

Selim Jahan

THE U.S. FOREIGN AID POLICY IN THE NINTIES

I. INTRODUCTION

Since the Second World War, the U.S. foreign assistance programme has been a major building block of the country's overall foreign policy. Historically, foreign aid has been used to promote a wide range of key U. S. interests in the security, political, economical and humanitarian areas. But in all these years, the predominant characteristics of the U.S. foreign aid has been its support for strategies closely linked to the Cold War issues and the American-Soviet confrontation in Europe and the Third World. In the decade of nineties, a new scenario has emerged with the breaking up of the former Soviet Union, end of the Cold War, changes in Eastern Europe and the new dynamics in the U.S. domestic, political, economic and social scene. As a result, the framework and the forces which so far have determined the U.S. foreign policy in general and its foreign assistance programme in particular seem to have assumed a shifted dimension. A fundamental issue thus remains to be explored as to how the U.S. foreign policy process deals and shapes the country's foreign assistance program in the 1990s.

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Given the broader question raised above there are fundamental issues regarding government institutions and processes with respect to the U.S. foreign aid policy in the nineties. With regard to goals, the perception of U.S. foreign policy makers about the future world order and the role of U.S. in it the question of substantial reexamination and redefinition of the major purposes and priorities of the U.S. foreign assistance programme and the whole concept of isolationism with its implications for this programme are some of the major issues. As far as institutions are concerned, the historic role of different entities such as the executive branch, the Congress, government agencies, non-government policy players, various lobbies, public opinions, the U.S. allies, the intellectual academics, and the think tanks in determining the U.S. foreign aid policy should be assessed. One important question in this regard is whether there are going to be changes in these respective roles in the nineties. With regard to the process, the nature of interactions among primary actors involved in the U.S. foreign aid policy, the rules - both visible and invisible - of this interaction game and the probable future scenario in these respects are to be examined. All these issues form the core of the topic are proposed to be examined in the present paper.

At this point of time, there are four major problems in predicting the probable U.S. foreign aid policy in the 1990s. First, with the end of the cold war, which has previously been the guiding light for the U.S. foreign policy, the overall foreign policy itself is in a fluid state. Therefore, it is very difficult to find a sense of direction with regard to the country's foreign aid policy. Second, the domestic economy has been troubled for quite sometime with a long recession. This has created an anti-foreign aid sentiment among the American people and the policy makers. It is not clear whether it is a short-term phenomenon or a long-term trend. Thus, a correct prediction about the future U.S. foreign assistance program has become more problematic. Third, the year 1992 is an election year. Therefore, in order to favou-

rably accommodate the sentiments of their constituents, both the Presidential and the congressional candidates are simply reacting to the public opinion, rather than suggesting any future initiatives with regard to foreign aid. Under these circumstances, even educated guesses are difficult. Fourth, in such a situation, different people have quite different perspectives about the future of the U.S. foreign aid policy and one gets different pictures depending on whom one talks to. It is difficult to synthesize all these views, which sometimes are diametrically opposite, and to identify a definitive trend. An attempt in this direction is made in this paper, divided into four sections. The U.S. foreign aid policy will be evaluated from a historical perspective in Section II. The following section will attempt to analyze the nature and direction of the changing world in the decade of nineties. The question of the future U.S. foreign aid policy in this changed framework will be critically examined in Section IV. The final part will present the summary and conclusions.

II. THE U.S. FOREIGN AID POLICY IN A HISTORICAL PERSPECTIVE

Foreign Policy and Foreign Aid: An Inter-Linkage

Historically, the U.S. foreign assistance programme has always been regarded by the policy-makers as a significant tool promoting the country's foreign policy objectives. The issues of security of the U. S. and its allies, preservation of American interests globally and the maintenance of its super-power status have been the corner-stone of the U.S. foreign policy during the Second World War. Thus, the predominant characteristic of the U.S. foreign aid has been its support closely linked to the Cold War issues and the American-Soviet confrontation all over the world. The inter-linkage between the U.S. foreign policy and the country's foreign aid programme was best illustrated by the U.S. Agriculture Secretary Orville Freeman in the

sixties, 'Hungry people listen to a piece of bread. Food aid is a major tool in our foreign policy'.¹ Thus, during the last 45-year period after the Second World War, American economic and military aid totalling \$390 billion have supported over 100 countries in order to preserve the U.S. foreign policy interests all over the world, the core of which was to contain the threat of the Soviet-style communism posed to key allies of the U.S. Even non-military aid has tended to flow to nations that were viewed as counterweights to the expansion of communism.

Origin and Evolution of the U.S. Foreign Assistance Programme

The modern U.S. foreign aid programme started in the post Second World War era with the Marshall Plan, which helped to reconstruct and rebuild the war-torn Western Europe and also to contain the spread of communism. Under this plan, aid for Europe amounted to about \$30 billion and between 1948 and 1951, the Marshall Plan accounted for 1.5 percent of the American GDP.² The Marshall Plan was quite successful in blending the security and humanitarian goals, a phenomenon which became absent in later years.

In the fifties, there were attempts to replicate the Marshall Plan in different Asian, African and the Latin American countries with the primary idea of combatting communism. Throughout the whole Cold-War era, that focus did not change. In certain cases, priorities have been misplaced resulting in the misuse of foreign aid. President Kennedy in the sixties attempted to use the Marshall Plan as a model for the Third World development through major changes in foreign aid

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1. Presidential speech by the U.S. Agriculture Secretary at the Annual Conference of the Food and Agriculture Organization (FAO) in Rome, 1964.
 2. From personal interview with Charles Maier, Professor of History, Harvard University.

including the passage of the 1961 Foreign Aid Authorization Act (PL87-195). This Act still governs the assistance policy.

Between 1946 and 1952, Europe was the dominant recipient of the U.S. foreign aid with the total assistance averaging \$32 billion per year. With the U.S. involvement in Vietnam, Asia became the prime focus of the U.S. aid during the time period 1953-74 with the total assistance averaging \$22 billion per year. Between 1974-89, Israel and Egypt have been the primary recipients with the total assistance averaging \$16 billion per year. There were spurts in aid to Latin America associated with the Alliance of Progress 1962-67 and in the 1980s to Central America. There was a 40 percent reduction in aid to Latin America between 1985 and 1988. Assistance to Africa, which began to grow in 1976, also suffered a major cutback of 55 percent during the same period.³

Nature and Magnitude of U.S. Foreign Aid

A look at the history of the U.S. foreign assistance programme reveals that between 1946 and 1991, the volume of the U.S. foreign aid, whether looked upon in total or in terms of different regions of the world, shows a continuous downward trend. As a result, in 1992 even though the U.S. remains the largest donor in absolute terms, it ranks lower than most of the other industrialized nations in terms of the percentage of its GNP that it spends to help needy nations. Thus with its aid/GNP ratio being 0.21 compared to 1.17 for Norway, 0.55 for France, 0.44 for Canada, 0.31 for Japan, U.S. ranked last but one among the OECD countries.⁴

3. The President's Commission on the Management of the Aid Program, April, 1992, Annex C, p. 50. All the Dollar figures in this sub-section are expressed in 1989 constant Dollars.

4. UNDP (1992, p. 131).

The U.S. foreign assistance programme includes a variety of components: contributions to multilateral development institutions such as the World Bank, IMF, etc.; bilateral development assistance in support of project in individual countries; food aid; loans and grants under the Economic Support Fund (ESF); military transfers under the Military Assistance Programme (MAP) and credits for military transfers under the Foreign Military Sales (FMS) programme. In addition to these mainstream programmes, there are specialized programmes for peace-keeping operations (PKO), narcotic control efforts, refugee assistance, anti-terrorism measures, etc. Two observations may be made about these programmes - first, they comprise what is known as official assistance. But there are other private initiatives to help the needy all over the world. The present paper, however, concentrates only on official assistance. Second, the different components of the U.S. foreign assistance programme are handled by different institutions - for example, multilateral aid by the State Department, bilateral aid and ESF by USAID, MAP and FMS by the Department of Defense, etc.⁵ The planning for all these components is an inter-agency process that begins at least 18 months before the fiscal year in which they are scheduled to occur.

The historical downward trend in the U.S. foreign aid is attributed to a number of reasons - the domestic budgetary problem, the failure of aid to produce desired results, but most importantly, the perception among the American people and the policy makers that the American tax-payers money should be used more for the American people. On the budgetary side, the Gramm-Rudman-Hollings Act of 1985 designed to balance the budget has had a direct impact on foreign aid. Because of the Act, in 1986, the first year of the Act saw foreign aid falling by 13 percent below the 1985 level.⁶ President Kennedy's

5. In MAP, the State Department has a lead role with an Under-Secretary in charge.

6. Obey and Lancaster (1991), p. 143.

vision of the "ultimate day when all nations can be self-reliant and foreign aid will no longer be needed" remained as stubbornly elusive as ever. Some U.S. aid recipients such as South Korea, have made impressive progress. But in the majority of the Asian, African and the Latin American countries, in the absence of internal policy reforms, aid failed either to promote significant economic growth or to ensure long-term political stability. Rather, aid created a culture of aid dependence in these favoured nations and it provided a cushion for the state machinery for not undertaking necessary but politically unpalatable political or economic reform. The third issue mentioned earlier with regard to the downward trend in aid is best captured by what Matthew McHugh (D-NY), a member of the House Foreign Operations Appropriations Sub-committee, said, "the issue for long has not been what kind of foreign aid, but whether foreign aid".⁷

Even with a falling trend in the overall foreign aid programme of the U.S., the changes in the composition is quite interesting. If multilateral, bilateral, food aid and ESF is packaged together as economic aid and FMS and MAP as military assistance, it is observed that between 1981 and 1990, the share of economic aid has fallen from 67 percent to 64 percent, whereas the share of military aid has gone up from 30 to 34 percent. Furthermore, within the military aid, FMS accounts for more than 85 percent.⁸

The U.S. Foreign Aid Policy Till the Nineties - A Review

In all foreign policy statements, it has always been reiterated that the U.S. aid would go for upholding democracy and human rights, it would support the creation of open markets and open societies and it would enhance the global well-being. But in practice, the U.S. foreign assistance programme has historically suffered from several internal

7. Doherty (1992, p. 1354).

8. Knowles, pp. 6 and 7.

contradictions. Contrary to the policy statements, the U.S. had often gone to support military dictators, authoritarian governments and also the countries which have bad records of human rights violations.⁹ In 1956, the U.S. Secretary of State John Foster Dulles maintained that the U.S. did not have either permanent friends or permanent foes, but permanent interests. In a number of cases, there were problems in identifying real permanent interests of the U.S. and in other cases the perceived permanent interests were not the correct ones.¹⁰ Thus, foreign aid policy, often the interests of the recipients were easily forgotten. But one should remember that the U.S. interests can never be secured unless the recipients' interests are also taken into account.

Instead of creating market-based competitive forces in the recipient countries, the U.S. aid has often helped the expansion of markets for the U.S. multinationals. Even the humanitarian aid under PL-480 was no exception. In 1968, Senator McGovern remarked that those places, where people have learnt to consume U.S. food through its Food for Peace Program, would be the future U.S. food markets. A recent study for 34 U.S. aid recipients has indicated that out of each \$100 worth of aid, 69 percent comes back to the U.S. for importing machinery, technology and spare parts and 6 percent as fees for expatriate consultants.¹¹

Table 1 summarizes the U.S. bilateral assistance - both economic and military - by regions for the period 1946-1990. It presents a number of interesting points: first, the Marshall Plan was mainly geared to the needs of Europe. Second, all through the period 1946-90, Africa and Ocenia, which includes both Australia and New Zealand, were not significant U.S. aid recipients vis-a-vis other regions. Third, during the Mutual Security Act period of 1953-61,

9. For a detailed account of this issue, see Eberstadt (1988, p. 24).

10. See Eberstadt (1988, pp. 90-110) for examples on this issue.

11. Jahan (1991 a, p. 76).

Table 1
U.S. OVERSEAS BILATERAL ASSISTANCE, 1946-1990
(in million U.S.\$)

	Post-War Period 1946-48	Marshall Plan 1949-52	Mutual Security Act 1953-61	Foreign Assistance Act Period 1962-90	Total*
Economic Assistance					
Near East & South Asia	606.3	1334.2	7596.4	63472.6	69939.7
Latin America	98.2	97.7	1552.2	24811.1	25258.3
East Asia	1998.8	3044.4	7590.4	19838.2	31156.7
Africa	9.6	5.9	1105.8	18763.3	19157.2
Europe	8625.7	13648.2	4486.1	2917.8	29061.7
Ocenia and Others	16.4	8.4	47.0	935.3	1028.3
Military Assistance					
Near East & South Asia	267.2	1214.1	3379.5	62539.6	69340.6
Latin America	—	46.5	530.8	3745.1	4356.5
East Asia	214.0	805.9	6773.2	31877.6	39775.4
Africa	—	—	88.7	3180.9	3823.4
Europe	—	7821.2	6423.8	4756.1	18997.7
Ocenia and Others	—	—	32.1	96.9	121.9
Total Assistance					
Near East & South Asia	873.5	2548.3	10975.9	126012.2	139280.3
Latin America	98.2	144.2	2083.0	28556.2	29614.8
East Asia	2212.8	3850.3	14363.6	51715.8	70932.1
Africa	9.6	5.9	1194.5	21944.2	22980.6
Europe	8625.7	21469.4	10909.9	7673.9	48059.4
Ocenia and Others	16.4	8.4	79.1	1032.2	1150.2

Source: Office of Planning and Budgeting, Bureau for Program and Policy Coordination, USAID (1991), *U.S. Overseas Loans and Grants, July 1, 1945 - September 30, 1990*, Washington.

* Values in this column are net of de-obligations and cancellations.

both Near East and South Asia as well as East Asia received the bulk of U.S. aid because the first region includes countries like Israel, Egypt, Turkey, etc. whereas in the second region, there are countries like South Korea, Japan, Taiwan, Philippines, etc. All these countries were of critical importance to U.S. security interests. Fourth, Near East and South Asia surpassed any other region in terms of U.S. aid receipt during the Foreign Assistance Act period, 1962-90. The Arab-Israel wars in 1967 and 1973 and the volatile situation in the Middle East provide explanations for this phenomenon. Till the Cold War was over, the debate over foreign assistance was divided along ideological and partisan lines. The battle between those described as 'do-gooders', who supported higher levels of development and humanitarian aid and military hawks, who saw foreign aid primarily as a tool to promote security interests raged until the Cold War's end.

III. A CHANGING WORLD IN THE NINETIES

Global Geo-Political and Economic Changes

For over four decades, the fundamental ordering principles of international politics and economics remained static. Then the unimaginable happened. In 1989 and 1990, the 'post-war order' collapsed. The Soviet Union fostered the peaceful disintegration of the Eastern European bloc and a unified Germany came to dominate *Mittel Europa*. These changes in the core were paralleled by developments in the periphery. Civil wars and regional conflicts in Afghanistan, Indochina, Central America and Angola weakened even though there was a Gulf war. A global wave of popular unrest with authoritarian rule of the right and the left imperiled long established, oppressive regimes in Asia, Latin America and Africa. Apartheid in South Africa came to an end and there was a cry for democracy and human rights all over the world. The climax of the situation was reached with the breaking-up of the Soviet Union in 1991. With that ended the era of Cold-War and the existence of two super-powers.

With the above changed geo-political scenario, there were new directions in the global economic framework and relations as well. The economic relations among the Western nations came under increasing strain. Conflicts among the advanced industrial nations over trade, finance and the military burden threatened the open Western economic order. Among the developing nations, even as the 'East Asian Tigers' experienced unprecedented growth and prosperity, the economic condition in the Third World, in general, deteriorated.¹² As indicated by the UNDP's Human Development Report (1992), the inequality between the developed and the developing countries has widened. The differences between these two world on trade and environmental issues have sharpened which has encouraged the developing nations to explore the possibility of both political and economic regional blocs.

The Changing U.S. Foreign Policy in the Nineties

It is hard to put an exact date on it, but sometime over the summer of 1991, foreign policy just vanished from the American political debate, as though it were some fad that went out of style,¹³ On February 24, 1992, the New Republic carried out the cover story as "What Foreign Policy?" All these highlight the point that the U.S. foreign policy in recent time is passing through a vacuum, which was mostly created by the end of the Cold War and the breakup of the Soviet Union. This is because both these formed the center-stage of the U.S. foreign policy. The absence of any definite foreign policy is also due to a fatigue out of the Gulf War, emergence of one of the longest recessions since the Second World War and also a conspiracy of both the Republicans and the Democrats that this would serve their political interests. Experts have indicated what golden opportunities have been missed by the U.S. in shaping its foreign policy in the most

12. For a detailed account on this point, see World Bank (1992).

13. Friedman (1992, p. E2).

optimum way at an important juncture of history.¹⁴ A chance to shape history seems to be being lost in an election year. All these have important implications on the country's foreign aid policy and the absence of a well-defined overall foreign policy results in a lack of a sense of direction of the U.S. foreign aid policy too. In both cases, there seems to be an absence of vision on the part of both the President and the Congress.

On the economic front, the U.S. is currently passing through a tough time. The economy is in one of the longest recessions since the Second World War with a 7.5 percent unemployment rate, a budget deficit more than \$300 billion and a GNP growth rate of about 2 percent.¹⁵ Under such circumstances as a national response to the problems, such slogans as 'America First' or such ideas as 'isolationism' have become quite popular. But the question here is that first, the global economy has become more and more inter-linked and second, the U.S. economy is largely internationalized by any standard. Thus isolationism cannot create the dynamics of growth in this economy. But this open truth is not being placed on the table by either the majority of politicians or the policy-makers because 1992 is an election year.¹⁶ Most of them are following the mood of the people rather than taking bold initiatives in the international economic arena including foreign aid. There seems to be serious tensions in the U.S. social scenario in the nineties. During the eighties, the income inequality among various social classes has widened. Both the education and the health care system have failed to cater to the needs of the people. Poverty and frustration have led to increasing crimes.

14. Gergen (1992).

15. During the Bush Administration, the real GDP growth averaged less than 1 percent per annum. The figures here represent the 1992 situation. See Knowles (1991, p. 32).

16. The Democratic Presidential candidate Governor Bill Clinton, however, is pushing the point of international responsibility of the U.S.

Tensions among races seem to be leading to hatred and conflict. The recent Los Angeles incident raises some fundamental questions about the stability of the U.S. social fabric.

The Present U.S. Foreign Aid Scenario

For the past three years, concerns have been expressed with regard to a long over-due need for substantial reexamination and redefinition of its major goals and purposes as well as with its management. In the words of Senator Patrick J. Leahy (D-Vermont), Chairman of the Senate Foreign Operations Appropriations Sub-Committee, "there must be a substantive bottom-up review of foreign aid such as is being attempted for the U.S. defense and the intelligence policies in the wake of communism's demise."¹⁷

Given the above perspective, there seems to be one mainstream trend of thought with regard to foreign aid followed by two weak ones. The mainstream idea is shared by the Congress and the general people. It maintains that with the end of the Cold War, foreign aid has lost its sense of purpose and secondly, during a recession year, resources must be directed to the domestic economy rather than across the border. With the lingering weakening of the economy, opposition to foreign aid increasingly cut across partisan and philosophical lines. Furthermore, there is a growing sentiment in the Congress that foreign aid has lost its strategic rationale now that it is no longer driven by the Cold War's imperative to counter communism at every international outpost. Even the issue of development assistance has been attacked as a wasteful extravagance that 'exports American tax dollars'. Because of such a consensus, there is no new appropriating legislation in the Congress and the whole foreign assistance program is limping along this year on a continuing resolution. According to the Appropriate Committees, another such stopgap funding bill may be inevitable for

17. Sub-Committee Hearing, April 6, 1992.

fiscal 1993. "In 1994", said William S. Broomfield (R-Michigan), the ranking minority member of the House Foreign Affairs Committee, "the programme could be vulnerable to deep cuts with the expiration of budget rules that not prohibit shifting funds from international and domestic programmes."¹⁸

The second weak trend can basically be attributed to the intellectuals and also to some Congress members. They believe that in the changed global premise foreign aid has a new role to play and hence it should take new forms. "With the superpower thing over," says McHugh, "there is a whole new opportunity to develop a broader consensus."¹⁹ The third school feels that it is premature to abandon long-standing U.S. security interests and challenges. This view is shared by hawkish academics and politicians.²⁰ They envision that there can be revival of older threats and there may be new threats which may jeopardize the 'order' that U.S. would like to maintain. Thus, although the Congress has cut military aid substantially since the mid-1980s, nearly half of the \$15.7 billion aid budget for 1992 is going to military assistance, which finances weaponry, and to security-related economic aid.²¹

The problems with foreign aid extend well beyond the nation's economic woes and the Congress's election year flirtation with isola-

18. Doherty (1992, p. 1351).

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17. Sub-Committee Hearing, April 6, 1992.

18. Doherty (1992, p. 1351).

19. Sub-Committee Hearing, April 6, 1992.

20. See the recent study on U.S. Foreign Aid by the Institute for the Study of Diplomacy, Georgetown University, June 5, 1992.

21. Doherty (1992, p. 1351).

tionism. The Presidential Commission on the Management of the AID Programmes has sharply criticized the agency for its sloppy management. Furthermore, it has been maintained that there are too many AID objectives, some of which are even outdated. Although the executive branch has called for revamping foreign aid, it has concentrated its political energy on narrower endeavours, such as the effort to pass a stand-alone package of aid for the republics of the former Soviet Union. And that has also been done after prodding by an ex-President and others. In an election year with deep recessions, the administration seems to be cautious as not to enrage the public mood. But sometimes that seems to be stretched too far when the U.S. fails to pay its subscription to different multilateral agencies including the UN and IMF. The fundamental problem appears to be the absence of a global and long-term vision on the part of the administration with regard to foreign aid in the post-Cold War era.

Apart from budgeting, the phenomenon of divided government, like in other areas, created little problems with regard to foreign aid. This is because both the executive branch and the Congress normally attempt to respond to the public mood rather than initiate something new. Therefore, the ideological differences on this issue remains undercover in the desire to maintain political interests. In earlier years, during the Cold War era, the debate over foreign assistance was divided along ideological and partisan lines. The whole phenomenon is also reflected in the budget as well. Thus, while in 1977, with regard to foreign assistance programmes the percentage variations of congressional authorization and congressional appropriations for the executive branch requests were - 34 percent and - 70 percent respectively, in 1991 the comparable numbers were - 6 percent and - 12 percent.²² Within the Congress itself, inspite of ideological differences since each side had a programme, there usually used to be

22. Office of Management and Budget through personal interviews.

enough support to approve a foreign aid bill. That is no longer true in recent times. Even though there were much talks on overhauling the foreign aid programme both within the Congress and the executive, little progress has been made. In the Congress, a special task force was formed in 1989 within the House Foreign Affairs Committee with a broad mandate. The task force was to rewrite the foreign assistance laws, reduce earmarks, eliminate restrictions, ensure greater accountability and reduce the numbers of foreign assistance objectives to a small number of clear, well-defined objectives. The whole effort put in the form of a Bill (HR-2655) was approved in the House, but the Senate failed to act on it. Again in 1991, new initiatives were undertaken in this regard. Unfortunately, this attempt also did not make much progress in the Congress. The President in September, 1991 formed a Commission on the Management of AID Programmes. The mandate of the Commission was to come up with an action plan. Both the Congressional Task Force and the President's Commission concluded that foreign assistance is vital to promoting U.S. foreign policy and domestic interests, but the programme is hamstrung by too many conflicting objectives, legislative conditions, earmarks and bureaucratic red tape. The suggestion was that the administration and Congress should redefine foreign assistance objectives with clearly defined priorities and adequate resources.

A look at the composition of the 1992 foreign assistance programme indicates that military aid still accounts for 30.7 percent of the U.S. foreign aid, followed by 19.9 percent by ESF, 16.5 percent by bilateral development assistance, 12.5 percent in multilateral aid, 8.6 percent in food aid. And in terms of regions, the Middle East received 46.6 percent of the American aid, Europe 13.7 percent, Latin America 19 percent, Asia 11.5 percent and Africa 9.2 percent. Among individual countries, Israel tops the list with \$3 billion, followed by Egypt with \$2.3 billion and Turkey remaining at a distant third with \$0.7 billion.²³

23. The percentages of different categories of aid do not add up to 100 because 'other economic aid' accounts for 9.7 percent and 2.1 percent for special assistance initiative. See Knowles (1991, p. 7).

In a broader sense, the U.S. foreign aid policy in 1992 contains many of the same elements that used to characterize it during the pre-Cold War years. Its major outlays are still driven by security concerns. Military aid accounts for nearly one-third of the total, \$1.6 billion go to countries providing the U.S. with foreign military bases, and Israel and Egypt continue to be the major recipients of the U.S. aid. There are, however, some new elements too. Bilateral assistance to the Eastern Europe has grown to \$370 million in 1992. Foreign aid debts were forgiven in a number of Latin American and the Caribbean countries and debt relief was extended to such countries as Egypt and Poland.²⁴

It is evident that the U.S. security commitment both to Asia and Africa have declined in lower shares of those two continents in U.S. aid. This is because the poverty-strapped Asian and African countries, which at one time were regarded as indispensable U.S. allies against communism, have lost their strategic importance in the post-Cold War era. In the African case, the security-motivated aid has produced a dismal balance sheet whereas each of the leading African recipients is an economic and political basket case. There is little evidence that assistance did anything to promote economic growth or political stability in any of those favoured nations. Today debates over foreign aid tend to be more sedate, with little of the raw ideological anger that characterized the Cold War struggles. The Congressional support has sagged and it has failed to clear an authorization bill since 1985 and an appropriation bill since 1990. Last year marked the first time in two decades that the Congress concluded a session without approving either one.

Assessment of Assistance Needs and the Issue of Trade vs. Aid

With the changing global situation, there would be more pressing needs for U.S. aid in Eastern Europe and the republics of the former

24. Knowles (1991, p. 3).

Soviet Union. They would need humanitarian aid to feed their people, project aid for rebuilding their economy and technical assistance to develop their democratic institutions and to make transition to open market economics. This new scenario presents lots of concerns for the Third World countries, who fear that they could be written off the agenda. They feel that since the Eastern Europe and the former Soviet Union are more important to U.S. interests in terms of both security and economic considerations, they might have to face an uneven competition for the U.S. aid. But it is to be stressed here that in a number of developing countries, the reforms towards democracy and open market cannot be implemented without the proper kind of aid package from the U.S.

Often it is argued that resources could be transferred to the Third World countries through trade rather than aid. Two observations can be made about this. First, with huge differences in initial endowments, the Third World countries cannot have an even trade with the developed countries. Second, with all kinds of trade barriers against the export from the developing countries how can resources be transferred? Such trade barriers deprive the developing world \$500 billion worth of resource transfer ever year.²⁵ Under such circumstances, the need for aid to the Third World cannot be underestimated. However, efforts should be made to remove trade barriers against the developing nations so that in the long run, they can benefit from free trade.

IV. THE FUTURE U.S. FOREIGN AID POLICY

The U.S. Foreign Policy in the Nineties

As has already been indicated, the U.S. foreign policy is now in a vacuum and there is much uncertainty about its future directions. One

25. UNDP (1992, p. 14).

reason for this vacuum is the fact that the U.S. foreign policy has so long critically hinged on such themes as Cold War and Super-power rivalry and that in the absence of those things the U.S. is yet to have a full grasp of the new realities, redefine its position and act accordingly. The second reason for a passive foreign policy is that the U.S. believes 'the Cold-War has been won' and since with it the defeat of the values which the U.S. does not stand for has been ensured, it has ensured its supremacy in the world.²⁶ The third reason is the fact that 1992 is an election year and the domestic economy is in a bad shape, the energies and focus of both the executive and the Congress are concentrated on domestic issues.

The static situation is going to change in the aftermath of the Presidential election. After that whoever is elected the President, he will have to realize the following facts: for the last one and half year, because of inactiveness in the foreign policy, the U.S. has missed a number of opportunities to consolidate the benefits of the end of the Cold War to put U.S. in a more leadership position in the new scenario and also to stand for values it believes in. With that in mind the President has to enter a new equation with Congress under which it must be impressed upon that for a Congressman the constituency is a domestic one, but for the U.S., the whole world is its constituency. Therefore, for a number of strategic geopolitical and economic reasons vital for the U.S. interests, it has to initiate an active policy rather than responding to the public opinion. When the election pressure and hopefully the recession is over, it will be an easy task at that time to pursue an active policy. Recently Jeane Kirkpatrick has said, "the U.S. must have a foreign policy which the American people understand."²⁷ But looking at history, it seems that the American people will support a foreign policy which enhances the image of the

26. President's State of the Union Address before the Congress, January 28, 1992.

27. Personal interview with Ms. Jeane Kirkpatrick, March 12, 1992.

U.S. to the rest of the world, which puts the country at the top of the nations and which consolidates the U.S. interests and values in outside world even if they do not understand it.

Given the above perspective, the notion of 'isolationism' seems to be an immediate transitory phenomenon. As a superpower, the U.S. has been critically linked to the rest of the world geo-politically and secondly, its economy is internationalized. Thus, it cannot isolate itself either politically or economically even in the short-term. Rather, in the new situation, it must identify its strategic position, as has been suggested by the Heritage Foundation Study, as the only superpower and the leader of the World.²⁸

One critical question about the future U.S. foreign policy is what will be its nature. First, even with the end of the Cold War, there will be some security concerns on the part of the U.S. There may be some perception of security threats either from Russia or an unified Germany. It is evident in the nature of the current U.S. military expenditures. Second, the U.S. foreign policy can be too concerned with Russia and the Eastern Europe and in the process, the Third World may be forgotten. Third, economic issues such as trading blocs or trade wars will be major concerns of the U.S. foreign policy. A number of observations should be made about this scenario. One, the traditional concept of security must be abandoned. Security today means security of the people in terms of meeting their basic needs, environmental security, security in terms of social stability. The U.S. foreign policy should concentrate more on these rather than narrow military security. Second, on the Russian front, the U.S. policy should be to help them consolidate their newly earned democracy and freedom. Since Russia and the Eastern Europe is eager to have a peaceful coexistence, the U.S. must respond to it. Third, the U.S.

28. The Heritage Foundation (1992, p. 22).

cannot treat the Third World as the forgotten world. With all its human, political and economic problems, it is just like an explosive time bomb. If the U.S. policy cannot ensure its stability, the global stability will be a distant dream. Furthermore, a neglect of the Third World may lead to regional political/economic blocs which may pose threat not only to the U.S. foreign policy but also to the global security. Fourth, there should be definitive foreign policy objectives *vis-a-vis* Japan, which is becoming dominant geo-politically in addition to being economically prominent.

There must be an objective assessment of the global and domestic situations on the part of the U.S. On the basis of that, America should come up with a clear foreign policy direction which, in addition to addressing the American interests, will also ensure prosperity of the rest of the world, peaceful co-existence and global environmental security. Given the disappearance of the overriding Soviet threats and with multiple pressures and interests at play, this definitely is not an easy task. But with proper commitment, sincerity and an appreciation of its responsibility to the rest of the world, it is not impossible either.

Goals and Priorities of the Future Aid Policy

The future U.S. foreign aid programme will have two aspects worth of analysis. The first one is the policy issues and the second one is budget. Of course, these will be interdependent, each having implications on the other. In terms of future goals of the U.S. aid programme, a number of new directions may come into picture. A new mission may be proposed to make international assistance more of an instrument to promote U.S. exports. The 'Aid for Trade' will require increasing the percentage of aid directed toward expensive physical infrastructure projects. Similar proposals have drawn support to increase the share of exports shipped on U.S. vessels. In addition, there have been proposals that a great share of economic assistance

should be provided in the form of credits, to be spent in the U.S., rather than in cash. That has prompted speculation that the old division between pro-development liberal and military aid hawks might ultimately be replaced by a split between the 'do-gooders' and 'trade hawks.' A radically different approach is being proposed which would focus on a multilateral approach to problems that transcend national borders such as drug, debt, AIDS and environmental degradation. Senator Al Gore (D-Tenn) has proposed a 'global Marshall Plan' aimed at environmental issues which is expected to help poor nations achieve sustainable development. A number of aid experts have been arguing that in the case of foreign aid "the real issue is the excessive claims made by the proponents of aid and the one-sided distribution of it that they advocate."²⁹ According to them, aid must be deployed where it can do the most good in enhancing American interests as well as the interests of the recipients and also in upholding such American values as democracy, open market, open society, etc. Another group suggests that international aid must be replaced by internal aid with the federal government helping the local governments more and more. For example, in November, 1991, the Senate leaders proposed that by freezing foreign aid for the next five years, the costs of long-term unemployment benefit should be covered. The Heritage Foundation has recommended that except for rare cases when charity is called for, foreign aid should be used solely to stimulate private investment. Some of the programme's perennial opponents have urged that foreign aid be eliminated completely, although that option has attracted little serious attention.

With regard to 'aid for trade', the problem is that large scale projects would not benefit the poorest section of the society. In fact, the UNDP, which has long pressed for higher levels of aid, said recently the lowering trade barriers would help poor countries more

29. Kissinger (1992, p. A17).

than giving them aid. Trade restrictions cost the developing countries 10 times what they receive in foreign assistance.³⁰ With regard to using U.S. aid for protecting American interests, three observations can be made. First, aid by itself does not guarantee democracy or open-market. Assistance must be accompanied by internal political and economic reforms. Second, the Third World nations which are making efforts to improve their situations must be helped through U.S. foreign assistance. Third, there must be proper monitoring of U.S. aid whether it is producing the desired results.

Institutions and Processes of the Future U.S. Aid Programme

With regard to too many objectives of U.S. foreign aid, the situation has worsened over the years. Succeeding Congresses and Administrations, prodded by the dominant crises - and interest groups - of the moment, have piled differing and often conflicting foreign assistance objectives on top of each other. This has led to the misuse of the aid programme and also reduced the effectiveness of it. The Congress has amended the Foreign Assistance Act with so many objectives and the Presidential Commission has suggested the merger of AID with the State Department. Both the executive branch and the Congress must work together for an overhauling of the aid program.

The 'tied-aid' bill is sponsored by several committee chairmen, including David Boren (D-Okla) of Intelligence, Lloyd Bentsen (D-Texas) of Finance and Robert Byrd (D-W. Va) of Appropriations. The Administration has opposed it on the ground that it would restrict the President's ability to formulate foreign policy and could crowd out funding for important bilateral programmes.

In the mismanagement of the aid programme, the Congress must also take its share of responsibility. The process of 'earmarking' is

30. UNDP (1992, p. 142).

also shaped by the political clout of organizations that lobby on behalf of a handful of favoured countries.³¹ In the continuing resolution that is funding foreign operations this year, earmarked aid accounts for more than 95 percent of military assistance. 'Earmarking' can be a Congressional prerogative but as Rep. David Obey (D-Wis) insists every country should be objectively scrutinized in a full scale review of foreign aid. If that is done, there may be changes in recipients as well as programmes of U.S. foreign aid.

Historically, foreign aid has been viewed as a duty of congressional statesmanship. Today there appears to be little commitment among the leadership to revitalize the programme. The once-influential authorizing committees for foreign assistance - the House Foreign Affairs Committee and the Senate Foreign Relations Committee have seen their relevance decline as they have failed for years to win enactment of a foreign aid bill. As a result of the leadership void, foreign aid has fallen largely under the control of the Appropriations Committee, which has altered funding priorities over the years towards refugee and children programmes. Rep. David Obey (D-Wis), Chairman of the House Foreign Operations Appropriations Sub-Committee denounces waste in foreign aid and as a consequence since 1985 foreign assistance funding has been cut by about 20 percent from \$19.5 billion to \$15.7 billion in 1992.³² Unless a motivating goal for foreign aid is found and its tangled management is repaired, the programme will continue to atrophy. President Bush proposed a revamping of the programme last year. But his plan, unabashedly intended to shift discretion over foreign aid spending from the Congress to the executive branch, languished after the admi-

31. Congress often requires the administration to provide certain levels of funding for specific countries and programmes. This process is known as 'earmarking'.

32. Doherty (1992, p. 1357).

nistration expended little evident effort to advance it. While the Pentagon has a domestic constituency because of defense-related jobs, there is no such political base to protect foreign aid.

Today the U.S. is channeling most of its foreign aid objectives like democracy, human rights, open markets through multilateral institutions like the World Bank, IMF, etc. These concepts have become the trademark of almost all multilateral organizations. Four observations should be made about this trend. First, these organizations instead of treating these ideas as means are treating them as ends. This is a wrong and a misleading approach. Second, whatever conditionalities the U.S. wants to have on the recipient countries, those are imposed through these organizations. Third, even though the U.S. is pushing its ideas through different multilateral organizations have to use somebody else's money to implement the U.S. ideology. Fourth, the whole process is damaging the credibility of the multilateral organizations as global non-partisan entities.

Often it has been mentioned that the post Cold-War peace dividend would be used for helping the poorer nations of the world. There are two issues involved here — one, nobody has a clear idea as to the magnitude of that peace dividend and second, even it is there, it may be used to handle the U.S. domestic problems. Furthermore, there does not seem to be any peace dividend emerging from the rest of the world. All the new ideas on future foreign aid, according to Senator Patrick Leahy (D-VT), should be discussed after the November election between the President and the key congressional members. The purpose will be to forge common ground on the enduring need for foreign aid.

SUMMARY AND CONCLUSIONS

In the preceding section, a number of aid proposals in the post-Cold-War world have been reported and interpreted. All these propo-

sals are within such broader objectives as democracy, open markets, human rights etc. But in order to pursue both these broader objectives as well as the narrower assistance goals, there have to be political, bureaucratic and social support. The value of democracy is shared by all Americans. The triumph of democracy over communism has convinced people that it is the best way for human progress and prosperity. Therefore, the issue of assisting the process of democratic transition in different parts of the world is not hard to sell. The recent pressure outside the executive and the Congress to provide aid to Russia is a classic example in this respect. The political process should take this opportunity to secure American interests by helping the democratic process all over the world. Both the executive branch and the Congress may take the lead in this respect.

With the breaking up of the former Soviet Union, the U.S. has emerged as the only superpower in the world. As the sole world leader, it will have to assume new responsibilities in building a new world order. A part of that responsibility is to assist the weaker nations. The Democratic Presidential candidate Governor Bill Clinton has already committed himself of this issue. As the Americans will understand the value of it, all other candidates will have to take a positive stand on this issue. A particular aspect of this phenomenon will be environment. Even though U.S. as of now has not taken its necessary global role, soon because of pressures from the environmentalist groups, it will have to take a more positive stand in that respect.

The question of open market is associated with such American values as individual opportunity and economic freedom. It is also vital for expanding the markets for U.S. products. In order to preserve the interests of their constituents, the Congressmen in the new Congress may take initiatives to capitalize market opportunities, specially in the Eastern Europe. They may propose increased aid to that region in

order to create the necessary markets for U.S. products. As far as trade is concerned, if multilateral negotiations fail, the U.S. may opt more for bilateral trade arrangements. The initiatives may come from the Office of the U.S. Trade Representative and those can be expected to be endorsed by the Congress as long as they are beneficial to U.S. economic interests. In this regard, specific attention may be given to the Latin American and the Central American countries. Such initiatives may get the support of the academics and the think tanks.

Several members of the Congress and specially the intellectuals and the media do not want the U.S. to assume the role of the world's policeman. They perceive a greater role for the UN system and the multilateral organizations. They visualize these entities as more effective organizations in the area of programming and implementing foreign assistance and they maintain that both the American values and interests can be preserved through these organizations without branding the U.S. as the 'bad guy'. Even the executive branch and the Congress may increasingly depend on multilateral approach to back countries pursuing some sound development initialization. As has already been mentioned in Section V, some influential Congressmen are working on such a theme.

The human rights interests in the aid policy will be pushed mainly by the liberal politicians, both in the executive and the Congress, and by different human rights lobbies. But it will have important implications for the U.S. foreign aid policy. Unlike the past, in the future, chances may be fewer that U.S. foreign assistance is supporting some autocratic regimes in the developing world. This is because there will be some alert watch dogs. It seems that the academic world and the media will pay a major role in the future in redefining the new U.S. aid policy, in working as a pressure group in the pursuance of that policy and in sensitizing and revitalizing both the executive and the Congress on this issue. This is because they have

already done some ground work on the probable nature of the future world order and the role of U.S. in it. The vital issue will, therefore, be whether the political process and the bureaucracy will rise to the occasion.

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