get any aid from the United States. I am trying to soften up the boys in Washington so they will approve our request for aid."

As a consequence of the factors discussed above:

Americans are confused as to the purposes of the aid program;

Foreign recipients of American aid are confused as to United States motives in extending aid;

The Congress has to a substantial degree lost control of making policy decisions on aid programs; and

The Executive has lost much control of the day-to-day administration of the aid programs.

Basically aid programs do three things; they provide military assistance to friendly nations which need it to protect mutual interests; they provide bilateral economic and political aid to help developing nations grow in patterns compatible with the interests of the United States; and they provide multilateral aid principally to discharge the social responsibilities of the United States to the underdeveloped nations of the international community.

I. Bearing these considerations in mind, it might be helpful to Americans and foreigners' understanding of United States aid if the omnibus approach to foreign aid could be separated into three parts to correspond to the basic purposes set forth above. The Congress would then be able to consider separately bills that serve military purposes, political purposes, and international development purposes. Then Members of Congress voting on authorizing legislation would know what they are voting for, or against. And recipients of aid would have some idea of where they stand insofar as the United States views their interests and American interests as mutual.

If military assistance contributes to the strength of the United States and if it is to be administered by the Department of Defense (under the policy guidance of the Department of State) then it seems logical to consider military aid on its merits and within its own legislative framework.

If bilateral, economic-type aid is peculiarly and directly in the national interest of the United States, it should be recognized as essentially political in purpose. This is not to say that bilateral programs would be exclusively in the interests of the United States, but they should promote immediate mutual interests of the United States and the recipient state, as distinguished from the longer range, more idealistic, and more inchoate type of multilateral interest. Bilateral aid should be restricted to nations which are moving in directions compatible with United States interests. It should be used to help free-world friends grow and mature rapidly. Without getting into country-by-country comparisons, this type of aid might be extended to 30 or 40 nations at the most. They should be nations which the United States believes can be influenced (without

any derogation of their sovereignty) to join with the United States in creating a world compatible with our mutual concepts of peace and justice.

This type of aid should not go indiscriminately to the some 80 states now receiving bilateral aid from the United States. It should be used to prove that it pays to be on the same wave length with the United States and that the American system of economic development produces tangible wealth and development and improves the living conditions of the people more rapidly than any other system. Special efforts should be made to encourage American business to invest capital in these countries on conditions compatible with the sovereignty of the recipients.

In short, bilateral aid should be used in the first place to make it clear that the United States helps its friends more than others; in the second place, this aid should be freely used to encourage political actions that will promote joint United States - recipient nation mutual interests.

The third type of aid should be that which the United States extends for use through international organizations. United Nations technical assistance, the International Development Association, the Inter-American Bank, etc. The United States would exercise no more control over expenditures through these organizations than it is able to exercise as a member. Just as bilateral programs should be selective so far as the United States is concerned, these programs should not be. No United States political or economic conditions should be attached to this aid. However, policy decisions with respect to percentage contributions and distinctions among international funds or consortiums would continue to be made by the Congress. It is not suggested that this type of aid is incompatible with basic U.S. interests, only that it is of less immediate significance than bilateral aid. Although United States aid would go into both bilateral and multilateral programs, so far as recipients of aid from either source are concerned, it should be clear that it pays more to be at the receiving end of the U.S. bilateral funnel than at the receiving end of the international funnel.

II. A second reform which would do much to enhance Congressional control over United States aid programs and give the administrators more freedom to plan ahead would be to make both authorizations and appropriations extend over a two-year period. Surely it is enough that these programs be looked at only once each Congress, rather than once every year, especially if the look were more thorough. In 1963 Congress began consideration of foreign aid in April and finished its work after Christmas. If this were to become an annual habit, it could be disastrous. The practice tends to make administrators out of Congressmen and lackeys out of administrators -- hardly the representative form of government contemplated by the Founding Fathers.

There is no Constitutional reason why authorizing legislation as well as appropriations must be on an annual basis. To achieve

two-year programs with a minimum of friction it would be necessary to work out a modus operandi between Congressional authorization and appropriation committees so that policy and jurisdictional problems could be minimized. This is little more than is asked of states receiving aid -- they are expected to plan at least two years ahead.

Surely a careful look at limited programs every two years would give Congress a greater policy role than it now has when it takes a necessarily more superficial look at an omnibus program every year.

III. To suggest that aid programs be divided into three parts does not mean that the compartments can be watertight. What international agencies do has a direct bearing on what the United States might do on a bilateral basis. What is done in a military program has an impact upon what may be done on a bilateral economic program. It seems essential, therefore, that whatever legislative distinctions may be developed as between these programs, there must be top level control at one place in Washington. Since this control will need to be exercised principally with respect to the bilateral programs of military and economic assistance, the control must come from a high level, meaning either the Office of the President or the Secretary of State. Present legislative provisions should be continued and perhaps strengthened. They now give the Secretary of State definitive control over policy respecting countries which are to receive military assistance, the Ambassador control over policy matters within countries receiving military aid, and the Secretary of Defense and his representatives control over the administration of the military programs and their integration with United States forces and goals.

IV. Although it has been suggested herein that aid to be effective as a political instrument must be limited in the number of countries receiving aid, consideration might be given to providing each American Ambassador in a developing country with a modest aid fund under his direct control and responsibility. The size of the fund might vary from country to country depending on its size or economic condition. If an Ambassador is worth his salt he should be entrusted with a discretionary aid fund to be used for such public purposes as he believes will serve the interests of the United States in the country to which he is accredited. Much of the potential impact of small projects is now lost because projects promised by the Ambassador take months to clear with Washington and to begin to turn promise into reality.

V. Greater attention should be devoted to the regional integration of aid programs. AID missions are unavoidably country oriented. Thus the AID mission in country "A" provides funds to help that country become self-sufficient in rice. Thereupon, the AID mission in country "B" provides funds for diversification of crops because country "A" no longer buys rice. Or the AID mission in country "A" encourages creation of local facilities to process rubber, thus seriously damaging the earning capacity of processing facilities in country "B", which then needs more foreign aid.

Aid is a relatively new political instrument which the United States now has available for use in its efforts to influence people and nations not under United States control to conduct themselves in such ways as - at a minimum - not to damage our way of life and, preferably, to promote it.

The United States has not become accustomed to the use of this instrument of power and persuasion. Its use has often been so indiscriminate as to render aid useless as a political instrument abroad and to undermine its political support at home.

The effectiveness of aid programs in advancing the foreign policy interests of the United States is not solely a matter of size, which is now the focus of annual debate. It is a matter of style in use, skill in administration, and constancy in purpose.

Sincerely yours,

A handwritten signature in cursive script that reads "Carl".

Carl Marcy

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