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1982 R L HOUGH

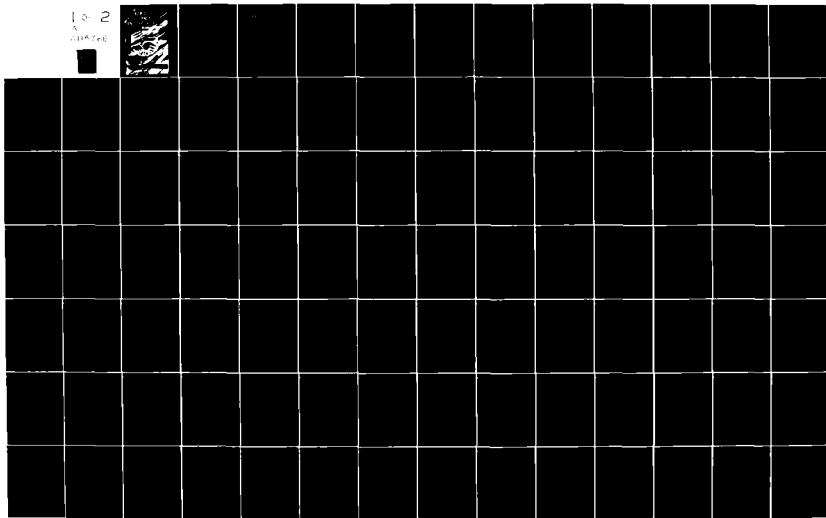
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Rethinking US Policy

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ECONOMIC ASSISTANCE AND SECURITY

Rethinking US Policy

by

Richard L. Hough
Agency for International Development

Senior Research Fellow
National Defense University

1982

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Foreword

Our security is menaced by many threats and hostile forces beyond those directly attributable to the Soviets—for example, the dangers to our economy that would arise from the exclusion of our trade from important markets and the disastrous consequences of excessive population growth in destabilizing the regions in which these markets are found.

General Maxwell D. Taylor
Washington Post, 2 November 1981

Thoughtful members of the national security affairs community recognize that a nation should not limit its concepts of national security to military manpower, hardware, strategies, and tactics. The National Defense University (NDU) is primarily responsible for exploring these important aspects of national security and, additionally, for cultivating in its students an appreciation for the economic, political, social, and cultural dimensions of security.

In pursuit of a better understanding of this broader concept of national security, the NDU Press is pleased to publish this volume on US security and foreign aid which was developed by a senior Agency for International Development official while he was an NDU Senior Research Fellow. Dr. Richard L. Hough points out that evolving Third World realities—such as the economic interdependence and destabilizing overpopulation cited by General Taylor—are redefining the environment which shapes US national security concerns. These realities may present challenges which do not require military responses. Thus the author calls for an expanded definition of national security—one that justifies US development assistance as in the interest of US security.

The author argues that the policy framework for US economic assistance needs new conceptualization. He views policy based principally on traditional humanitarian grounds as insufficient to achieve the US interests at stake in the Third World. Finally, the author proposes adjustments in US foreign aid programs designed to accommodate this new perspective on national security and economic assistance for the 1980s.

JOHN S. PUSTAY
Lieutenant General, USAF
President

The Author

Richard L. Hough wrote this book while a Senior Research Fellow at the National Defense University on detail from the Agency for International Development. His career has included numerous assignments as a Foreign Service Officer with AID abroad and in Washington, as well as a number of positions in academic institutions. His more recent assignments with AID were as a member of the Operations Appraisal Staff, as Deputy Director of the US AID Mission in the Dominican Republic, and as Assistant Director of Land Reform in Vietnam. He has also served in the Philippines, Japan, and the Republic of China. He is currently a Policy Consultant with the Africa Bureau of AID, and has recently completed assignments in the Third World countries of Niger and El Salvador.

On the academic side, Mr. Hough was an Adjunct Professor at the American University in 1979 and 1980. He also spent two years on the Faculty of the National War College (1975-1977), and was a Visiting Professor at the Fletcher School of Law and Diplomacy (1967-1969).

Mr. Hough received his BA and MA from the University of California (Berkeley) and his Doctorate in Political Science from UCLA.

Preface

The present endangered state of the foreign economic assistance programs of the US Government has in part stimulated my writing of this book. Congressional and public support for these programs, popularly referred to as "foreign aid," has generally dwindled over the past 15 years, and particularly in the last 2 or 3 years. Official Development Assistance (ODA) has gone down significantly, and Congress has become increasingly reluctant to approve any foreign aid appropriation bill. Continuing resolutions, which enable the assistance programs to operate at the levels of the previous fiscal year, appear to be becoming the rule rather than the exception.

Clearly, factors external to the role of such Executive Branch Agencies as the Agency for International Development and the Department of State loom large in explaining the decline in economic assistance levels. Foreign aid, in the eyes of many congressmen, gives way to domestic priorities, such as our economic problems of inflation, low growth rates, low productivity, and unemployment. The present drive to cut back Federal spending obviously increases the vulnerability of the foreign aid budget. However, I had to take such external factors pretty much as given, and instead focus on approaches to increase significantly the credibility and effectiveness of US economic assistance, principally with respect to its policy framework. This inquiry has led me to the view that our aid has become unduly fragmented into individual programs based on policies too narrowly and separately conceived; for example, Development Assistance programs are primarily justified on humanitarian grounds, while Economic Support Fund programs are justified almost solely on short-term security grounds.

But this is getting ahead of the story. The point that I want to make here is that this retrenchment in economic aid is holding sway at the very time when we should be refocusing our bilateral

Preface

economic assistance so that it addresses more effectively conditions in the great southern tier of developing nations, conditions which increasingly impinge on US security interests. In effect, this study is addressed to the gap, or incongruity, between program retrenchment and the press of Third World realities—such as the deadly triad of excessive population growth, deficit per capita food production, and environmental deterioration. These realities call for a more assertive and long-term security-oriented US foreign policy in the Third World, of which a reshaped and more ample economic assistance effort in the 1980s would certainly be an integral part.

The study itself derives essentially from three sources: (1) a distillation of my own 23 years of experience as a Foreign Service Officer in the Agency for International Development (AID); (2) interviews with some thirty officials in AID, the Department of State, the International Development Cooperation Agency (IDCA), and private organizations engaged in international development affairs; and (3) extensive research of secondary source materials, such as a wide array of AID and IDCA program documents and policy papers, congressional hearings and reports of various kinds, and what seemed to be an endless number of books and periodical, journal, and newspaper articles. Indeed, my extensive endnotes suggest that I over-researched my subject, if that is possible. I would add that I drew heavily on my own experience (and predilections) in setting out some of the central ideas and points that I felt deserved discussion, and that this experience derives essentially from the perspective of the field officer, not the Washington-based operator. The two live in quite different though overlapping worlds.

I am much indebted to the interviewees for their cooperation. The bountiful information and many insights which they provided eased substantially my own research and writing problems as the study took shape and major conclusions emerged. The interviewees are not, however, identified since I talked to them—some more than once—on a nonattribution basis, and I must respect the confidentiality that allowed these officials to speak so freely.

A special seminar cosponsored on March 9, 1981, by the National Defense University (NDU) and the Georgetown Center for Strategic and International Studies, discussed and critiqued

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the findings of my study. The seminar, under the able chairmanship of Ambassador Robert G. Neumann, proved to be an extremely useful means to surface soft spots, both factual and analytical, in the manuscript, and to clarify my own views on particularly crucial or controversial segments of the study where reasonable men might differ. I owe special thanks to the 15 members of the seminar for their contributions.*

Further, I especially would like to acknowledge the support of various individuals during the writing of this book. Joseph Wheeler, AID Deputy Administrator, and Charles Paolillo of the Overseas Development Council, read versions of the study in various stages and courteously gave me time out of their busy days for discussion and comment. Douglas Bennet, initially as AID Administrator and then as a member of the Editorial Advisory Board of the NDU Press, was a source of continuing support and encouragement for my project. He read the manuscript in its entirety, and the final version is no doubt a better product for his perceptive comments and criticisms. Jack Sullivan, also a recent senior AID official, was a constructive contributor of ideas and suggestions during the course of the study, but particularly in the period of preparing for the seminar. I am also indebted to Colonel Fred Kiley of NDU's Research Directorate. Colonel Kiley—running mate and editor extraordinary—read various parts of the manuscript and performed yeoman's service in editing and helping me structure the summary article which was used for the seminar.

* Seminar members were Lt Gen R. G. Gard, Jr., USA, former President, National Defense University; Douglas J. Bennet, Jr., former AID Administrator; Dr. Ellen L. Frost, Deputy Assistant Secretary of Defense, International Economic and Technology Affairs; Dr. Allan Goodman, School of Foreign Service, Georgetown University; Lt Gen Ernest Graves, USA, former Deputy Assistant Secretary of Defense (Security Assistance); Dr. Amos A. Jordan, Jr., Georgetown Center for Strategic and International Studies; Col Franklin D. Margiotta, USAF, Director, National Security Affairs Institute; Mr. Louis Mitchell, President, Trans-century Corporation; Mr. Robert R. Nathan, Robert R. Nathan Associates, Inc.; Mr. R. Thomas Rollis, Special Assistant to the AID Administrator; Ambassador Michael A. Samuels, Georgetown Center for Strategic and International Studies; Dr. Pedro San Juan, American Enterprise Institute; Ambassador Monteagle Stearns, former Vice President, National Defense University; Dr. John Sullivan, Vice President, Development Associates; and Dr. E. T. York, Consultant to the AID Administrator.

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Ambassador Monteagle Stearns, past Vice President of the National Defense University and now US Ambassador to Greece, was an active participant in reviews of the manuscript as well as an insightful critic. His personal interest and encouragement will, however, be particularly remembered.

This entire endeavor would not have been possible without the continuing support of Colonel Frank Margiotta, Director of the Research Directorate. He assisted me in countless ways over the period of 18 months of research and writing. His contributions covered the whole range of substantive and administrative matters and, needless to say, are deeply appreciated. I would be terribly remiss if I did not specially note the contributions of my editor, George Maerz, of NDU's Research Directorate. Mr. Maerz was with me from the beginning of the project. His careful and thoughtful editing, as well as his unfailing courtesy and patience, are marks of a quiet professionalism which though often admired are seldom recognized. Thanks also to Colonel Margiotta's entire staff, particularly Al Helder, editorial proofreader, and editorial clerk-typists Renee Williams, Laura Hall, and Dorothy Mack. Under the supervision of Lieutenant Commander Al McAloon, necessary services, which greatly facilitated my work, were provided in a timely and efficient manner, but also important, in a friendly atmosphere marked by a genuine desire to help.

Last, notwithstanding all the constructive support, suggestions, and ideas that have made this volume possible, I take full responsibility for the end product and any errors which may appear therein.

Richard Lee Hough
Fort Lesley J. McNair
Washington, DC

Introduction

The reader should be aware of what this study is, and what it is not. What follows is essentially a policy essay, not a program treatise. I put forth certain propositions concerning the changing national security environment of US foreign policy and how one instrument of that policy, US economic assistance, can function more effectively in that environment. Certain basic positions are taken which, although not held as gospel or absolute truths, do help to clarify preferred policy options and directions.

I would argue, for example, that the overall economic assistance program of the Agency for International Development (AID) is really not that far off the mark in its purposes, priorities, and specific goals in developing countries. Rather, if the present decline in public support for economic assistance is to be reversed, we have to look at its policy framework before we shift focus to the specific programs. In particular my central theme is the need for a reshaping of the policy framework so as to give it further reach to encompass changing Third World realities and the range of US interests involved; the US interests at stake thrust considerably beyond the humanitarian concerns that traditionally have provided so much of the basis for justifying our assistance. And a second theme, as part of the reshaping, is the need to use a broader, more inclusive and enlightened conception of national security; one which would place the justification of Development Assistance under the mantle of US security, at parity *prima facie* with the near-term, security-oriented Economic Support Fund.

The analysis and arguments that develop these central points are found in chapter 3, "The Policy Framework of US Economic Assistance," which is the key chapter of the entire volume. Chapters 1 and 2, "The Changing National Security Environment" and "The Program Framework of US Economic Assistance," essentially prepare the groundwork for building the prescriptive elements of chapter 3. Chapters 4, 5, and 6—"Program Issues," "Program Perspectives," and "Proposals for Change"—essentially draw out the program and policy implications of chapter 3.

Introduction

An underlying premise of the essay is that US economic assistance is fundamentally an instrument to encourage economic and social change—what we loosely call the development or modernization process—in the developing nations. But regardless of what term we use, what is called for is *change*—albeit constructive and more or less stable change, but change nevertheless. Our paramount concerns are the character, pace, and consequences of the change which is inevitable in any case; and whether it will be generally congenial, not hostile, to US interests and values. If one does not accept this premise, or denies that the United States can perform effectively as an agent of constructive change, then that person will likely not agree with much else that follows.

In the same vein, development basically is an internal process driven by the political will and collective talents of a nation, its people and government. Granting this premise, however, does not detract from the critical role of external economic and technical assistance; a steady flow of international resource transfers from public and private sources is required in the face of the desperate economic and financial conditions in many developing countries today and the global spread of economic interdependence.

The coverage of the study is selective. A number of important subjects related to economic assistance have been excluded, or covered only in passing, primarily because the purposes or logic of the study did not appear to require more. Thus I have either left out or only marginally addressed the role of Public Law 480 Surplus Food Programs, US bilateral assistance to middle-income countries, and organizational relations between the Agency for International Development, the Department of State, and the International Development Cooperation Agency (IDCA). Similarly, the appropriate role of US economic assistance within the ongoing North-South dialogue on changes in the international economic system is only peripherally discussed.

The critical question of insuring that our assistance reaches the poor beneficiary groups it is intended to reach is discussed only at a high level of generality. This is because the question essentially is a clinical one. There appears to be a thoroughgoing consensus, at least in AID, that our assistance strategies and programs must systematically promote complementary relations between equity and growth within the development process. The problem for us today would thus appear to be more practical

than conceptual; more clinical than philosophical. The challenge of learning how to do it, or to do it better, is primarily one of learning from experience, of evaluating "process" and "impact" in the local situation, not only of general policy discussion.

The national security rationale for US economic assistance developed in this study, particularly in chapter 1, clearly is relevant to a considerably broader array of problems facing US foreign policy, e.g., conventional arms sales to and military assistance agreements with Third World countries, or nuclear materials proliferation. However, such questions, much the same as the North-South dialogue, range considerably beyond the terms of the author's assignment.

Such labels as "Third World," "the developing world," and "the developing countries," appear throughout the text. Characterization of virtually two-thirds of the nations on this planet by such terminology is admittedly too loose and general, masking a multitude of differences between the nations so categorized. Though uncomfortable with the terms, particularly in light of the marked economic differentiation which has occurred among Third World countries over roughly the past decade, I can find no appropriate substitutes, leastwise for the purposes of this essay; I have attempted, however, to make distinctions in the text when required; for example, with reference to "non-oil-producing" and "least developed" Third World countries.

Yet, among the diverse and large number of countries in the "Third World" are common characteristics that still give the term meaning. The fact that many share a heritage of colonialism remains a potent factor in international politics. The fact that most Third World countries continue to cohere and act as a bloc through their own agency, the Group-of-77, on international economic issues and in United Nations fora, is also a matter of considerable moment. And the fact is, many of the southern Third World nations still share common problems of nation-building such as economic development and political identity—though with growing differences—in ways which distinguish them from the industrialized nations of the North.

We need greater realism in assessing the Soviet threat in the Third World. The evidence reflects increased Soviet activity and gains in a number of regions of the developing world. The un-

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stable, volatile nature of the modernization process itself, and related factors such as the endemic weakness and radicalism of Third World politics, will no doubt offer future opportunities for the Soviet Union and its friends to extend their power and influence. However, recognizing the threat should not mean imposing the US-Soviet contest on the Third World as the independent variable, so to speak. To do so risks a misdirection of our energies and resources toward problems only tangential to the underlying conditions which produce and aggravate the threat in the first place. Lest we forget, the Russians have also suffered major setbacks in prior years in Third World countries, as in Egypt and Indonesia.

We also need to redress the balance in the near term between US bilateral and multilateral assistance in favor of bilateral aid. I take this position not for ideological or philosophical reasons, but, given limited resources, for what I see as the present overriding priority of refurbishing and expanding our bilateral assistance programs as more flexible and responsive instruments of US foreign policy.

The test of the prescriptive elements in the last chapter and elsewhere in the study is, at least in part, their practicality. If the proposals for change are not amenable to application, then the merit of the work will be less; if some are actually used or tried, it will have been worth the candle. The idea has been to make a contribution.

Chapter 1

The Changing National Security Environment

The Seamless Web

The policy framework for US bilateral and multilateral economic assistance to developing countries, as prescribed by Congress and the Executive, traditionally has focused on both short-term national security goals and longer-term economic and social development goals. The security goals have changed with changing conditions in regions and countries which successive administrations have perceived as threatening our security. The development goals have rested largely on moral and humanitarian precepts, such as the present one of meeting the basic human needs of poor people—as well as on national interest arguments, such as protecting and expanding markets for US exports and securing access to strategic materials.

This study argues that this policy framework needs to be recast to better address present Third World realities. These realities increasingly impinge on US security and represent threats which are largely external to the conventional politico-military realms of international conflict.¹ These Third World realities include:

- The deadly triad of excessive population growth, deficit per capita food production, and environmental deterioration.
- The widening gap between the rich and poor nations.
- The movement toward authoritarian government.
- The conflicts between economic interdependence and the fragmentation of political power.
- Soviet exploitation of Third World disorders.
- The importance of Third World countries as major suppliers of strategic minerals.
- Oil dependency and longer-term competition for oil supplies.
- Emergence of the Third World as a major export market.²

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These realities penetrate one another; they reflect the proverbial seamless web.⁷ To elaborate on one way the dynamics of this interpenetration work, start with Soviet exploitation of unrest and disorder in Third World countries. The Soviet threat certainly feeds on the internal conditions of weak governments and economic underdevelopment. These conditions are at least in part produced, and perpetuated, by the political fragmentation—the explosion of nation-states—of the post-Colonial period and the large wealth/poverty gap between rich and poor nations. In turn, this gap is being widened dangerously by the economic deterioration in Third World countries generated by excessive population growth, food scarcity, and environmental degradation. These factors intensify the drives toward authoritarian government in developing countries struggling to cope with the imperatives of nation-building, modernization, and economic development. Authoritarian governments, characterized by weakness and instability, in turn accentuate the resource vulnerability in petroleum and other strategic minerals of the United States and the other industrial nations which we count as our allies. The oil dependency of Western industrial nations is but one thread of the growing economic interdependence among nations; the interdependence is also manifested in the dramatic emergence of the Third World as a major export market for Western products and services.

There are numerous other ways to describe how these Third World realities are inextricably interwoven and how they interact. One could cite numerous actual cases in the Third World where most if not all of these conditions are present. The important point, however, is to see the implications for US security interests which are involved. If we look more closely at each reality in turn, these implications become clear.

Population Growth, Food Production, and the Environment

Considered broadly, these three factors can interact either positively or negatively. Unfortunately, the predominant Third World pattern today is a negative one, a veritable "deadly triad" of excessive population growth, deficit food production, and environmental deterioration. For example, the voracious demand for firewood by that quarter of the world's population which depends on it for energy has caused deforestation across vast reaches of

the Indian subcontinent, Central America, West Africa, Indonesia, and the Amazon Basin.⁴ In turn, deforestation has caused flooding, soil erosion, and desert blight, gutting arable land of its fertility and productivity. The extensive practice, particularly on the subcontinent, of using manures and crop residues in place of scarce and expensive wood for domestic fuel needs also has reduced fertility by damaging soil quality and structure and by burning valuable nutrients and organic matter which should return to the earth.⁵ These practices continue to contribute in many Third World countries to levels of food production inadequate to meet consumption needs that escalate with exponential population growth. Food deficits and high prices for staple foods in turn trigger economic distress and political unrest that exacerbate the weaknesses and instabilities of Third World governments, which typically lack the will to deal effectively with serious problems such as deforestation, population growth, and food deficits. In effect, causation is circular.

Strategic US interests are no doubt at stake in regions and countries where this type of pattern is working its way out to perhaps disastrous conclusion. In the northwest highlands of Guatemala, for example, there has been apparent for at least a generation a deepening pattern of demographic pressures—the product of several factors: a 3 percent population growth rate; deterioration of the resource base—soil depletion, deforestation, and land fragmentation into smaller units; and inadequate food supplies with attendant widespread malnutrition. The consequence has been a progressive impoverishment of the Indians of the *Altiplano*, and an increasingly active political exploitation of their condition by antigovernment groups. The guerrillas, and other advocates of radical political change, are finding, by-and-large for the first time, a responsive audience among the heretofore politically quiescent Mayan Indians. The long-dormant political consciousness of the Indian population has also been pricked by other related factors, such as increased access to modern means of communications (e.g., transistor radios), greater physical mobility resulting from seasonal employment movement, more exposure to foreign ways and values in part produced by the major expansion of tourism in the 1970s, and the message of a more socially-active church. The highlands of Guatemala, already an area of advanced physical and ecological deterioration, are thus becoming an area of political deterioration as well.⁶

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In the face of the present civil turbulence and violence in Central America, the internal situation in Guatemala becomes increasingly difficult to contain or localize, as well as to change constructively. The erosion of political stability in Guatemala contributes to broader currents of tension, unrest, and conflict in Central America and the Caribbean basin as a whole. The situation thereby impinges on the many US security interests involved in this region, whose strategic or geopolitical importance to the United States is conveyed by its traditional characterization as the "front yard" of the United States.⁷

Further, excessive population growth rates generate large-scale population movements across national borders, creating an assortment of security-related problems for nations of entry such as the United States, Saudi Arabia, and the United Kingdom.⁸

The Widening Wealth/Poverty Gap

Excessive population growth also widens the income gap between the rich and poor nations. Ridker and Cecelski point out that

the growing gap between developed and developing countries is due in large part to the much more rapid population growth in developing countries which has greatly reduced the benefits of economic development. . . . Per capita food production in 1971-75 actually declined in Africa and Latin America, the regions with the highest annual population growth rates in this period (2.7 percent). Another illustration is provided by the case of the Aswan Dam in Egypt. When completed in 1970, the dam increased the country's arable land by a third (800,000 hectares). But because of population growth during the decade it took to build the dam, from 26 to 33 million, food output per capita has hardly improved at all.⁹

The wealth/poverty gap is a product of other factors besides differential population growth rates: e.g., educational levels and literacy rates, natural resource availabilities, differentials in health services, and earnings in international trade. Customary national and per capita income measures, though useful, do not adequately depict the gap.¹⁰ However, the gap is unquestionably wide and by most measures is growing wider. The Overseas Development Council points out, for example,

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If measured by income, the gap between developed and developing countries has widened over the last two decades. Per capita incomes have risen in the developed countries from \$1,407 to \$6,468, while those of the developing nations have increased from \$132 to \$597. In contrast, while the death rates of developed countries have remained constant at 9 per 1,000 between 1960 and 1980, the death rates of developing countries have fallen from 20 to 13 per 1,000 in the same period.¹¹

The extent of the gap can be seen through other indicators; note, for example, the large imbalances in the distribution of international reserves and of the value-added of primary exports between the developing and developed countries.¹² However measured, this gap—or gaps—is at the heart of the North-South dialogue on changes in the international economic system. Indeed, it was the long-range design of a group of Third World nations of progressively achieving a more equitable distribution of the world's wealth, or at least the economic opportunities to redress the present lopsided imbalances, which precipitated the dialogue. Now almost two decades old, this dialogue continues in multilateral organizations and negotiations.

The security implications of the wealth/poverty gap can be seen most clearly in this framework. First, a set of global problems of steadily increasing importance to the United States must be dealt with principally through multilateral diplomacy: international terrorism, nuclear materials proliferation, and the Law of the Sea. These problems cut across all countries and regions of the world and obviously bear significantly on US security concerns. Obtaining cooperation from Third World countries in grappling with these problems depends in some measure on reasonably forthcoming US responses to the wealth/poverty gap and other questions of central concern to Third World leaders. For example, the Third World would like to see US policies and programs on international trade that are more favorable to their own interests. "Linkage politics" on global issues of this character figure to be more significant in multilateral negotiations of the 1980s for two major reasons: the increasingly evident interrelatedness of the issues themselves, and the growing willingness and experience of Third World diplomats in consciously following linkage strategies. Indeed, considered positive responses by the United States and the other OECD (Organization of Economic Cooperation and

National Security Environment

Development) nations in the North-South dialogue could open up in the 1980s a substantially broader process of constructive multilateral diplomacy. An expanded process, dealing with other global issues as well, would be very much in our long-term security interests.

Second, one should not have to belabor the point that the wealth/poverty gap itself represents an overarching, long-term threat to US security. The extent and severity of the gap touch virtually all other major Third World issues facing US foreign policy; and further, unless the hopes and expectations of the increasingly politically conscious populations of the developing countries of *relatively* narrowing this gap are satisfied over time, the United States may not be able to protect and sustain its *own* quality of life. Although perhaps banal, the metaphor bears repeating that on our smaller and smaller planet "islands of wealth will be more and more in peril if surrounded by seas of poverty."

Authoritarian Patterns of Power

The dominant pattern of public power in the developing countries is authoritarian in character, albeit with significant distinctions between traditional and modern forms, or between relatively benign and harshly repressive ones. With some important exceptions, the interest and capacity of Third World leaders to create or sustain open, pluralistic societies appear sharply limited, at least during the unstable period of struggle for modernization and national identity. The fragility of political institutions and the divisions between subnational (ethnic, tribal, sectarian) groups are made more volatile by differential population growth rates" and the stresses of uneven and disruptive rates of social change. Political fragmentation is causally related to the centralized authority patterns characteristic of the developing countries today. To build and modernize a nation in the face of internal divisions and conflicts, or just to hold it together, the emergence of some type of authoritarian regime appears difficult to avoid.

Authoritarian regimes are significantly, though relatively, distinct from totalitarian regimes. Authoritarian power, however arbitrary and offensive its expression may be in particular fields, doesn't extend to every cell of social life, as totalitarian power does, or seeks to do. The strong-man rules in Indonesia and the Philippines, for example, are quite different in ideology and the

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scope of public authority from the totalitarian regimes in North Korea and Vietnam. Or put differently: authoritarian regimes are reversible. In the past decade, such regimes have been replaced by democratic ones in Greece, Portugal, Peru, and Ecuador. One would be hard put to find similar peaceful change from a totalitarian dictatorship to a democratic government.

This distinction is most relevant to Third World politics and raises a vital, long-term issue for US security: we must be interested in maintaining and promoting an international environment in which open societies can evolve, survive, and prosper; as against the spread of doctrinaire, closed societies and the adoption of totalitarian solutions to the massive problems of underdevelopment and poverty—solutions which are apt to be increasingly repressive and inhuman.

Raul Manglapus, the expatriate Filipino leader, argues that "American security is enhanced, not contradicted, by a ring of friendly democratic people,"¹⁴ and Warren Christopher, recent Deputy Secretary of State, similarly argues that "widening the circle of countries which share our human rights values is at the core of our security interests. Such nations make strong Allies."¹⁵

Although the strength of particular alliances between democratic nations will vary with such other factors as geography and the role of different national interests, Manglapus and Christopher are right in a very fundamental way in their assertions. For what is at stake is the kind of world order which evolves in the next 25 to 50 years—whether open, pluralistic social and economic structures and democratic governments will remain as major forces, or viable options, for the many and growing number of nation-states on the world scene. A large group of Third World nations now have hybrid, in many cases transitional political forms—e.g., authoritarian at the top, but more or less open to democratic participation and change at lower levels ("the one-party democracies"). The character of these nations' political evolution will be a major factor in ultimately answering this question. The contrast between present realities and the ideals and practices of an open society suggest both the nature of the threat and the challenges facing our Third World policies and programs.¹⁶

Economic Interdependence and Political Fragmentation

Our world has become progressively more integrated and interdependent in its economic and technological relations, while at the same time more diffuse and fragmented in its modal political jurisdiction, the nation-state. The complex problems and stresses produced by these two conflicting directions have profound implications for our national security.

Increased interdependence between nations is a product of a number of elements, not the least of which is the continuous worldwide diffusion of modern technologies in industry, communications, transportation, agriculture, education, and warfare. The dramatic global externalization of economic activity since World War II has also been a seminal cause of interdependence. In the 1950s and 60s, international trade grew roughly 50 percent faster than world production. This remarkable expansion of the international movement of goods and capital—which slowed somewhat in the 1970s—reflects the global spread of what a State Department report termed a “web of transactions, flows, and interactions in the realms of trade, resources, investment and money—a web in which virtually all countries are increasingly enmeshed. . . .”¹⁷ One major thread of this web is obviously resource dependencies, such as in petroleum products, which are at the heart of interdependent relations between many nations.

Specific dependencies among industrialized and developing nations vary considerably depending on numerous factors such as resource endowment and levels of economic development. The industrial nations have, for example, serious vulnerabilities with respect to the supply from foreign sources of petroleum and other mineral resources. However, even with this major exception, the character of interdependence between the industrial nations and the diverse countries of the developing world, though changing particularly in light of the growing economic differentiation which is now taking place among the latter countries, is still, in the aggregate, one of striking asymmetry.

Vast disparities in income, technology and skills, and modern institutions are basic asymmetries which mark the various forms of interpenetration between the nations of the industrial and developing worlds. There are an increasing number of roughly

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symmetrical relations, or two-way dependencies, in trade, technology, and investment, for example, between the United States and Mexico, Venezuela, and Nigeria. Yet the pattern is still one of deep dependence, particularly for the non-oil-producing developing countries; roughly 80 percent of their foreign exchange earnings result from export sales in Northern markets.

Interdependence, when unbalanced, contributes to a sense of vulnerability or dependency which increases tensions, misunderstandings, and possibly conflicts among nations. Specifically, asymmetries between the North and South compound the difficulties of moving toward more effective, collective management of the set of interrelated global problems which derive at least in part from the dynamics of interdependence and which impact on US security: e.g., the problems of food production, distribution and reserves; the proliferation of nuclear materials and conventional arms; the deterioration of the world's biological systems; and the need for a new Law of the Sea regime.

One informed observer has noted that the "growth of interdependence seems to have coincided with the weakening of central political authorities in many states, making international cooperation on global problems much more difficult to achieve."¹⁸ The drift toward weak governments is closely related to the political fragmentation of the international system which has been progressively unfolding for the past three decades. Two aspects of this pattern run cross-grain to the collective problem-solving requirements generated by interdependence.

One has been the dramatic proliferation of nation-states in the international system. There were 155 nations in 1977, an increase of nearly 150 percent since 1940 when the number was 64.¹⁹ This proliferation, which has slowed but continues into the 1980s, is closely identified with the expansion of the Third World. Indeed, integral to the process of fragmentation are politically weak and unstable governments in the throes of nation-building, coping more or less with the internal problems of poverty, underdevelopment, and subnational group conflicts.

The second aspect has been the relative diminution in the authority of the major world powers—a trend noted by several observers.²⁰ In the face of the profusion of new nations, animated by heightened political consciousness and intense nationalism,

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the will, or the ability, of the major powers to assert themselves, or to use their predominant military power to control events, has receded. What has emerged is a weakened world order, no longer under the sway of the superpowers and marked by new and changing constellations of power.

Threats to US security in areas such as terrorism, population, food, and ecology are magnified by the counter-currents of interdependence and political fragmentation which now course our small planet.

The Soviet Threat

Recent Soviet actions in the great southern tier of developing nations also threaten US security. These actions reflect an opportunistic but selective strategy to extend Soviet politico-military power by exploiting anti-Western tendencies and "low risk" conflicts in unstable Third World countries.²¹ However, the Soviet threat—as I will argue—is less the traditional one of using military power to expand political influence or hegemony that is capable of being stabilized and consolidated, and more one of contributing to endemic instability and the further deterioration of order within and among Third World nations.

In the recent past, Russian military intervention, either direct or through proxy forces or other forms of assistance, has supported pro-Soviet communist parties in their seizure of power and contested territory by violent means in at least seven instances: Afghanistan, Ethiopia, South Yemen, Cambodia, Angola, Laos, and Vietnam. There likely was also covert Russian involvement in military coups that failed in the Sudan (1977) and Somalia (1978).²² *Its most recent display of overt force occurred in December of 1979, when the Soviet Union—using its own armed forces—invaded Afghanistan. The Soviets intervened to change the leadership and shore-up the authority of an unpopular minority communist government which had seized power in 1978, but was then apparently rapidly going under in the face of widespread outside opposition and inside factional conflict.*

The Soviet Union's major role in the political destabilization of Turkey in the late 1970s has also become increasingly clear. The Russians and their Warsaw Pact allies sent massive shipments of arms to assorted radical leftist groups who were con-

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fronting equally extreme forces on the right. The murderous terrorist warfare of this period finally precipitated the most recent takeover of government power by the Turkish armed forces in September 1980.²³ There is also little doubt that the Soviet Union, along with Cuba and other communist powers, has provided substantial clandestine military support to the insurgent movement in El Salvador.²⁴

No doubt, the Soviet Union has sought to profit from the turbulent politics of the Third World. The Russians seek to develop alliances, or areas of paramount influence, in the Third World for an array of geopolitical and trade advantages at relatively small cost to themselves and at the expense of the United States, its NATO allies, and China.²⁵

Advances in weapons technology have rendered confrontational rivalry at best a high risk game in regions crucial to US and Soviet interests—such as Central Europe, the Persian Gulf, and Northeast Asia—regions which have been aptly described as “shatter zones.”²⁶ The apparent result has been a strategy directed to what the Soviets consider lower risk, politically unstable areas in the Third World where national and regional conflicts are ripe for outside intervention.²⁷

However, few conflicts in the developing world are predictably low risk—where the risk is negligible that intervention by a major power will trigger a counter-response by other major powers dangerous enough to render the intervention too costly. Given such factors as the intensity of distrust between the major powers (and the resulting misperceptions which are bound to arise),²⁸ the transnational character of present-day warfare, resource scarcities, and other economic dependencies, most conflicts in the developing countries will affect regional power balances and the related strategic interests of the superpowers and their allies.²⁹ Moreover, in light of the fragmentation of political power and the dramatic increases in arsenals of modern weapons,³⁰ the capacity of major powers to control or contain conflicts in or between developing countries is limited.

The danger in Russian efforts to exploit disorder and weakness in the Third World is then not so much that they will achieve

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decisive and durable successes, but that sensitive political equilibria will be disrupted and local conflicts heated-up and enlarged. The breakdown of regional order, especially brittle in a number of areas in Africa and Asia today, heightens the prospect of US-Soviet confrontation as well as the spread of the type of devastation and chaos which permits no winners.

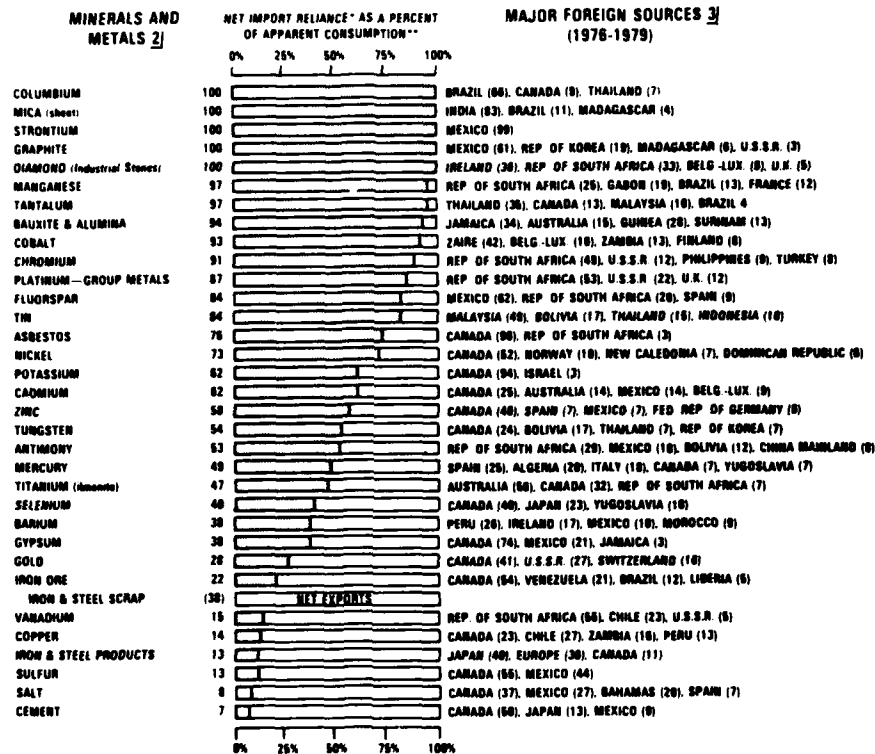
In the wake of the Soviet invasion of Afghanistan and with the present markedly anti-Soviet and assertive stamp of US foreign policy, the scope and intensity of US-Soviet competition in the Third World will likely increase in the next few years, magnifying tensions and the risks of miscalculation. In this regard, US diplomacy traditionally has not reflected sufficient appreciation of the sources of conflict and instability intrinsic to the dynamics of poverty, social change, and nationalism in the developing countries.³¹ This shortcoming is all the more serious today given the Soviet Union's enhanced geopolitical presence and military capabilities in the Third World.

The Third World as a Source of Strategic Minerals

The developing countries own roughly 40 percent of the world's mineral supplies. The United States has been steadily increasing its reliance on this external supply for roughly the last three decades.³² The US Government classifies 80 non-fuel minerals as "strategic and critical"—that is, essential to our industrial sector and national defense³³—and we depend heavily on imports to meet our supply requirements for many of them. At present, about 30 percent of our minerals come from developing countries.³⁴ For a number, such as cobalt, manganese, platinum group metals, bauxite and alumina, chromium, tantalum, tin, columbium and nickel, our net import reliance as a percentage of consumption is now well over 70 percent per annum (figure 1). Moreover, the dependence of our NATO allies and Japan on foreign sources is substantially greater than our own.

On the other hand, the dangers of our growing reliance on imported minerals should not be overstated. In a number of cases, major suppliers are not Third World countries. Australia is a

FIGURE 1
U.S. NET IMPORT RELIANCE ON SELECTED MINERALS AND
METALS AS A PERCENT OF CONSUMPTION IN 1980 1]



*NET IMPORT RELIANCE = IMPORTS-EXPORTS
 -ADJUSTMENTS FOR GOV'T AND INDUSTRY
 STOCK CHANGES

1] JANUARY 1, 1981 (estimate)

3] SOURCES SHOWN ARE POINTS OF SHIPMENT TO THE
 U.S. AND ARE NOT NECESSARILY THE INITIAL SOURCES
 OF THE MATERIAL

**APPARENT CONSUMPTION = U.S. PRIMARY
 -SECONDARY PRODUCTION - NET IMPORT RELIANCE

2] SUBSTANTIAL QUANTITIES ARE IMPORTED FOR RUTILE
 ZINC AND ZINC ORE DATA WITHHELD TO
 AVOID DISCLOSING COMPANY PROPRIETARY DATA

SOURCE: COURTESY OF THE DEPARTMENT OF THE INTERIOR, BUREAU OF MINERAL INFORMATION, EXPORT DATA FROM THE BUREAU OF THE CENSUS

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major supplier of alumina and Canada a major supplier of nickel, zinc, and tungsten. Also, in a significant number of production uses, minerals are substitutable (e.g., nickel for cobalt), affording some flexibility in import requirements. Further, we have not as yet sufficiently exploited recycling potentials. In addition, more extensive stockpiling and some opening of public lands to mineral exploration are feasible options, though not without limitations and costs. Last, for a host of reasons, the apprehension that producer cartels like OPEC (Organization of Petroleum Exporting Countries) would rapidly emerge for other minerals has thus far proven of little substance.

Yet allowing for these qualifiers, US vulnerability—compounded by the greater vulnerability of our allies—and the dangers to our security are real.³⁵ Reversing the long-term trend of increased dependence on imported strategic minerals is neither an inexpensive nor short-term matter. The difficulty is having to rely *now*, and presumably for some years to come, on sources of supply for critical minerals in Third World countries and regions where political stability is fragile and uncertain, principally Zaire and Southern Africa, and where in the past few years there has also been an expansion of Eastern bloc trade, political, and military influence.

Beyond the present preeminent political position of communist nations, principally the Soviet Union and Cuba, in Angola and Mozambique, there has been a sharp rise in the number of Eastern bloc trading companies established in Southern Africa, largely targeted on increased trade in and processing of strategic raw materials and minerals.³⁶ A related problem is falling investments by US and European companies in mineral exploration and development in developing countries, although the rate of return is substantially higher than from comparable projects in industrial nations. Western companies are reducing investment in response to a perceived vulnerability to political disorders and other hazards. Similarly, there is increased concern over the possibility of serious disruptions in the flow of imported minerals due to the vulnerability of long supply lines to various forms of politico-military interference.”

Oil Dependency and Competition for Supplies*

The security implications of high prices for and uncertain supplies of crude oil, and the longer-term global depletion of oil reserves, obviously are of major consequence. The United States now imports about 40 percent of its oil to meet domestic consumption requirements. The extent of our dependency leaves us exposed to power shifts and conflicts in the politically troubled Middle East, as well as in other areas such as the Caribbean and Africa.³⁸ The seriousness of our dependency is compounded by the fact that with a few exceptions our OECD allies are even more dependent, and thus more vulnerable to the unstable geopolitics of oil supply. Primary attention since 1974 has indeed been given to averting situations which could produce supply disruptions and cutoffs.

Another, longer-term, component of our oil dependency is of great importance: progressively greater competition, not only with northern industrial nations, but with developing nations as well, for the finite reserves of oil in the world.³⁹ The energy picture for the balance of this century and into the first quarter of the next is one of a shrinking world oil supply and transition to other energy sources. The point appears to have now been reached where the yearly consumption of oil exceeds the addition of new reserves to the world's supply. Some estimates show world crude oil production peaking in the early to middle years of the next decade.⁴⁰

Allowing for soft projections on variables such as price, conservation programs by both producers and consumers, unpredictable production breakdowns, and new country and regionally significant reserves and production, it seems clear that the competition for oil among nations will increasingly take place against a longer-term global trend of oil reserve depletion.⁴¹ This factor should not be underrated as a source of tension between the

* This section was written before the recent changes in the world oil market with the present excess supply of crude oil, the apparent leveling-off of prices, and the lowering of oil demand. The extent that these changes reflect depressed world economic conditions, particularly in the northern industrial nations, and the impact of the large price increases of 1979, or more durable structural changes, e.g., improved domestic energy efficiency and conservation among the major oil consumers, is not clear. At this point in time, I see no reason to modify the interpretation in this section.

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United States and the large number of non-oil-producing developing countries. With about 6 percent of the world's population, the United States uses roughly 33 percent of the world's yearly supply of energy, of which a substantial amount comes from the same sources which the developing countries rely on to meet their growing requirements.

The implications of prolonged long-term competition for scarce oil resources among nation-states are serious and multifaceted, particularly if there is no movement in this decade toward an effective regime of international cooperation and management of the global petroleum economy.⁴² One need only note the prospects of interstate shifts in trade and political alignments; the radicalizing of North-South politics on an array of related investment and monetary issues; a further widening in the income and "expectation" gaps between the rich and the poor; and economic breakdowns in and between countries which will put the interdependent international economic system under heavy strain.⁴³

A further concern is the economic and political impact of the close to tripling of oil prices over the past two years on oil-importing developing countries, of which a number are in various stages of economic and financial breakdown—some on the edge of bankruptcy. The debt burden of the non-OPEC developing countries is about \$400 billion, most of which has accumulated in the past decade. Their annual oil import bill is now about \$55 billion. It was estimated in 1980 that their outlays for oil and servicing their debt were three times the value of their foreign aid inputs, from all sources.⁴⁴ Their balance of payments deficit in 1980 had climbed close to \$75 billion, reflecting the heavy toll that higher oil prices and increasingly more expensive credit are taking from export earnings, leaving little for the purchase of capital goods for development.⁴⁵

The effects of this massive distortion in resource allocations to meet energy needs in the 92 oil-importing Third World countries are increasing: slower economic development, escalated inflation, growing material and staple shortages in the economy, lower living standards, and forced cutbacks in social services, e.g., in education, health, and welfare. In turn, the political impact of this economic and social deterioration is of major dimension. Ernest Stern, World Bank Senior Vice President, has warned that

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prices of a wide array of public services—such as electric power, bus service and kerosene—must be raised, which often is politically very difficult. Reduced growth rates in the developing countries are inevitable for the near term and the reduced availability of resources will also mean strong pressures to reduce expenditures on education, health, water supply, housing and job creation because it will be difficult to sustain current budget levels without adding further to inflationary pressures. Since it is precisely in these areas that most low income people can expect benefits from development, and since expectations are high and rising, not improving on past progress in these areas, or even retrenching, will generate strong social and political pressures. . . . It is no surprise that we see political systems in turmoil in so many countries even though the adjustment process has only begun.⁴⁶

The stream of consequences of high energy costs has begun to overflow economic bounds into sensitive political areas in more than a few Third World nations. Note, for example, the mounting number of domestic political disorders triggered in whole or in part by energy-related economic pressures the past few years, in Brazil, Turkey, the Dominican Republic, Sierra Leone, Zambia, and Guyana.⁴⁷ The centrifugal politics of Third World countries are further fueled by the distortion and distress of high oil prices.

Rise of the Third World Market

To obtain a perspective on the relation between US security and trade with the developing countries, we should ask whether our economic growth and employment rates significantly depend on Third World markets. Certainly, the great and diverse southern tier of developing nations provides a growing market for US exports, principally manufactured and agricultural products—a market of virtually unlimited potential but contingent on the continued growth and diversification of Third World economies. The Overseas Development Council (ODC) points out that

perhaps the most striking development of the 1970s was the emergence of the Third World as a major market for industrial-country exports. . . . The developing countries purchased almost 38 percent of total US exports of goods in 1978; 26 percent were bought by the non-OPEC developing countries and 12 percent by members of OPEC. Exports of US manufactures to non-OPEC countries alone are esti-

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mated to account for more than half a million US jobs. . . . The non-OPEC developing countries alone now purchase more US exports than the total purchased by the European Community, the Soviet Union, Eastern Europe, and China.⁴⁶

There is indeed little doubt that the rapidly-expanding US export trade in the Third World is a significant growth and employment factor in the American economy.⁴⁷ For example, the spurt in US exports to Third World nations in the middle years of the last decade played a major role in lifting the American economy out of its recession in 1973.⁵⁰ As a qualifier, however, the pattern of trade does not reflect undue concentration of American sales in a few Third World countries. We have many small and medium-size customers of which none is in a position to dominate the market.⁵¹

Few would contest the view that the economic wealth and power of the United States are becoming increasingly tied to external factors such as imported materials, both fuel and non-fuel, and to expanding markets for US products. To the extent that this process continues to grow, our vulnerability to foreign political and economic events, which we can only control marginally, if at all, even with military predominance, also grows. It is this link which best characterizes the economic dimensions of US security underlying our relations today with the nations of the developing world.⁵²

1. Endnotes

1. Professor Karl W. Deutsch could write in 1974 that "It may be soon necessary to reorient our notion of national security away from its one-sided and partly obsolescent military nature. A broader and more balanced concept could very likely direct a greater share of our attention and resources to coping more realistically with the mounting dangers of our time." *New York Times*, 22 November 1974.

2. This list is not meant to be exclusive. There are other factors of a similar character, such as water scarcity, nuclear materials proliferation, and international terrorism. However, these would appear to be less Third-World-specific in nature.

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3. Quite coincidentally, the late Charles Yost in his recent and wise book, uses "seamless web" in a similar way: "... these problems [population and poverty] will in coming decades confront both poor and rich countries with moral and political dilemmas of the greatest magnitude. If they are not answered satisfactorily, if they cannot be answered satisfactorily for either physical or political reasons, the revolutions, the instabilities, the turmoil in the Third World will be magnified and will more and more critically spill over in a variety of ways into the First and Second Worlds. The whole planet is now becoming a seamless web. If that web begins to unravel there is no point at which its unraveling can be certainly arrested." *History and Memory* (New York: W. W. Norton, 1980), p. 223.

In the past few years, there have been a number of books and articles which challenge—I believe largely on fallacious grounds—the reality of the "seamless web" or particular parts of it such as the population-food-ecology relationship. See Max Singer, "The Myth of Scarcity," *Washington Quarterly*, Autumn 1981; and Julian L. Simon, *The Ultimate Resource* (Princeton: Princeton University Press, 1981).

4. The US Interagency Task Force on Tropical Forests estimates that "closed tropical forests have already been reduced by human activities by more than 40 percent. And the best available projections indicate that unless governments individually and collectively take action, by the end of the first quarter of the next century the world's closed tropical forests will be nothing but scattered remnants, excluding sections of the Amazon Basin and Central Africa." *The World's Tropical Forests: A Policy, Strategy and Program for the United States*, Report to the President by a US Interagency Task Force on Tropical Forests, May 1980, Department of State Publication 9117, p. 15.

5. *The Global 2000 Report to the President* indicates that the "shift toward burning these organic materials is already well advanced in the Himalayan hills, in the treeless Ganges plain of India, in other parts of Asia, and in the Andean region of South America. The FAO [UN Food and Agriculture Organization] reports that in 1970 India burned 68 million tons of cow dung and 39 million tons of vegetable waste, accounting for roughly a third of the nation's total noncommercial energy consumption that year. See *Volume One*, A Report Prepared by the Council on Environmental Quality and the Department of State, Gerald O. Barney, Study Director (Washington, DC: US Government Printing Office, 1980), p. 29. (Hereafter referred to as the *Global 2000 Report*.)

6. A number of the countries of East Africa and the Sahel are presently being ravaged by similar patterns of environmental and economic decline.

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See also Frank Wadsworth, "Deforestation—Death to the Panama Canal," *Proceedings of the US Strategy Conference on Tropical Deforestation*, Sponsored by US Department of State and US Agency for International Development, 12-14 June 1978, Washington, DC, p. 22.

7. See Constantine Menges, "Central American Revolutions: A New Dimension of Political Warfare," *The 1980s: Decade of Confrontation? Proceedings of the Eighth Annual National Security Affairs Conference, 13-15 July 1981* (Washington, DC: National Defense University Press, 1981), pp. 93-127. Menges notes that "the conventional perspective correctly considers the Caribbean region the 'front yard' of the United States and views hostile governments there as threats because of the following facts: 1) more than 75% of this nation's imported oil (30% of total consumption) flows through the Caribbean and much of the imported crude oil is refined at huge complexes in the Caribbean where most of the super-tankers deliver their cargoes; 2) there are only three navigable routes through the Caribbean and they control all shipping through the Panama Canal and could be jeopardized by additional unfriendly governments; 3) the US depends on three Caribbean nations (Jamaica, Surinam, Guyana) for a large share of its aluminum production; 4) finally, the very large oil reserves of Mexico and Venezuela and reportedly Guatemala, might be the only alternative to supplies from the volatile and vulnerable Middle East—instability in the Caribbean can threaten those supplies directly and indirectly in the near future." See pp. 93-94.

8. See Molly Izzard, "Frightened Saudis Look for Ways to Cut Foreign Labor," *Los Angeles Times*, 28 December 1980.

One of the factors in the serious riots in the cities of the United Kingdom last year was the high unemployment rates among nationals who had migrated to England from British Commonwealth countries, virtually all of which suffer from excessive population growth rates and underdevelopment.

9. Ronald G. Ridker and Elizabeth W. Cecelski, "Resources, Environment and Population: The Nature of Future Limits," *Population Bulletin*, August 1979, pp. 9-10.

10. See John W. Sewell and the Staff of the Overseas Development Council, *The United States and World Development, Agenda 1980* (New York: Praeger, 1980), p. 146.

11. Ibid.

12. See Mahbub ul Haq, "A View from the South: The Second Phase of the North-South Dialogue," in Martin M. McLaughlin and the Staff of the Overseas Development Council, *The United States and World Development, Agenda 1979* (New York: Praeger, 1979), pp. 116-117.

13. Eric M. Breindel and Nick Eberstadt point out that "the different growth rates which matter most to a poor nation are internal, occurring among competing ethnic, linguistic, and religious groups. The boundaries of most Third World states were drawn by foreign rulers in the past three centuries. Their objective was to make colonial administration easier, a goal which seldom coincided with the preservation of ethnic or cultural homogeneity. Of the roughly 130 Third World states in the international community today, about half contain five or more major ethnic groups; in about two-fifths, the largest single group makes up less than half the total population. In such societies, the political balance among groups is often delicate, and differential fertility, which can tip the demographic scales against the current order (whether or not the regime is nominally democratic), can unsettle societies, paralyze economies, and topple governments." See "Paradoxes of Population," *Commentary*, August 1980, p. 43.

14. Raul S. Manglapus, "Human Rights Are Not A Western Discovery," *Worldview*, October 1978, p. 4. See also Cyrus R. Vance, *Harvard Commencement Address*, 5 June 1980, Department of State, p. 5; and Michael A. Samuels and William A. Douglas, "Promoting Democracy," *Washington Quarterly*, Summer 1981, p. 52: "The United States does not have sufficient programs to assist development of democracy in the Third World. Clearly, US interests are more secure in nations with strong democratic pluralist movements. US security analysts are not agonizing over any shift to the Soviet camp by Venezuela, which has two strong major democratic parties, or by democratic Costa Rica, Japan, or Singapore."

15. Warren Christopher, "Address to American Bar Association," New Orleans, 13 February 1978, Department of State, Bureau of Public Affairs.

16. The Third World nations which presently have democratic governments are few, including India, Sri Lanka, the Dominican Republic, Costa Rica, Peru, Ecuador, Gambia, Botswana, Nigeria, and Columbia. The number varies. For example, Peru and Ecuador recently rejoined the democratic ranks while Upper Volta, Surinam, and Turkey have fallen out. However, a range of 10 to 15 democratic states out of 133 in the Third World is about right. See Raymond D. Gastil, *Freedom in the World, Political Rights and Civil Liberties* (New York: Freedom House, 1979).

The remaining Third World states are characteristically totalitarian-to-authoritarian in their organization of power. Gastil classifies these as Communist, One Party Socialist, Militant, Traditional, and Modified Authoritarian. See "Pluralist Democracy and the Third World," *Worldview*, October 1978, p. 37.

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The predominance of authoritarian governments in the Third World should not be interpreted in determinist terms. Authoritarianism is not an inevitable by-product of nation-building. The purpose here is to point up the present authoritarian trend, indicate a few of the reasons for it, and stress its relation to US security. In this latter regard, see George Ball, *Diplomacy for a Crowded World* (Boston: An Atlantic Monthly Press Book, Little Brown and Co., 1976), particularly Parts IV and V.

17. US, Department of State, Bureau of Public Affairs, *Toward a Strategy of Interdependence*, Special Report No. 17, July 1975, p. 3.

18. Allan E. Goodman, "The Threat from the Third World: Mounting Challenge to US and Western Economic Superiority," *National Security Affairs Conference, 1978 Proceedings* (Washington, DC: National Defense University, August 1978), p. 192.

19. See Elmer Plischke, *Micro-States in World Affairs* (Washington, DC: American Enterprise Institute for Public Policy Research, 1977).

20. See, for example, *The Diffusion of Power, II. Conflict and its Control*, Adelphi Papers, No. 134 (London: The International Institute for Strategic Studies, 1977); Robert L. Pfaltzgraff, Jr. "Emerging Major Power Relationships: Implications for the US Military in the Late Twentieth Century," in Franklin D. Margiotta, ed., *The Changing World of the American Military* (Boulder, Colorado: Westview Press, 1978); Robert D. Keohane and Joseph S. Nye, Jr., *Power and Interdependence: World Politics in Transition* (Boston: Little, Brown, 1976).

21. See Vladimir Petrov, "New Dimensions of Soviet Foreign Policy," in Franklin D. Margiotta, ed., *Evolving Strategic Realities: Implications for US Policymakers* (Washington, DC: National Defense University Press, 1980), pp. 36-38.

22. See Donald Zagoria, "Into the Breach: New Soviet Alliances in the Third World," *Foreign Affairs*, Spring 1979; Lawrence E. Grinter, "Checkmate in the Third World? Soviet Intervention and American Response," *International Security Review* 6 (Spring 1981).

23. See Aydin Yalcin, "Terrorism in Turkey," *Statement before the Subcommittee on Security and Terrorism*, Senate Committee on Judiciary, Washington, DC, 25 June 1981; Claire Sterling, *The Terror Network* (New York: Holt, Rinehart and Winston, 1981), pp. 228-246.

24. US, Department of State, Bureau of Public Affairs, *Communist Interference in El Salvador*, Special Report No. 80, 23 February 1981.

25. Cord Myer points out that "[The Soviets] are quite selective in their approach. . . . The statistics of their recent military and economic assistance programs and the evidence that has surfaced of their covert political interventions reveal a tendency to concentrate on countries

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that have a special strategic significance, because of either their political alignment, their advantageous geographical location or their possession of scarce raw materials and minerals." See "US Must Face Reality of Soviet Threat in Third World," *Washington Star*, 21 November 1980. Excerpted from Cord Myer, *Facing Reality* (New York: Harper and Row, 1980).

26. Gerhard Mally, Michael A. G. Michaud, William C. Veale, "Defining National Security in an Era of Interdependence," in Department of State, *Secretary's Open Forum*, 1978, p. 20.

27. See June Dreyer, "Subnational Groups, Unconventional Warfare, and Modern Security Planning," in John J. McIntyre, ed., *The Future of Conflict* (Washington, DC: National Defense University Press, 1979), p. 125.

28. For a brilliant discussion of this dimension of major power relations, see Robert Jervis, *Perception and Misperception in International Politics* (Princeton: Princeton University Press, 1976), particularly Chapter Three.

29. Myer, "US Must Face Reality of Soviet Threat," states that: "The world balance of power is now so finely drawn that it is difficult to identify the country whose absorption into the Soviet orbit would not have serious consequences."

30. For a profusion of statistics and other data formatted in many different ways which highlight the steady upward trend in military expenditures by, and conventional arms transfers to, developing countries, see US, Arms Control and Disarmament Agency (ACDA), *World Military Expenditures and Arms Transfers, 1969-1978*, December 1980; Ruth Leger Sivard, *World Military and Social Expenditures, 1980* (Leesburg, VA: World Priorities, 1980).

Gary Yerkey, *Christian Science Monitor* reporter, points out that in 1978, "countries in the developing world imported 81 percent of all arms traded, buying about \$16 billion of the \$20 billion in military equipment sold worldwide." "European Armsmakers Aim for Third World," *Christian Science Monitor*, 12 March 1981. (Mr. Yerkey used ACDA data for this statement.) It should be pointed out, however, that although the trend line of arms purchases in every region of the Third World, with the exception of East Asia, was upward in the prior decade, the 81 percent figure is largely explained by the dramatic upward spiral of arms purchases in one region, the Middle East. See *World Military Expenditures and Arms Transfers, 1969-1978*, pp. 10-11.

The most striking aspect of the arms exports of major suppliers over the prior decade was the precipitous upward movement of Soviet sales, which represented 34 percent of the arms market to 33 percent

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for the US in 1978. See *World Military Expenditures and Arms Transfers, 1969-1978*, p. 9. See also US, Congress, House of Representatives, *Report of the Committee on Foreign Affairs, International Security and Development Cooperation Act of 1980*, Rep. 96-884, part 1., 96th Congress, 2d session, 1980, p. 1.

31. Chapter 5 elaborates upon this point.

32. See US, Congress, House of Representatives, *The Ailing Defense Industrial Base: Unready For Crisis*, Report No. 29 of the Defense Industrial Base Panel of the Committee on Armed Services, 96th Congress, 2d session, December 1980, p. 24-26; see also Tony Velocci, "Minerals: The Resource Gap," *Nation's Business*, October 1980, p. 36.

33. See *The Strategic and Critical Materials Stock Piling Revision Act of 1979*, Public Law 96-41: "Sec. 12. For the purposes of this act; (1) the term 'strategic and critical materials' means materials that (a) would be needed to supply the military, industrial, and essential civilian needs of the United States during a national emergency and (b) are not found or produced in the United States in sufficient quantities to meet such need." On the 80 materials of mineral origin, see John D. Morgan, Jr., "Metals, Minerals, and Military Muscle," *Sea Power*, June 1981, p. 40; and US, Bureau of Mines, *Minerals Commodity Summaries 1981*.

34. *The FY 1981 Congressional Presentation of the United States International Development Cooperation Agency (IDCA)* notes that "the US Bureau of Mines has estimated that by the year 2000, only 20 percent of our primary minerals will come from solely domestic sources. Much of the remaining undeveloped deposits of critical raw materials are in the developing world." (p. 8).

35. See US, Congress, *The Ailing Defense Industrial Base*.

36. See Peter O'Neill, "Soviet Drive for Third World Raw Materials Gathers Steam," *Christian Science Monitor*, 10 June 1981; Henry F. Jackson, "Third World Power," *New York Times*, 27 December 1980; Bohdan Suprowicz, "Fear Soviet Super Cartel for Critical Materials," *Purchasing*, 8 November 1978; and Velocci, "Minerals: The Resource Gap."

37. Amos A. Jordan, Robert A. Kilmarx, and Dan Haendel, "The US Strategic Minerals Stockpile: Remedy For Increasing Vulnerability," *Comparative Strategy* 1 (1979): 311-313.

38. See Melvin A. Conant, "The Global Impact of Energy on US Security Interests and Commitments," *Evolving Strategic Realities*, p. 69.

39. Estimates of world energy demand trends used by the Overseas Development Council (ODC) indicate that "the pace of energy consumption growth in the developing countries is dramatically different

from that of the developed countries. In the next twenty years, effective demand for commercial energy in the developed countries (market-economy and centrally planned) is expected to increase by some 50 percent. In the developing countries, however, it is expected to rise over the same period by about 200-250 percent." This latter estimate applies to the Third World as a whole. See Sewell and the ODC Staff, *The United States and World Development, Agenda 1980*, p. 48.

The ODC also points out that "of 133 developing countries, 90 do not now produce any oil at all and another 13 must import at least 45 percent of their petroleum. Thus more than three-fourths of these countries are at least as dependent or more dependent on oil imports than the United States." Sewell, p. 53.

40. The *Global 2000 Report* long-range energy projections indicate that "the rate at which petroleum reserves are being added per unit of exploratory effort appears to be falling. Engineering and geological considerations suggest that world petroleum production will peak before the end of the century. Political and economic decisions in the OPEC countries could cause oil production to level off even before technological constraints come into play. A world transition away from petroleum dependence must take place. . . ." *Volume One*, p. 27; see also *Volume Two*, The Technical Report, pp. 161-178, 189-191.

41. See the *Global 2000 Report, Volume Two*, p. 176.

42. The basic elements of such an energy agreement are developed in the Brandt Commission Report. *North-South: A Program For Survival* (Cambridge Mass.: The MIT Press, 1980), pp. 278-280.

43. The provocative articles written by Geoffrey Barraclough in 1975 and 1976 on the prospective competition and struggle between the industrial and developing nations for control of the world's economic resources, and concomitantly for enhanced political power, can be read with profit in the 1980s in appraising longer-term security concerns resulting from, *inter alia*, our oil vulnerability. See "Wealth and Power: The Politics of Food and Oil," *The New York Review of Books*, 7 August 1975; and "The Have and Have Nots," *The New York Review of Books*, 13 May 1976.

44. Warren Christopher, Deputy Secretary of State, "Address to the Council on Foreign Relations," New York, 28 May 1980.

45. David Ottaway, in December 1980, listed a set of then current country examples of the damage being wrought by the upward spiral of oil prices: "Turkey, the most dramatic example of this spreading Third World crisis, will spend 115 percent of its expected export earnings just on oil imports this year. . . . The difference will have to be

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borrowed. Uganda is using all income from coffee exports—its major source of hard currency—for oil, and Liberia is . . . paying for its imports thanks only to loans arranged every three months from a consortium of American banks. Brazil, India and Tanzania are facing oil bills that will eat up more than half their export earnings. Those of Bangladesh and Sudan may exceed 70 percent." Oil Price Hits Poor Nations Hardest," *Washington Post*, 20 December 1980.

46. Ernest Stern, "Address to the American Petroleum Institute," World Bank, 10 November 1980, p. 4 (mimeographed). See also David A. Deese and Joseph S. Nye, *Energy and Security* (Cambridge, Mass.: Ballinger, 1981), pp. 230-242; Donald J. Goldstein, "Energy as a National Security Issue," in Goldstein, ed., *Energy and National Security* (Washington, DC: National Defense University Press, 1981), pp. 14-16.

47. See Christopher Dickey, "Oil Prices Devastating Third World," *Washington Post*, 19 December 1979; Leon Dash, "Sierra Leone Bristles With Economic Discontent," *Washington Post*, 14 July 1980; Andrew Torchia, "Africa Gets Poorer as Debts Pile Up, Inflation Soars," *Los Angeles Times*, 5 October 1980.

48. Sewell and the ODC Staff, *The United States and World Development, Agenda 1980*, pp. 25-26.

49. See Robert Solomon, "The Case For Foreign Assistance," *The Journal of Commerce*, 4 February 1981.

50. See Address by Douglas J. Bennet, *US Interests and African Economic Development*, AID Public Affairs, Detroit, 13 December 1979; *Report of the Committee on Foreign Affairs. Rep. 96-884, Part 1, International Security and Development Cooperation Act of 1980*, 96th Congress, 2d session, April 1980, p. 32.

Hobart Rowen, in his review of the North-South Conference at Cancun, Mexico, commented that "European leaders at Cancun seemed increasingly aware that the only hope of regenerating real economic growth throughout the globe may be through raising living standards in the Third World. Right now, some 25 to 30 percent of the rich nations' export trade is with the Third World—and these figures could grow." Reagan's Success at Cancun," *Washington Post*, 29 October 1981.

51. Goodman, "Threat from the Third World," pp. 188-189.

52. See James A. Nathan and James K. Oliver, "The Growing Importance of Economics: Can the United States Manage This Phenomenon?" *Evolving Strategic Realities*, pp. 73-101.

Chapter 2

The Program Framework of US Economic Assistance

American economic assistance programs address, directly or indirectly, all the Third World realities discussed in chapter 1 which impinge on our security. The intent of this chapter, then, is to profile the program *framework*, as distinct from the *programs* per se. Further, I will cover some priority areas toward which this framework is directed, while reserving the bulk of my comments on program areas for later chapters.

Overview

On the bilateral side, the US aid instruments are Development Assistance (DA), the Economic Support Fund (ESF), and surplus food (Public Law 480); these instruments assist many Third World countries in extensive programs of, *inter alia*, food production, population planning, health, education, energy development, natural resources management, and environmental protection. We provide external support for country development programs which expand export opportunities for US products and services and help secure access to strategic raw materials. And, as summarized in a recent AID congressional presentation, "We specialize in technical and financial assistance aimed at supporting host country programs that attack the problems of poor people and help create the social infrastructures that make democracy work."¹ We hope thereby to encourage greater distributional equity between groups and pluralistic social structures counter to economic and political instability and authoritarian governments.²

Our Economic Support Fund—previously called security supporting assistance—is premised on assuring access abroad to strategic military facilities, and on protecting vital US security interests in countries and regions where the political and economic stability of friendly governments require support. Our ESF is also intended to protect US interests in areas where the intensification

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of unstable conditions would be conducive—directly or indirectly—to the spread of Soviet power, or the power of proxies and/or other unfriendly nations.

We also support development programs based on forms of interstate cooperation, such as the multidonor, eight-nation Sahel Development Program. Such programs build on the constructive possibilities of economic interdependence and moderate the disabilities of political fragmentation. We should no doubt be looking for opportunities to encourage and support more international cooperation of this character in regions where it is politically and economically feasible.

The actual programs of economic assistance administered by the Agency for International Development (AID) consist mostly of *projects* cooperatively developed with host country institutions. The project format is used for concessional loans and grants to recipients for specified program objectives in AID's areas of concentration: Agriculture, Rural Development and Nutrition; Population Planning; Health; Education and Human Resources Development; Energy; Private Voluntary Organizations and Selected Development Activities; and Science and Technology. The principal criterion in the allocation of DA is "need"—that is, priority is given to low income countries, those with per capita incomes under \$625, and to disadvantaged groups within these countries. Another major criterion is the "commitment" of such countries to equitable development.

Under the Economic Support Fund, there is more use of non-project assistance, such as the large program outlays in Egypt, Israel, and Turkey. By definition ESF is a more "flexible economic instrument which may take the form of unrestricted cash grants and general budget support, commodity import programs and capital projects, as well as programs specifically directed toward meeting basic human needs."³ The Department of State also exercises more policy control over ESF than it does over DA. The authority for decisions on assistance allocations for individual countries is principally lodged in the Department of State, though the implementation of ESF programs is the responsibility of AID.

Public Law (PL) 480 food aid programs, which are administered by AID in cooperation with the Department of Agriculture, are a further component of this program framework. PL 480 Titles

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I and II programs provide, respectively, for the sale on concessional terms and donation of US agricultural commodities. Title III (the Food for Development program) authorizes "loan forgiveness" of the Title I dollar debt of the recipient country in return for additional self-help policy and program measures by the recipient calculated to promote equitable growth, primarily in the agricultural sector. The overall purpose of these programs includes not only covering food deficits through exporting US food, but also linking food aid to development activities in recipient countries designed to help eliminate or reduce their food deficits.

On the multilateral side, the United States makes substantial contributions to the World Bank—the World Bank proper and its soft loan facility, the International Development Association (IDA)—and to the other multilateral development banks (MDBs): the Inter-American Development Bank, the Asian Development Bank, and the African Development Bank. We have also traditionally supported the development activities of a host of United Nations agencies, the major one being the UN Development Program (UNDP). These multilateral organizations focus on the same development problems of food, energy, population, the environment, health, education and physical infrastructure as the US bilateral programs, though with differences in program priorities, planning and operations, and areas of coverage and comparative advantage.

Thus the World Bank, with a greater magnitude of development lending resources at its disposal, is better able than US bilateral programs to fund large-scale projects in developing countries, for example, in industry, power, communications, transportation, and urban development. Similarly, the UNDP, though involved in a wide range of programs, is especially noted for its capabilities in the field of preinvestment surveys for potential development loan projects.

The importance of US economic assistance to multilateral institutions is reflected in the fact that the MDBs are now substantially the largest assistance donors to the nations of the developing world.⁴

Beyond this overview, it is useful to focus *selectively* on major or priority areas of concentration within the program framework, such as food production, energy development, population planning, and natural resources management, with specific emphasis on the bilateral, or AID, component.⁵ Tables 1 and 2 show recent

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Table 1. Agency for International Development Program Trends: FY 1979-1982

(thousands of dollars)

	FY 1979 Actual Program	FY 1980 Actual Program	FY 1981 Estimated Program	FY 1982 Proposed Program Original	FY 1982 Proposed Program Revised
<i>Functional Development Assistance:</i>					
Agriculture, Rural Development and Nutrition ..	614,158	630,827	635,615	962,946	727,779
Population Planning	184,935	184,975	190,000	345,921	253,370
Health	132,946	129,949	142,330	168,324	120,405
Education and Human Resources Development ..	97,681	97,830	101,640	129,444	109,574
Energy, Private Voluntary Organizations and Selected Development Activities	117,427	119,790	112,328	196,565	178,240
Science and Technology	—	—	12,000	18,000	10,000
SUBTOTAL, Functional Accounts	1,147,147	1,163,371	1,193,913	1,821,200	1,399,368
(Grants, included above)	(734,460)	(726,616)	(797,888)	(1,345,706)	(1,029,904)
(Loans, included above)	(412,687)	(436,755)	(396,025)	(475,494)	(369,464)
Sahel Development Program	75,152	76,474	95,663	149,400	107,500
American Schools and Hospitals Abroad	25,000	25,000	20,000	7,500	7,500
American Schools and Hospitals Abroad:					
Foreign Currency Program	(—)	(12,501)	(650)	(14,300)	(14,300)
International Disaster Assistance	47,304	55,920	108,918	27,000	27,000
Overseas Training:					
Foreign Currency Program	(353)	(375)	(20,700)	(1,840)	(1,840)
Miscellaneous Prior Year Accounts	5,313	—	3,334	—	—
SUBTOTAL: Functional and Other	1,299,916	1,320,765	1,421,828	2,005,100	1,541,368

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Operating Expenses	251,701	273,074	304,484	351,887	344,632
Foreign Service Retirement Fund	25,676	26,696	27,852	32,552	32,552
TOTAL, AID DEVELOPMENT ASSISTANCE	1,577,293	1,620,535	1,754,164	2,389,539	1,918,552
Economic Support Fund	1,942,547	2,158,141	2,227,325	2,431,500	2,581,500
TOTAL, AGENCY FOR INTERNATIONAL DEVELOPMENT	3,519,840	3,778,676	3,981,489	4,821,039	4,500,052

Source: US, Agency for International Development, Congressional Presentation, Fiscal Year 1982, Main Volume, Amended Version, p. 5.

Program	FY 78 Actual	FY 79 Actual	FY 80 Actual	FY 81 Request Estimate	FY 82 Carter	FY 82 Reagan
International Development Cooperation Agency:						
Agency for International Development	1,294	1,560	1,602	2,035	2,389	1,900
Trade and Development Program	NA	NA	NA	NA	7	7
International Fund for Agricultural Development	0	0	0	0	85	45
International Organizations and Programs						
International Organizations and Programs .	189	203	208	232	248	215
UN Development Program	(115)	(126)	(126)	(135)	(145)	(130)
UN Children's Fund	(25)	(30)	(35)	(40)	(45)	(39)
Subtotal	1,483	1,763	1,810	2,267	2,729	2,167
Multilateral Development Banks:						
International Bank for Reconstruction and Development	380	163	163	86	712	163
International Development Association	800	1,258	1,072	1,100	1,080	850
International Finance Corporation	38	40	19	14	14	14
Asian Development Bank	218	194	154	30	5	5
Asian Development Fund		71	111	171	168	125
African Development Bank	NA	NA	NA	18	18	18
African Development Fund	10	25	25	58	58	58
Inter-American Development Bank		589	589	59	59	53
Fund for Special Operations	480	175	175	325	300	191

Subtotal	1,926	2,515	2,308	1,861	1,584	2,414	1,477
Other:							
Public Law 480	923	806	886	1,229	1,229	1,263	1,163
ESF and Peacekeeping Operations	2,219	2,321	1,972	2,056	2,154	2,450	2,600
Peace Corps	86	99	99	115	109	122	95
Inter-American Foundation	0	10	13	16	16	18	12
Refugees	79	227	483	532	491	611	568
African Development Foundation	NA	NA	NA	NA	NA	5	0
Subtotal	3,307	3,463	3,453	3,948	3,999	4,469	4,438
Total	6,716	7,741	7,571	8,076	7,509	9,612	8,082

Source: US, International Development Cooperation Agency, Congressional Presentation, Fiscal Year 1982.

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funding levels and trends in these selected areas, and present an illustrative statistical perspective of the overall US economic assistance program framework, both bilateral and multilateral.

Food Production

There are about 400 million people in the less-developed world whose food consumption is at the survival level and whose attendant physical debilitation allows little productive labor; and an additional 600 million live in absolute poverty, "chronically hungry, dangerously vulnerable to disease, low in productivity and subject to outright starvation."⁶

The food production estimates for the balance of the century of the *Global 2000 Report* reflect little improvement in this world food/nutrition picture. Although world food production is projected to increase at an average yearly rate of approximately 2.2 percent, sufficient to stay ahead of the population growth rate, the distribution of this increased production in terms of per capita food consumption will vary widely from region to region:

An increase of 9 percent in per capita food consumption is projected for the LDCs [less developed countries] as a whole, but with enormous variations among regions and nations. The great populous countries of South Asia—expected to contain 1.3 billion people by 2000—improve hardly at all, nor do large areas of low-income North Africa and the Middle East. Per capita consumption in the sub-Saharan African LDCs will actually decline, according to the projections. The LDCs showing the greatest per capita growth (increases of about 25 percent) are concentrated in Latin America and East Asia.⁷

The only way out over the longer term for the many food deficit developing countries is to produce more of their own food. To rely on food imports to cover the food gap projected for the balance of the century is to court disaster. The United States and Canada hold about 85 percent of the world's grain reserves, creating an overdependence on the North American breadbasket. Moreover, a growing share of the world's grain production is being taken by the relatively more affluent nations, the Soviet Union, the countries of Eastern Europe, and the oil producers; these countries are importing larger quantities of food grains, as well as feed grains, to produce more and higher quality meat for home consumption. This growing demand has contributed to an escalation

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in commercial food prices worldwide over the past decade. The poor, food-short countries find themselves caught between inadequate domestic food production and rising food import costs. Given that 90 percent of the world's population growth expected by 1990 will be in the developing countries, the Overseas Development Council estimates that these countries will have to at least double their food imports to satisfy projected increases in demand "unless there is fundamental improvement in their capacity to produce more food."⁸

The fact is that global food production is adequate to meet the needs of the world's population. Food consumption patterns, however, are largely determined by purchasing power, not need. The wide range of differences in food distribution between and within countries reflects differences in wealth. Food deficits are in part the by-products of poverty, and mounting world-market food prices further distort food distribution in favor of the affluent. Thus, according to the ODC, "The case for increasing food production in developing countries rests mainly on the necessity of reversing this growing imbalance in food production and consumption that has emerged over the past quarter century."⁹

The US bilateral economic assistance programs, principally administered by AID, reflect well this fundamental requirement of expanding local food production in the poor, developing countries. Programs are addressed to increasing access to food among the poor by expanding food supplies produced primarily by small farmers, and to augmenting effective demand for food through greater purchasing power by the rural population. Their broad design is to change both the supply and demand determinants of food production and distribution. The premise is that there is untapped potential of substantially increasing food production in many developing countries by primary producers practicing labor-intensive, small-plot cultivation; developing countries could exploit this potential if the small producer has secure land tenure,¹⁰ is assured of a fair price for his product in accessible markets, and has access to higher-yielding technologies and a timely supply of affordable credit and production inputs. Along these lines, AID's ongoing program in agriculture, rural development and nutrition—proposed on the magnitude of \$727.8 million for FY 1982—includes a wide array of activities designed to sustain and increase small farmer productivity and income, create on- and off-farm employ-

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ment for the rural poor, and improve the nutrition of the malnourished.¹¹

Energy Development

The "energy crisis" in many Third World nations is the "development crisis," involving downward adjustments in growth projections and standard of living improvements. Advances in the quality of life in the developing countries, particularly for the mass of rural poor who represent by far the largest part of the population, depend on expanded reliance on energy, specifically on the progressive displacement of animal and human energy by other more efficient forms. However, under the press of imported oil price increases, energy displacement in many of the non-oil-producing developing countries has perceptibly slowed, notwithstanding macro-projections for the Third World as a whole showing effective demand for commercial energy continuing to move sharply upward.¹² There are in fact numerous cases of reversion to traditional forms of energy, e.g., substituting work-animals for tractors. In more than a few developing nations, the process of agricultural modernization itself is threatened by the costs of oil, both for energy to power agricultural machinery and irrigation systems and for the purchase of fertilizer and other petroleum-based agricultural products.

There is the other energy crisis in the Third World as well: the increasing scarcity and costs of traditional fuels such as firewood¹³ for household uses, principally cooking, heat and light, as well as the diversion of animal and agricultural wastes from fertilizer to the same uses. In a number of developing countries, the rural ecosystem itself is being subverted by rapid, large-scale deforestation, in tandem with other destructive forces such as excessive human and animal demands on the carrying capacity of the land. To have this point brought home dramatically, all one has to do is visit such ecological disaster areas as virtually all of Haiti, northern El Salvador,¹⁴ the tributary watersheds of the Panama Canal, once prime food producing lands in the vast Amazon region of Brazil, the environs around Ouagadougou (the capital city of the West African nation, Upper Volta), and large parts of the coastal lowlands of Java.

External assistance by both bilateral and multilateral donors and addressed to both of the energy crises has expanded rapidly

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over the last few years, though starting from a low base in the mid-1970s. Bilaterally, the United States has given resource transfers to the energy sector increasingly higher priority. In FY 1982, AID has proposed an energy program in the amount of \$108 million. This figure reflects two trends: one, an acceleration of activities supporting the development of alternative technologies which provide energy from renewable resources; and two, an upgrading of management and planning capabilities of host country institutions with responsibilities in the energy sector. The program directs financial support, principally technical assistance, to increase local energy capacity, particularly in the poorer countries and in the poorer rural sectors which are less able to afford conventional fuels; relatively greater program emphasis is given to smaller, experimental technologies designed to exploit indigenous resources. Thus, there are projects in fuel wood production and afforestation, and in the introduction of solar, wind, biomass, small hydropower and other small-scale unconventional technologies (which also help to retard deforestation by providing renewable energy alternatives to firewood).

Other AID programs emphasize closing large gaps in skilled manpower and data in major energy fields through training and in-country energy surveys. The programs also include technical assistance and training to assist host government agencies in conserving their conventional energy resources.¹⁵

This US program approach to energy development is a modest one in terms of financial resources; it recognizes that the major capital inputs from foreign sources to aid developing countries in meeting their momentous energy problems must come from the private sector and the multinational development banks. Still the broad thrust of AID energy projects, given limited resources, appears about right. A particularly good approach is the use of American technical capabilities to encourage Third World countries to come to terms with the energy constraints on their development and to give momentum to innovative pilot activities; this approach should generate larger payoffs in increased energy capacity in the coming years. The longer-term key to the success of our technical assistance, broadly put, is whether we are effective in Third World countries in helping to ease the transition to more abundant and renewable energy resources.

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Population Growth

The costs of oil-based forms of energy and the longer-term prospect of global petroleum depletion have profound implications for population growth problems in the Third World. Many Third World governments premised their development strategies on cheap oil, or simply assumed its availability, for industrialization and agricultural modernization. For these countries, many of which are not sufficiently endowed in resources to earn the foreign exchange for purchase of high-priced petroleum products, maintaining, much less improving, the standard of living for populations growing at about 2 percent each year becomes increasingly unrealistic.

Dramatically altered energy prospects—as well as, of course, the widespread food deficits and environmental deterioration noted above—add greatly to the imperative of further fertility declines in the Third World. Indeed, increasing awareness of energy constraints in the developing countries could be a major determinant of changes in fertility behavior in the near term. Rufus E. Miles, Jr., a long-time student of population growth, notes that

the oil crisis should bring one nation after another to a realization that there is no escaping the need to bring births and deaths into balance at the earliest possible date. The realization of the human population predicament and effective action to cope with it by the developing world may change reproduction mores more rapidly in the 1980s than most demographers have heretofore thought at all likely.¹⁶

Population growth rates have now started to fall in the less developed world, especially in Asia and Latin America. The Population Reference Bureau has placed the annual rate of growth in 1980 for the world at 1.7 percent, and for the less developed countries at 2.0 percent.¹⁷ These figures are down from approximately 2.0 percent and 2.4 percent respectively in the 1960-1965 period. Parker Mauldin and the late Bernard Berelson estimated that the fertility rate in 94 less developed countries which represent roughly 98 percent of the population in the developing world fell in the period 1965-1975 on the average of 13 percent, from approximately 41 to 35.5 births per thousand.¹⁸

There are a few significant exceptions to the overall decline in population growth rates. The most serious problem is in Africa,

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where the population growth rate in 1980 went up to about 2.9 percent. The Arab countries of the Middle East also continue their population surge with growth rates of 3 percent or more.¹⁹

An unexpected slackening in the fall of death rates over the past decade in the developing world accounts for some of the decline in the population growth rate. However, the major factor has been the drop in birth rates.²⁰ The reasons for this are many, complex, and not all known. Certainly, however, the steady expansion of family planning programs in the Third World has played a major role. Steven Sinding, AID Population Officer, points out that

family planning program efforts can make a real difference in determining the rate at which fertility declines. The unprecedentedly rapid drops in birthrate experienced by Colombia, Costa Rica, Taiwan and Korea (to cite some of the better known examples) simply could not have occurred without strong and effective family planning service delivery programs. . . . Recent evidence suggests similarly dramatic successes currently underway in Indonesia and Thailand.²¹

The growing number of organized family planning programs in developing countries has fostered the growth in the proportion of women in their productive years, particularly married women over 30, who practice fertility control through modern methods of contraception. There is now impressive evidence that poor and illiterate peasant women will avail themselves of modern means of contraception if they have access to them at little or no cost.²²

Two other related factors which appear to be particularly significant in lowering birthrates in Asian countries, such as China, Singapore and Hong Kong, have been delayed marriages and women continuing to work outside the home at least into their middle twenties.

No doubt, also, the level and quality of economic and social development have been significant factors in lowering fertility. Developmental changes in a society as reflected in increased adult literacy, higher per capita gross national product (GNP), greater life expectancy, and higher levels of educational attainment add motivation to the holding down of family size. It is difficult to explain the sharp reductions in fertility in nations such as Taiwan and South Korea without giving due weight to such socio-economic variables. The experience of these two countries also

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strongly suggests that the quality of development is very important: that is, where the benefits of growth are more or less equitably spread—or where there is a redistribution of assets and opportunities favorable to the poor and disadvantaged—changes in fertility behavior are also likely to occur. The dramatic success in lowering birth rates achieved by egalitarian societies such as the People's Republic of China and Cuba, with relatively low economic growth but with a substantial redistribution of benefits, supports this point.²³

This is not to say that there is no pressing need for more progress in lowering birth rates. The World Bank estimates that if fertility continues to diminish at the present rate, the planet will not attain a net reproduction rate (NRR) of fertility—two children per family—until 2020. "If . . . the date at which replacement-level fertility will be reached could be advanced from 2020 to 2000, the ultimate global population would be approximately 2 billion less—a number equivalent to nearly half of today's world total."²⁴

The prospect of not reaching replacement-level fertility until the year 2020 is not acceptable. The earth's biological systems—croplands, grasslands, woodlands, fisheries—are already pressed to support the present world population of about 4.3 billion, much less the projected rate of growth and all that this portends economically, environmentally, politically, and socially for world order.²⁵

The social and political effects of excessive rates of population growth, though not as apparent as the economic and ecological effects, are nonetheless as real.²⁶ And consequently, there are important problems for US security which follow from these realities of demography and habitat. One can point, *inter alia*, to specific problems such as Soviet exploitation of turbulence in strategically located Turkey by supplying weapons to terrorist groups who operate in overpopulated urban areas;²⁷ or to the social and political disintegration of El Salvador under the weight of excessive population growth, combining with feudal and unjust social and economic structures.

Awareness of the cumulative economic and ecological effects of excessive rates of population growth has certainly been growing in the Third World. According to AID data, demand for family planning programs now exceeds the resources of the major population assistance donors.²⁸

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Although there is no universally valid prescription, the experience of the last three decades with family planning and related development activities does indicate the general routes to follow if there is to be accelerated progress in lowering birth rates. Clearly, there is a requirement for a major expansion of family planning programs. Excluding China, only an estimated quarter of married couples in the developing nations practice family planning. There should not only be more family planning programs in more countries, but the programs should be continuously upgraded by taking advantage of advances in fertility control technology and by conforming better, or more closely, to the cultural opportunities and constraints in the individual countries. Imaginative population education, tapping the great potential of the mass media, should continue to be extended; a particular effort should be made to reach the uneducated and disadvantaged in rural areas who have proven to be less tradition-bound and more receptive to modern contraceptive methods than many skeptics hitherto thought to be the case. The use of locally appropriate incentives and disincentives in fields such as housing, taxation, and community rewards, designed to lower fertility rates, hold possibilities of wider application. Greater use of and research in male contraceptive methods and concentration on increasing literacy among young women also have substantial potential for decreasing birth rates. And development strategies which give priority to the social and economic variables that influence fertility behavior, such as greater equity in asset distribution and enhanced status for women, should be vigorously promoted.

The keys to program effectiveness, however, relate to rather specific questions of *timing* and *balance* of family planning and development activities appropriate to the individual country situation. Are we able to assess "the ripeness of a country or sub-national region for a large-scale population program effort?" Can we determine "the appropriate mix of family planning and other than population actions to bring about the most rapid feasible decline in fertility?"²² The answer is probably *no* or rather that we still have much to learn. In effect, the requirement for action programs should not diminish the parallel requirement for continuing extensive research on the determinants of fertility in country and cross-country settings. Meanwhile, family planning services should be provided before demand becomes evident.

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The United States has been the leader and major donor in the field of population assistance. Through AID, we have funded a substantial proportion of the research and development in fertility control technology which has led to advances in and expanded use of modern methods of contraception. AID has been the prime mover in developing with host governments outreach systems which deliver family planning and other primary health care services to rural and urban communities, such as the successful programs in Thailand and Indonesia. We have also been out front in supporting family planning programs with the high quality contraceptives and medical equipment which have played a major role in upgrading the safety and medical standards of these programs. And most important, we have recognized the high priority and indeed showed the way in developing absolutely vital paramedical training programs for the outreach workers who convey the family planning education and services to the people; these outreach workers are essential to the popular acceptance of the services in the local communities, which is the ultimate test of success or failure of the programs.

The US Agency for International Development has rightly sought to link its multifaceted population assistance to family planning programs which are anchored in the life and development of the local community, and which enlist the support of local leadership and peer groups. We have also recognized the necessity—particularly important in getting programs of this kind off the ground—of obtaining the active public support of national leadership groups. And wherever feasible, AID has sought to integrate family planning services within broader primary health care delivery systems which address the multiple health needs of local communities in reinforcing fashion. The best entree to effective reception of family planning methods in many circumstances is within a maternal child care framework where the practice of family planning is linked to protecting the life and health of mother and child.

For FY 1982, AID's population program has been proposed at the level of \$253.4 million, a substantial expansion over the FY 1981 operations budget of \$190 million. The program's broad objective continues to be to promote the rapid increase in voluntary family planning through various means, such as the supply and distribution of "safe, effective and affordable contraceptives,"

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and the funding of biomedical and social science research designed to increase overall program effectiveness. AID also continues to emphasize private sector involvement through support for the programs of private voluntary organizations in the population field such as Pathfinder and the International Planned Parenthood Federation (IPPF). AID supports national family planning programs where the government's commitment to such programs is strong, such as in Bangladesh and Indonesia. However, in a relative shift of program strategy, AID now plans to address its effort more to the development of different kinds of experimental family planning programs in African countries where the fertility rate remains very high and program activities low. About \$25 million has been proposed in FY 82 for Africa alone to fund new and expanded program initiatives in family planning.³⁰

The other major public programs of population assistance to which the United States is a major contributor are those of the United Nations Fund for Population Activities (UNFPA). Working through UNFPA offers the advantage of extending family planning and related population activities and services to areas where our aid, or that of other bilateral donors, would not be appropriate or in certain cases not welcome. UNFPA also has developed over the years an expertise and experience in collecting demographic data, which is used to support a wide and diversified assortment of population activities worldwide.

Natural Resources Management

US economic assistance in the crucial field of natural resources management cuts across virtually all of AID's areas of program concentration: principally, food and agriculture, health, and energy. There are mounting numbers of badly needed projects with host governments in agriculture, including soil conservation systems and practices, watershed and rangeland management, afforestation, pest management, and desertification control. In health, increasing resources are being devoted to water quality management, environmental health, pollution control, and the use of fertilizers and chemical insecticides. In energy, a host of new activities have begun to emerge the past few years: small-scale renewable energy technologies; wood fuel conservation, e.g., more

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efficient wood-burning stoves; and environmental assessments of energy alternatives.

Proposed FY 82 AID assistance in the field of resources management and environmental protection is thus spread through projects and components of projects in the different program sectors. Even without precise figures it is apparent, however, that natural resources management is receiving greater priority in the bilateral assistance program. In the Selected Development Activities account, for example, AID has now begun to strengthen the institutional capabilities of recipient governments to manage their natural resources and environment, principally through training programs and support for data collection and analyses.¹¹ This priority is reflected in other ways as well, such as recent amendments of the Foreign Assistance Act (FAA) by Congress directing that environmental concerns, e.g., forestry and soil erosion, should play a larger role in the planning and implementation of US economic assistance.¹² Also, since 1975, AID has been required to carry out prior environmental soundness studies on a range of different types of development projects.

This expansion of activities in natural resources management and environmental protection is commendable, particularly since bilateral efforts of the present scope and diversity date back only a few years. US bilateral assistance is beginning to mirror an awareness, more in actual projects than in policy statements, that US security interests are in fact at stake in the continued failure to arrest the deterioration of the earth's biological systems.¹³

However, resources management and environmental protection still pose difficult problems which external donors must deal with more effectively as experience is gained and more reliable data brought to bear. To note two of the more important: conflicts between growth and conservation, and the inadequacy of project-by-project appraisals of the environmental soundness of development programs.

Third World leaders and modernizers no doubt are becoming more sensitive to the fact that the carrying capacity of the earth's resources is limited; and that long-term irreversible damage can be done to a nation's resource base if considerations concerning the preservation of this base are not built into development strate-

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gies and growth projections. Yet for most Third World leaders, the environmental dimensions of growth are secondary; the drive is toward more production and consumption; toward the use and development of resources, not their conservation. This drive is a basic reality in developing countries and should be accepted as such by external donors and environmentalists. The challenge is to find ways in natural resources management to identify constructively with this drive, moving toward a concert of interests between donors and recipients and lessening the tensions and conflicts which presently exist, either openly or just below the surface.

External donors should provide financial and technical assistance to projects which are designed both to use and conserve resources more efficiently and to promote growth; that is, increased benefits and income for the users of the resources. This is no easy task in the local development situation. Trade-offs and compromises inevitably have to be made between the exploitation and development of available resources and their longer-term conservation and replenishment. At the same time, there is great potential for complementary relations; for example, developers and scientists are now rediscovering agroforestry, where crops, trees, and domestic animals occupy the same land space; or, modern agricultural production techniques can be much more extensively introduced into rain-fed upland farming.³⁴

A second problem in resources management confronts external donors: the state-of-the-art in integrating ecological concerns into developmental programs has not progressed much beyond discrete appraisals of the environmental impact of different projects.³⁵ The broader field of regional and national environmental planning and policies appears to be largely untouched. Micro-level analyses by themselves, however important to project soundness, can only marginally address the major resource management and environmental problems of a country or its principal regions. It is to this subject that the United States and other external donors must give considerably higher priority. The problem is not only that so little of a country's ecological questions will fall within the purview of individual projects. But, by not developing institutional capabilities and values through broader macro-approaches to resources management, mainly at the cen-

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tral government level, the micro-level approach ends up addressing only the tip of the iceberg.³⁶

Soundness of the Program Framework

The program framework sketched above is essentially sound. The framework's orientation is appropriate: it addresses the central problems of underdevelopment in the Third World which also pertain to US security interests; and it facilitates the design and implementation of the type of resource transfers which contribute to modernization and development.

The planning and implementation of US bilateral aid and the way we do business with the multilateral aid agencies do present problems. (These are discussed further in later chapters.) There is, for example, over-reliance on the project format for the transfer of resources through our country programs; this leads to too much program fragmentation—too many small projects—and the diffusion of our influence on host government development policies. Difficult questions of better directing, or positioning, our assistance in the host country to optimize its effectiveness with its intended beneficiaries, remain unresolved. On the multilateral side, there is wide room for improvement in the coordination of assistance programs among donors at the policy and project levels.

The point is, however, that the program framework is reasonably healthy as is. It does not require wholesale overhaul, nor is it so inflexible as to impede incremental change. This being the case, let us now examine the policy framework.

2. Endnotes

1. US, *Agency for International Development, Congressional Presentation, Fiscal Year 1981, Main Volume*, "Statement of the Administrator," p. 3.
2. Notwithstanding the authoritarian patterns of power which prevail in many Third World countries today, some measure of openness can also

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play a significant role as a means of accommodating and moderating disruptive forces in developing societies in the throes of radical change. An editorial in the *Washington Post* captures this point: "The dispute in the United States over the Carter Administration's human rights policy has obscured something important about democracy in struggling countries. It is not just the frill—the chrome—on development. It's the shock absorber. It offers a process of consent and accommodation—and dignity—to societies undergoing wracking change. The change will come anyway. Democratic government can cushion the blow." "Latin Democracy," *Washington Post*, 31 July 1980.

3. US, Agency for International Development, *Statement of Organization, Functions and Procedures*, Public Notice No. 1, Revised, p. 9.

4. Wilson E. Schmidt points out that "the MDBs are a prime element in the transfer of funds to the less developed world. In the last two years for which data are available these institutions provided more than a quarter of all the official flow of development resources, both loans and grants, to the less developed world. While the United States is the single largest national source of government grants and loans for development, the MDBs disbursed twenty percent more funds than the United States Government." "Rethinking the Multilateral Development Banks," *Policy Review*, Fall 1979, p. 47.

5. The fact that AID's assistance efforts in other program areas such as education, health, and support for private and voluntary organizations are not covered in this chapter does not imply necessarily their lesser importance within the overall program.

6. *AID, Congressional Presentation, FY 1981, Main Volume*, p. 12.

7. See the *Global 2000 Report, Volume One*, p. 17. The report also states that "the outlook for improved diets for the poorest people in the poorest LDCs is sobering. In the 1970s, consumption of calories in the LDCs averaged only 94 percent of the minimum requirements set by the UNFAO [United Nations Food and Agriculture Organization]. Moreover, income and food distribution within individual LDCs is so skewed that national average caloric consumption generally must be 10-20 percent above minimum levels before the poorest are likely to be able to afford a diet that meets the FAO minimum standard. Latin America is the only major LDC region where average caloric consumption is projected to be 20 percent or more above the FAO minimum standard in the year 2000. In the other LDC regions—South, East, and Southeast Asia; poor areas of North Africa and the Middle East; and especially Central Africa, where a calamitous drop in food per capita is projected—the quantity of food available to the poorest groups of people will simply be insufficient to permit children to reach normal body weight

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and intelligence and to permit normal activity and good health in adults. Consumption in the LDCs of Central Africa is projected to be more than 20 percent below the FAO minimum standard, assuming no recurrence of severe drought. . . . The World Bank has estimated that the number of malnourished people in LDCs could rise from 400-600 million in the mid-1970s to 1.3 billion in 2000."

8. Sewell and the ODC Staff, *The United States and World Development, Agenda 1980*, p. 60.

9. Ibid., p. 58.

10. See the section in chapter 5 on "Priority Areas of Assistance."

11. Illustrative types of activities include (1) *Small Farmer Productivity and Income*: supporting improved land tenure arrangements and agrarian reform policies; developing and disseminating new agricultural technologies; encouraging small farmer organizations and local participation; increasing the availability of water, improved seed, credit, and other production inputs at reasonable prices; reducing post-harvest food losses; and facilitating small farmer access to markets. (2) *Rural Employment*: assisting in the development of small-scale rural enterprises and the use of appropriate technology; promoting labor-intensive agricultural production systems; and supporting the creation of rural infrastructure such as roads and irrigation facilities. (3) *Nutrition*: increasing disposable income for food consumption; improving food distribution; supporting supplementary feeding and nutrition education programs; and integrating nutrition objectives into health and agriculture planning. For an extended statement of AID's program in Agriculture, Rural Development and Nutrition, see its *Congressional Presentation, Fiscal Year 1982, Main Volume, Amended Version*, pp. 16-21.

12. *Global 2000 Report*, p. 37; Sewell and the ODC Staff, *The United States and World Development, Agenda 1980*, p. 48; *AID Congressional Presentation FY 1982*, p. 53.

13. The *Global 2000 Report* forecasts that the needs for fuelwood will outstrip available supply in the range of 25 percent in the late years of the next decade (p. 2).

14. A recent study of the Salvadoran Center of Agricultural Technology (CESTA) on ecological deterioration argues that El Salvador will be uninhabitable by the end of the century if the present rate of deforestation continues. "Pais Inhabitable al Final de Siglo," *La Prensa Grafica*, 20 February 1982.

15. For a more extensive statement of AID's program in energy, see its *Congressional Presentation, Fiscal Year 1982, Main Volume, Amended Version*, pp. 53-55.

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16. Rufus E. Miles, Jr., "The Age of Discontinuity" *Population Bulletin*, Vol. 34, No. 5 (Population Reference Bureau Inc., Washington, DC, 1979), p. 46. Miles also points out that the *unprecedented* drive of the Government of China—the most populous developing nation—to reduce its population growth rates should give further momentum to more rapid fertility declines in other developing countries.
17. Population Reference Bureau, *1980 World Population Data Sheet*, Washington, DC, 1980.
18. Parker Mauldin and Bernard Berelson, "Conditions of Fertility Decline in Developing Countries, 1965-75," *Studies in Family Planning*, Vol. 9, No. 5, (New York: The Population Council, May 1978). See also Amy Ong Tsui and Donald J. Bogue, "Declining World Fertility: Trends, Causes, Implications," *Population Bulletin*, Vol. 3, No. 4 (October 1978); Jean Van der Tak, Carl Haub, and Elaine Murphy, "Our Population Predicament: A New Look, *Population Bulletin*, Vol. 34, No. 5 (December 1979).
19. Population Reference Bureau, *1980 World Population Data Sheet*.
20. The Overseas Development Council attributes about two-thirds of the decline in the population growth rate to the drop in birth rates. See Sewell and the ODC Staff, *The United States and World Development, Agenda 1980*, p. 74.
21. Stephen Sinding, "Studies of Family Planning Program Effectiveness," *AID Program Evaluation Discussion Paper No. 5*, April 1979, pp. 4-5.
22. For more on the positive role of family planning programs in recent fertility declines in the developing countries, see Tsui and Bogue, "Declining World Fertility," pp. 24-32; Mauldin and Berelson, "Conditions of Fertility Decline," p. 127; Van der Tak, Haub and Murphy, "Our Population Predicament," pp. 16-17; *Report No. 96-1207 on Foreign Assistance and Related Programs Appropriations Bill, 1981*, Committee on Appropriations, House of Representatives, 96th Congress, 2d session, July 1980, pp. 23-24.
23. See Sinding, "Family Planning Program Effectiveness," p. 8. When the role of mass communications and local cultural factors, such as peer pressures and traditional community and family controls and preferences, are included with the socioeconomic factors of development, a general framework of variables for appraising the determinants of fertility in individual countries begins to emerge, particularly a framework which can be related to the instrumental role of family planning programs.

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In this regard, the dichotomy between development and family planning, which has dominated so much of the debate for the past 20-odd years on how to best influence fertility behavior, should be relegated to history. We do not have an either/or proposition. Recent studies indicate that the two are positively related, or complementary in the particular country situation. Mauldin and Berelson found that "the two—social setting and program effort—go together most effectively. Countries that rank well on socioeconomic variables and also make substantial program effort have on average much more fertility decline than do countries that have one or the other, and far more than those with neither." "Conditions of Fertility Decline," p. 89.

24. Robert S. McNamara, *Address to the Board of Governors, Belgrade* (Washington, DC: World Bank, 2 October 1979), pp. 8-10.

25. The Major Findings and Conclusions Section of the *Global 2000 Report* states (p. 3): "Already the populations in Sub-Saharan Africa and in the Himalayan hills of Asia have exceeded the carrying capacity of the immediate area, triggering an erosion of the land's capacity to support life. The resulting poverty and ill health have further complicated efforts to reduce fertility. Unless this circle of interlinked problems is broken soon, population growth in such areas will unfortunately be solved for reasons other than declining birth rates. . . . Indeed the problems of preserving the carrying capacity of the earth and sustaining the possibility of a decent life for the human beings that inhabit it are enormous and close upon us."

See also Lester R. Brown, *The Twenty-Ninth Day* (New York: W. W. Norton, 1978).

26. The dynamics of swelling populations go beyond the crunch of people on limited resources. For example, rapid population growth lowers the age profile of a society, throwing more and more young people into an increasingly glutted domestic job market. Unemployment and underemployment rates in some developing countries range as high as 40 percent of the adult work force. The seriousness of the employment problem is compounded by the rapid urbanization of populations. Urban population in the developing countries has been growing at the rate of at least 5 percent a year, reflecting both high rates of population growth and rural migration. Moreover, few Third World cities developed as part of the growth of a modern industrial system. Today, in most of the developing countries, the size of the urban population far exceeds that of the industrial work force.

It is possible that over the past three decades, the great flow of people out of the countryside has acted as a counterforce to rural instability and violence in a number of less developed countries by

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stripping rural areas of their manpower potential for revolution. However, the argument is compelling that many unresolved problems—the concomitants of overpopulation such as maldistribution of income, un/underemployment, and yet rising popular aspirations and expectations—are simply being transferred, and in the process transmuted into more dangerous forms, to the explosive setting of Third World cities. This argument is particularly telling with respect to urbanization that is relatively ripe with age; that is, after the disadvantaged and/or disenfranchised urban dwellers have broken the cultural ties to their villages, their resulting alienation and anomie begin to reap a toll of violence, terror, and social deterioration. See Richard Critchfield, "Explosive Third World Cities," *The Nation*, 26 July 1976 and Alfred Friendly's feature article on "Turkey," *Washington Post*, 6 July 1980.

27. See Friendly, "Turkey," *Washington Post*; and also Sterling, *The Terror Network*, p. 241.

28. *AID Congressional Presentation, Fiscal Year 1982, Main Volume, Amended Version*, p. 26.

29. Sinding, "Family Planning Program Effectiveness," pp. 3-4.

30. For a fuller exposition of AID's Program in Population Planning, see its *Congressional Presentation, Fiscal Year 1982, Main Volume, Amended Version*, pp. 25-32.

31. *Ibid.*, pp. 55-56.

32. *Foreign Assistance Act*, Sections 103 and 118A.

33. See Lester R. Brown, "Redefining National Security," *World Watch Paper 14*, Washington, DC, October 1977.

34. See David Spurgeon, "Agroforestry: A New Life for Farmland," *Christian Science Monitor*, 13 February 1980; Richard Critchfield, "Java: Bursting At the Seam," *International Wildlife*, March-April 1980.

35. See *Development Issues, US Actions Affecting the Development of Low-Income Countries*, The First Annual Report of the Chairman of the Development Coordination Committee, Transmitted to the Congress 1 February 1979, pp. 132, 136; and The World Bank, *Environment and Development*, November 1979, p. 31.

36. AID appears to be moving onto this broader program track of natural resources management policies with its assistance to recipient countries in developing "environmental profiles" and its emphasis on resources management training of host government officials at the national level. See AID's *Congressional Presentation, Fiscal Year 1982, Amended Version*, p. 56.

Chapter 3

The Policy Framework of US Economic Assistance

The Decline of US Economic Assistance

A starting point for discussion of the policy framework might be a review of some basic facts: US Official Development Assistance (ODA) as a proportion of our gross national product declined from about 0.49 percent in 1965 to a low of 0.22 percent in 1980. At constant prices, our ODA slipped 27 percent from 1970 to 1979. Although the United States still provides the largest amount of assistance among the 17 industrial donor nations of the Organization for Economic Cooperation and Development (OECD), it now ranks 14th, in terms of aid as a percent of GNP.¹

A number of factors explain this decline in the volume of aid. Congressional and public support for our economic assistance programs, never very high, has generally fallen the past few years. With our economic problems of inflation, low productivity and growth rates, and unemployment at home, foreign assistance was bound to slip on the priority list of most congressmen as well as the Office of Management and Budget (OMB) and other Executive Branch Agencies. The present drive to cut Federal expenditures obviously increases the vulnerability of the foreign aid budget. Recent events abroad inimical to US interests, principally in Iran, Nicaragua, and Afghanistan, which were long-time recipients of American economic assistance, also have added short-term credibility to the arguments of aid opponents in Congress. (For others, these events have produced a sense of unease—for a few, urgency—about conditions in the Third World and, perhaps, a predisposition to look anew at the possibilities of economic assistance as an instrument of US foreign policy in the Third World.)

There are longer-term causes as well for the dwindling levels of economic assistance: long-growing public confusion and disenchantment with the efficacy of economic assistance as a means

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of furthering American interests abroad; the withdrawal tendencies of the post-Vietnam war period; contraction of our international economic power from its exceptional scope and dominance in the post-World War II period; and changes in the character of our domestic politics. In this latter regard, one can point to the preoccupation with single-issue controversies and the reduced role of national party leadership in the face of narrow-gauge interest groups. These changes make it more difficult to build consensus on issues such as foreign economic assistance which have a political sweep beyond constituency, group, and regional interests. Foreign aid is especially vulnerable in this respect in that it has always lacked a strong natural constituency of support at home.² This vulnerability is further increased if the Executive is unwilling to take the political heat involved in pushing a program which, though in the broader national interest, is unpopular in Congress.

A real turnaround by Congress on economic assistance appropriations does not appear likely in the near term. The best one can say is that there is a considerable segment of opinion in Congress and the country at large which accepts the need for assistance to poor Third World countries, senses at least some connection of this assistance to national interests and is, therefore, unwilling to discard or gut aid programs. But those that are so inclined tend to lack confidence in, or are uncertain about, the value of present aid policies and programs, specifically when weighed in the balance against other budget priorities. The result is that the authorizations and appropriations for economic assistance limp along from one crisis to another, ending up with levels of assistance which are self-evidently inadequate to meet stated legislative purposes, but which keep the programs alive for another year. This situation is made more difficult for aid managers since Congress' expectations of performance and results tend to be out of line with the modest resources it now appropriates to do the job. Unfortunately, this retrenchment is extending into a period when the role of foreign economic assistance should be expanded and refocused to address more effectively the conditions in the Third World which increasingly impinge on US security interests.

Although the above factors and problems are not easily moderated, the policy framework of US economic assistance should be examined to determine what might be done to improve the present situation, especially since the program framework appears reasonably sound.

Basic Human Needs

Satisfying the basic human needs of poor people in low income countries, primarily in food, health, education and shelter, is the central stated policy purpose of US Development Assistance. The doctrine of basic human needs was enshrined in 1978 in the policy chapter of the Foreign Assistance Act (FAA):

The Congress declares that the principal purpose of United States bilateral assistance is to help the poor majority of people in developing countries to participate in a process of equitable growth through productive work and to influence decisions that shape their lives, with the goal of increasing their incomes and their access to public services which will enable them to satisfy their basic needs and lead lives of decency, dignity, and hope.³

Basic human needs is an elaboration of AID's "New Directions" legislation of 1973 which prescribed a restructuring of economic assistance to address more directly the income distribution or equity dimensions of economic growth. Both doctrines reflected congressional reaction to unbalanced and unjust development patterns in developing countries where low income groups were not benefiting from whatever growth was being attained. The major components of basic human needs include: (1) increasing the income growth rates of poor groups through expanded employment opportunities, greater productivity, and greater access to productive resources; (2) expanding the supply of and access to the goods and services necessary to satisfying basic human needs; and (3) increasing the popular participation by poor groups in the processes of local development.⁴

In effect, basic human needs (BHN) is a shorthand way of describing a "redistribution with growth" development strategy with demand and supply sides; i.e., meeting the demand for greater employment opportunities and access to productive resources, such as land and water, while expanding the supply of goods and services requisite to meeting food, health, education, and shelter needs.⁵

It is vital to avoid an artificial separation of economic growth and basic human needs. Growth is not a goal to be achieved before basic human needs can be addressed, nor does the satisfaction of basic human needs have to be at the expense of

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investments in economic growth. As stated by the Executive Branch Development Coordination Committee (DCC),

growth is in fact a vital component of a BHN development strategy, with the pattern of growth being the critical factor. A BHN growth pattern is one in which the benefits of increased incomes and output are equitably distributed primarily by the growth process itself, rather than through tax and other transfer mechanisms which redistribute current income or wealth.⁶

AID's approach to basic human needs has been to emphasize two aspects: (1) quantified indices for defining or setting program objectives and measuring progress, e.g., physical well-being and standard of living targets; and (2) the key growth role given to human resources development, e.g., the expansion and modernization of education and health institutions serving lower income groups. The focus of the BHN approach is the quality of life of individuals; individual well-being marked by humane conditions of living is the purpose or ultimate end of development.⁷

Congress has stipulated "need" and "commitment" as the principal country allocation criteria for Development Assistance under BHN.⁸ With respect to "need," AID in its FY 1982 Congressional Presentation actually specifies the percentages of requested DA funds (87 percent) to be allotted to "low income" countries, those with per capita incomes under \$680.⁹ However, application of "need" and "commitment" standards to individual countries is a difficult and inexact affair: for example, in many of the "low income" countries, needs are great but host government commitment to equitable growth lags, at least when compared with the performance indicators in Section 102 of the FAA such as measures to control population growth, promote income redistribution, and reduce unemployment.

The primary policy justification of Development Assistance under basic human needs is broadly humanitarian in character. This is explicit in the concept of basic human needs itself and the allocation criteria of "need" and "commitment." Congress, in the FAA, "reaffirms the traditional humanitarian ideals of the American people and renews its commitment to assist people in developing countries to eliminate hunger, poverty, illness and ignorance."¹⁰

Congress has also extended the writ of basic human needs in qualified fashion to allocations of economic assistance under the

security-related Economic Support Fund (ESF).¹¹ With respect to ESF, Congress has stipulated that

under special economic, political, or security conditions the national interests of the United States may require economic support for countries or in amounts which could not be justified solely under chapter 1 of part 1. In such cases, the President is authorized to furnish assistance to countries and organizations on such terms and conditions as he may determine in order to promote economic or political stability.¹²

However, when a country does receive ESF assistance, to the extent that there is an identifiable requirement, or mutually shared goal, for the promotion of longer-term political and economic stability, the resources provided should be addressed to basic human needs objectives in much the same way as in programs funded by Development Assistance.¹³ Congress has further specified that the basic human needs principles that guide our bilateral economic assistance should also receive appropriate emphasis in our participation in multilateral assistance institutions.¹⁴

There is much to recommend in the basic human needs approach. The vigorous emphasis on *income redistribution* is a distinct improvement over development approaches where this element is not specifically integrated into economic plans and programs. Equitable distribution of increased wealth is by no means an automatic concomitant of growth. With a few exceptions, e.g., Taiwan and South Korea, the predominant experience of Third World countries has been that economic growth takes place at the expense of the poor.¹⁵ Or, at least during the early stages of growth, the more advantaged income groups have gained disproportionately from increases in the national income. In some cases, rapid growth has accelerated income maldistribution. The evidence of the past three decades strongly suggests that specific measures must be taken initially to integrate equity components, such as asset redistribution, human resources development, and labor-intensive investments, into development priorities and programs. Otherwise, the ensuing pattern of growth will likely be dualistic in character with a low rate of absorption of labor in the modern sector and the relative worsening of the income position of the mass of poor who exist outside, or on the fringes, of the monied modern sector.¹⁶

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Basic human needs guidance must be applied flexibly in the programming of US economic assistance. Interpreting basic human needs narrowly so as to constrain economic assistance within a few sectors, or to where the impact of the assistance on target low income groups must be direct, can be counterproductive, running the risk of giving the assistance a nonsustainable, welfare character. The BHN approach is best viewed as a flexible employment/income strategy, seeking to increase the poor's share of increased output through greater opportunities for productive employment and the development of skills and capabilities. Options concerning the priority sectors and the project balance of direct and indirect impact on target beneficiaries should be appraised as functions of the pattern of equitable growth that make the most sense for the individual country.¹⁷

With this qualifier, a further strong point of the BHN approach becomes apparent. As pointed out by AID Economist John Eriksson, "the basic needs approach should liberate development professionals and practitioners from the sometimes artificial confines of sectors, such as agriculture and health, to the problems of people as defined by their needs."¹⁸ In effect, the approach is problem-oriented, rather than narrowly sector-oriented, encouraging the blending of skills across sectors to solve problems defined in human terms. This orientation is more realistic than a strictly sectoral one, since the basic problems of development are typically multisectoral in character. For example, lowering population growth rates and improving the human diet require initiatives not only in family planning and food production, but also in health and nutrition education, transportation, and environmental quality. The BHN strategy also facilitates creative, innovative programming given its intrinsic interdisciplinary character which fosters the breaking down of the parochial, and traditionally strong, technical barriers that accompany professional specialization.

Some aspects of the BHN approach can be criticized. These criticisms do not in themselves invalidate the concept, but they give pause as to how it should be mounted and carried out.

First, BHN projects are generally difficult to implement effectively. Such projects are particularly difficult to carry out in such a way that the donor can disengage from the project after a reasonable period and be sure that the institution, or set of activities, being assisted will continue on a self-sustaining basis after the

foreign assistance ends. BHN projects, especially if they are direct impact projects targeted on a particular beneficiary group, likely will involve an institution-building component, will have to be implemented at the local level, and will require careful monitoring. Institutions have to be developed, for example, to deliver services to the target group; or, a technology has to be adapted and extended at low per capita costs. Thus, training programs and delivery systems will in turn normally have to be established to provide skilled manpower and increase outreach capabilities.

These are no mean tasks. The requirements of local monitoring, training, and institution-building generally necessitate a major donor presence on the project, but are difficult for foreigners to carry out or oversee effectively, and make for long-lasting projects.¹⁹ AID estimates that at least 8 years are needed to develop a self-sustaining institution with outreach capabilities at the local level.²⁰ This is not to argue that discrete long-term institution-building projects at the local level are not necessary to carry out BHN initiatives, but to point out the dangers of an over-reliance on this form of assistance—an over-reliance which can produce ineffective, long-gestating country programs.

Second, there is a tendency in AID to approach the BHN strategy as a means of depoliticizing US economic assistance, or at least Development Assistance. This is apparent in the effort to harden aid allocation criteria of need and commitment, noted above, using quantified indices to the greatest extent possible, ostensibly so that program effectiveness and achievements become "measurable." This tendency especially reflects the technical orientation of many of AID's professional personnel, as well as the related predisposition to separate development goals as far as possible from the political purposes of US foreign policy; development is seen principally in humanitarian terms as an end in itself.²¹ A perspective of this kind encourages the filtering out, or not taking analytical cognizance of, troublesome, nonquantifiable political and social factors and effects. This view becomes particularly questionable in light of the fact that the redistribution-with-growth strategy of economic development, which basic human needs reflects, is a prescription for internal structural change and reform; one which requires accommodations in the indivisible economic, social, and political spheres that inevitably impact on the distribution of power, form of government, political stability, and external behavior of the particular country.

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Third, the Executive Branch and Congress have been somewhat insensitive to the extent of distrust of basic human needs themes among officials and commentators in Third World countries; and we have contributed to this distrust by our constant reiteration of these themes in a multitude of different national and international fora, while ignoring or downplaying other approaches and proposals to Third World development problems. The BHN doctrine is held suspect by Third World leaders. They feel it compromises, or at least detracts from, the structural and policy reforms of the international economic system which are considered essential to remedying interstate inequities in this system. Third World leaders argue that these inequities explain in substantial part the present conditions of underdevelopment and poverty in Third World countries. While one does not have to accept this proposition, one cannot ignore it or give it no credence and expect developing countries to respond constructively to BHN initiatives in bilateral and multilateral negotiations.²²

Humanitarian Concerns and Beyond

The humanitarian case for US economic assistance, particularly bilateral Development Assistance, food assistance, and our contributions to the international financial institutions, is a compelling one, resting as it does on the moral precepts of the Judeo-Christian tradition. For many the case is beyond argument given the present situation in the great southern tier of developing countries: approximately 800 million people live under subhuman conditions of absolute poverty, under conditions aptly described by Robert McNamara as "so limited by malnutrition, illiteracy, disease, high infant mortality, and low life expectancy as to be beneath any rational definition of human decency."²³ Moral sensitivities are affronted by the fact that as high as one out of every six persons in the world, or about 18 percent of the population, is caught in the grip of a grinding poverty which makes existence marginal and survival virtually an everyday struggle. Unease is further quickened with awareness of the vast differences in the quality of life between the societies of the developed and developing nations.²⁴

However powerful the humanitarian argument, it is not without problems. Specifically, if one is not careful, external resource transfers to poor countries justified on humanitarian grounds end

up being treated as sufficient in themselves for development. There is considerable difference between assistance tendered for charitable good works, e.g., disaster relief, and assistance tendered for equitable growth. Humanitarian premises or feelings, especially when they are the controlling justification of economic assistance, tend to blur this distinction. Embedded in this justification is the likely unexamined assumption that the resources being provided are, if not free gifts, similar to eleemosynary expressions of moral concern reflecting the obligations of the rich to the poor. Little room is left for the insistence on the human and institutional actions and changes by the recipients which are crucial to the development contribution of the external resource transfers.²⁶ Resource transfers from one country to another normally represent an agreement between governments of sovereign nation-states, one which rests on mutual interests and obligations. Humanitarian concerns tend to relegate this factor to the margin.

More important, one does not have to justify and one should not justify US economic assistance principally on humanitarian grounds.²⁶ The policy rationale for our assistance programs should have further reach to cover the range of US interests and changing Third World realities which go beyond humanitarian concerns. Support for such an expanded rationale can be found from a variety of sources, both within and outside the Government.²⁷

Many of these Third World realities—such as population growth, political fragmentation, and deficit food production—are only partially amenable, if at all, to military power or traditional diplomacy. Though marginal to the conventional politico-military mold, they do, however, impact on US security interests, as discussed in chapter 1. A *New York Times* editorial reminds us:

Putting aside the prosaic numbers and ignoring all moral imperatives, "foreign aid" is a vital instrument of national security policy, a form of influence and also insurance against disasters that could impel a military response. There is generous room for argument over how well existing programs fulfill their purposes. But by contrast with military hardware, aid can be used in benign ways to promote America's highest values.²⁸

One can add that the costs of a later military response in human, material, and financial terms figure to be much greater, to say the least. Thus one can conceive of economic assistance

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as "insurance" in protecting our security interests. Or, to use another analogy, aid is something like "preventive medicine" directed at serious Third World problems which, if not remedied or ameliorated, lead to forms of political extremism, violence, and ultimately war. Consider, for example, the role of famine and ecological decay in the upheaval in Ethiopia in 1974,²⁹ and of excessive population growth in the unraveling of social order in El Salvador over the past decade. In effect, our aid programs address sources of unrest and disorder which later precipitate the crises that endanger US interests, as well as risk confrontation with the Soviet Union or its surrogates.

Further, the security-related role of US economic assistance as a "form of influence" is apparent in the national interests arguments which are used in justifying the annual aid request to Congress. These arguments have assumed in recent years a credibility that places them in close proximity to a national security rationale for this assistance.³⁰ The arguments concern such US national interests and/or vulnerabilities as access to oil and other strategic materials, population growth, trade and investment, freedom of the seas, terrorism, proliferation of nuclear materials, and environmental deterioration. The aggregate impact of these arguments is to enhance arguments for the use of the instruments of US diplomacy, such as foreign assistance programs, to influence external actors, events, or governments to protect interests which clearly have security import. This cuts two ways. First, our economic assistance, as we have seen, addresses a number of these interests directly and indirectly. Second, economic assistance is an influential means of facilitating the cooperation of Third World countries in moving forward to lessen our vulnerabilities, e.g., a viable Law-of-the-Sea regime.

The argument here then is that the policy framework of US economic assistance should be redrawn to better address present Third World realities and the range of US interests involved. Basic failings of our assistance programs are that they are cast too narrowly in policy terms and too far separated from each other; they are in need of a broader policy statement which will offer more credible grounds for support in Congress and public opinion generally and facilitate more effective programs. Although there are flaws and problems in the programs—in their design, management, and implementation—the primary problem is the inade-

quacy of the policies which justify the programs. The costs of this anomalous situation, in terms of too little aid and confusion as to its purpose, are of major dimension.

Groundwork for Policy Change

Recent statements in both Houses of Congress indicate increased awareness of—or at least a groping toward—the linkage between US security interests, Third World development problems, and US economic assistance programs. For example, the Report of the House Committee on Appropriations in the FY 1981 Foreign Assistance bill contained the following:

Uncontrolled population growth threatens the stability of the entire world. Progress in areas such as food, health, and housing is eroded, if not completely destroyed, by rapid population growth. This has an immediate and ominous impact on the United States.

The Committee feels that the linkage between population growth in developing countries and long-range US security interests merits increased attention in the upcoming decade. Noting that in nearly all those developing countries which now supply the US with either vital commodities or cooperation critical to US security interests, population growth has and will continue to exacerbate economic and social discontent, resulting in volatile scenarios easily exploitable by right or left elements.³¹

One should note the thrust of these remarks, i.e., that population growth cannot be disaggregated. If it is linked to "long-range US security interests," so are the other related factors such as food production, environmental deterioration, and urbanization.

On the Senate side, the Report of the Committee on Foreign Relations on the same bill, in a section titled *The Fiscal Year 1981 Economic Development Program and Long-Term Security Issues*, states that

the traditional perception of US security interests has been associated with the levels of military sophistication and preparedness of ourselves and others. Although less apparent, the correlation between global economic stability and the long-range security interests of even the most highly developed industrialized societies such as the United States (not

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to speak of the poorer countries of the Third World) is also of vital concern to US foreign policy.³²

A similar awareness of these linkages and trade-offs is also apparent on the Executive side in recent statements of senior State Department officials, AID administrators, and the Presidential Commission on World Hunger. For example,

The Commission believes that promoting economic development in general, and overcoming hunger in particular, are tasks far more critical to the US national security than most policymakers acknowledge. . . . Most Americans have been conditioned to equate national security with the strength of strategic military forces. The Commission considers this prevailing belief to be a simplistic illusion. . . . As the aspirations and expectations of the developing world grow, poverty within it remains prevalent and conspicuous—with hunger as its quintessential symptom. As a result hunger has been internationalized and turned into a continuing global political issue, transformed from a low-profile moral imperative into a divisive and disruptive factor in international relations. . . . Neither the cost to national security of allowing malnutrition to spread nor the gain to be derived by a genuine effort to resolve the problem can be predicted or measured in any precise, mathematical way. . . . Calculable or not, however, this combination of problems now threatens the national security of all countries just as surely as advancing armies or nuclear arsenals.³³

Although those statements from both branches are essentially ad hoc, and not incorporated in legislation, they do represent a starting place for the elaboration of a policy framework more attuned to US security interests in the Third World. There are other positive signs as well in this regard. Congress in FY 1981 joined Military Assistance, the Economic Support Fund, and Development Assistance in one composite bill, *The International Security and Development Cooperation Act of 1980*. Also, it is now possible to have DA and ESF programs in the same country concurrently, e.g., the Philippines, Kenya, and Liberia.³⁴ The instruction of Congress that its basic human needs directives for Development Assistance should also apply, to the extent feasible, to the security-oriented Economic Support Fund is a step in the right direction. BHN objectives established as targets for a country's equitable growth lend a longer-range, better-related perspec-

tive to the security/development content of ESF assistance to that country.

Policy Integration

A policy framework for US economic assistance programs based on our security interests in the Third World—as well as on humanitarian concerns—would build on the groundwork noted above. The framework would rest on explicit recognition that the socioeconomic conditions and problems in the developing countries which have been discussed are linked to the growth and stability of the American economy itself. For example, if developing countries diminish their volume of imports rather than add to their indebtedness in meeting oil import costs, the economies of the industrialized countries could lose up to 3 million jobs. Or, without changes in the present structure of global food production, the cumulative impact of growing food deficits and malnourishment in Third World countries on US domestic food prices and agricultural resources could be calamitous indeed.

The framework would also assume the willingness of the United States to project its political power and influence more actively and imaginatively in the Third World, in part to counter Soviet power and in part to promote the forces of development and modernization. Opportunities for Soviet adventures are largely in the poor nations with weak governments, underdeveloped economies, and serious internal and external conflicts.³³ Obviously some nations are more vulnerable than others. However, in seeking to lessen vulnerability, the United States should use those assets where it has a comparative advantage. These patently include our technical knowledge and experience in economic development and related fields of change and modernization. Indeed it would appear that the Soviet bloc nations, if not entirely, have substantially abandoned this field to the United States and the other OECD nations, and to the international financial institutions. As Robert McNamara has said, Eastern bloc economic assistance programs are "scarcely measurable." Donald Zagoria makes the additional point that "once radical movements consolidate their power and turn their attention to economic development, the West will become increasingly relevant and the Russians increasingly irrelevant to them."³⁴

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The thrust of this comparative advantage argument is not backward toward a cold war bipolar security justification of US economic assistance. The conditions in the Third World which threaten US security have to be addressed irrespective of what the Soviet Union and its allies do or not do. Recent Soviet actions essentially compound threats to US security that are already there. A concept of US security which posits that the developing nations are significant to our security interests principally in the measure that their behavior and condition bear upon the strategic balance between the Soviet Union and the United States, misapprehends Third World realities. Such a concept is a misperception of the character of the threat which these realities present to the United States.

Similarly, to argue that the United States can and should have increased capability and willingness to extend its political influence in the developing nations,³⁷ and to link our economic assistance partially to this end, is not to downgrade or compromise economic development objectives. These objectives do not exist in pure form anyway, either for the donor or recipient. Rather, the purpose is to recognize realities and motives which are always partly economic and partly political and turn them to our advantage. The blend of economic and political motives that provided the policy basis for the Marshall Plan in Western Europe after World War II is a striking example of this.³⁸ Bilateral economic assistance programs, particularly if they support development goals of the host government, provide a constructive presence in the host country as well as the opportunity for extensive intergovernmental dialogue and cooperation. If such programs are carried out with diplomatic craft and professional competence, the result is to enhance favorable and useful political relations between the two countries.

Many commentators and scholars have noted that the process of development and modernization is one of destabilizing change, of wholesale disruption of traditional ways. The price of modernity is indeed high; inevitably, there will be some measure of social and political rupture and struggle, likely authoritarian government, and perhaps civil war or revolution. The position that financial and technical support of the economic development of Third World countries is in US security interests would thus appear open to challenge.

However, this point is best viewed as a caveat, not as a reason for opting out. Given the dynamics of change, or the lack of change, it makes little sense for us to stand aside. Our concern must be the character and pace of the change which is inevitable in any case. We must try to contribute to development and modernization which avoid the deterioration and eventual political turmoil cumulatively produced by little or highly inequitable change, such as in much of Central America today, or the similar political consequences of too rapid and radical change, as typified by the Shah's Iran. Stating the central problem in terms of the extremes of El Salvador and Iran obviously oversimplifies the complex patterns of actual development in Third World countries. However, the contrast does have the advantage of highlighting the security stake we have in the character of the development process which does in fact take place in individual nations."

Further, in addressing our assistance to this development process, the current policy approach is unduly bifurcated, separating security interests from much of our aid program. The extent of policy separation between Development Assistance and the Economic Support Fund is indeed artificial.⁴⁰ The differences between the two are relative, matters of degree, not kind. For example, there is the question of time: ESF is principally used to meet "short-term" security-focused goals. Yet, according to a Senate report, "the massive problems of poverty, illiteracy, hunger, disease, high population growth rates, environmental degradation, and increased competition for scarce global resources, also pose severe security problems for the United States and for our industrialized Allies *in the coming decades.*"⁴¹ (emphasis added) Time is a continuum. What is done or not done over the short term determines what can be done over the medium and long term. Moreover, time is characteristically compressed in the developing nations of the Third World in that modernization and development changes are so rapid. The late Charles Yost, in defining the uniqueness of the human condition in the last quarter of the 20th century, notes "the drastic compression in time of the social strains and transformations that flow from the coincidence of the several revolutions of modern times."⁴²

In a strategic sense, security and development goals interrelate along a time spectrum defined in terms of the kind of

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strategic problems being faced. Thus, in Egypt today, the overwhelming strategic problems for the United States are the politico-economic stability of Egypt and maintaining the Egyptian government as an ally in the Middle East. The shorter-term security goals (e.g., of US economic assistance) must relate to conditions in the urban areas and their environs where most of the population lives (including overlapping constituent groups such as civil servants, religious organizations, the military, students, private sector business, commercial and industrial interests, urban workers and the intellectuals), and where the possibilities of destabilization and challenge to the government are the greatest. The longer-term development goals must relate to the modernization of the society and economy by dealing effectively with the structural changes upon which stability over time rests. These two sets of goals interrelate in time in that the sequence and blend of measures cooperatively selected with the Egyptian government to address each should complement—with conflicts moderated to the extent possible—the strategic objectives of continued alliance and stability.⁴³

The other factor which differentiates DA from the ESF is the dominant political content of resource allocations under ESF. But certainly here also the differences are relative.⁴⁴ The US country assistance program in Zaire, for example, is funded by DA allotments, notwithstanding the overriding role played by US politico-strategic interests in keeping that program alive. At the same time, we are now funding other African country programs, such as in Botswana, Zimbabwe, and the Sudan, plus an expanding Southern Africa Regional Program, through ESF allotments for other related or similar political reasons. Surely also the political exigencies that underlie our economic assistance programs to the Central American republics of El Salvador, Guatemala, and Honduras are more alike than different, yet we fund the El Salvador program through the ESF and the others through DA. Given Indonesia's strategic geographic position, size, and vital political role in Southeast Asia, it is difficult to argue that the US economic assistance which we provide under DA is based solely on need and commitment to basic human needs.⁴⁵ There is indeed a political component of some kind and of varying importance in our economic assistance to every country, ranging from major strategic interests to little more than our desire to have a cooperative presence. The dividing line which

separates ESF countries from DA countries across this political range is a variable of particular circumstances and individual policy judgments.

The point here is not the validity of the distinction between ESF and DA, but the sharpness of the distinction now made. Short-term security and political interests are bunched on one side and humanitarian and development concerns similarly arrayed on the other. The resource allocation implications of this interpretation are of major consequence. Particularly in a tight budget situation the cards are stacked in favor of ESF appropriations given the one-sided emphasis placed on the US security interest involved; DA must subsist on what remains, since it is provided to countries of supposedly little or no political importance to us and justified largely on humanitarian grounds. The present allocation pattern in our AID program, by which the ESF countries of Israel and Egypt obtain far and away the largest amount of economic assistance, reflects well this distortion.

The sharpness of the distinction also confuses or blurs what the policy purposes and objectives of assistance programs to individual countries actually are, and thereby misleads both donor and host country officials, particularly middle-level practitioners such as technicians and programmers. For example, it is not uncommon for host government officials to resist, not be responsive, or wholly ignore US self-help indicators on ESF-funded projects, if they view the American assistance solely as a *quid pro quo* for unrelated, short-term political advantage.

This is not to say that the volume of assistance allocated to Egypt and Israel is necessarily wrong. The point is, rather, that a resource calculus as between ESF and DA countries—a weighing of short-term and longer term security and development interests or political and economic interests, across the ESF/DA divide—is honored only in the breach, if at all. One appears trapped in apples-and-oranges comparisons in light of what one critic labeled the “great policy divorce” that exists between ESF and DA. A more integrative policy umbrella, based on an enlightened conception of US security, would bring these two aid instruments closer together. In turn, an integrated policy would provide a more even-handed basis for budget allocation decisions, and help to avoid the likelihood of serious misallocations built into the present bifurcated format.

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This policy change would also help to redress the present large imbalance which exists between *all* economic assistance programs and military expenditures for security purposes or as instruments of US foreign policy.⁶ Linking our economic assistance programs, whether funded by DA or ESF, to the same security rationale would enable more meaningful policy juxtaposition of these programs with our military expenditures, specifically as both relate to Third World conditions and US interests.

3. Endnotes

1. See Sewell and the ODC Staff, *The United States and World Development Agenda 1980*, Table E-10, p. 276.
2. Some would dispute or qualify this point. They argue that "there are two unorganized, but potentially influential constituencies for aid: A 'constituency of conviction' favoring an enlightened foreign policy and an overlapping 'constituency of interest' that depends on Third World trade." Editorial, *New York Times*, 15 July 1980.
3. Foreign Assistance Act of 1961 as amended, Chapter 1, Sec. 102, in *Legislation on Foreign Relations through 1979, Volume 1*, February 1980, p. 3.
4. US, Agency for International Development, *A Strategy for A More Effective Bilateral Development Assistance Program: An AID Policy Paper*, March 1978, p. 1.
5. John R. Eriksson, "What's New About Basic Human Needs," *AID Forum*, February 1979, p. 1.
6. "Evolution of the Basic Human Needs Concept," *Development Coordination Committee Policy Paper*, 20 March 1979, p. 4. The policy nexus of growth and BHN is explicit in Section 102 (*Development Assistance Policy*) of the FAA: "Bilateral assistance and United States participation in multilateral institutions shall emphasize programs in support of countries which pursue development strategies designed to meet basic human needs and achieve self-sustaining growth with equity." *Legislation on Foreign Relations through 1979, Volume 1*, p. 3.
7. See AID, *A Strategy For a More Effective Bilateral Development Assistance Program: An AID Policy Paper*; Eriksson, "What's New

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About Basic Human Needs"; James P. Grant, "How to Go About Meeting Basic Human Needs: The International Perspective," *Address to the International Development Conference on Meeting Basic Human Needs*, Washington, DC, 8 February 1978.

8. Foreign Assistance Act, Section 102(b)(4), in *Legislation on Foreign Relations through 1979, Volume 1*, p. 4: "Development assistance provided under this chapter shall be concentrated in countries which will make the most effective use of such assistance to help satisfy basic human needs of poor people through equitable growth, especially in those countries having the greatest need for outside assistance. . . . The President shall assess the commitment and progress of countries in moving toward the objectives and purposes of this chapter. . . ."

9. *Agency For International Development, Congressional Presentation, Fiscal Year 1982, Main Volume, Amended Version*, p. 10. In the FY 81 Presentation, AID further specified the percentages allotted to low-income countries in the functional program fields, e.g., Agriculture, Rural Development and Nutrition. See *AID, Congressional Presentation, Fiscal Year 1981, Main Volume*, pp. 8-10.

10. Foreign Assistance Act, Section 102, General Policy, in *Legislation on Foreign Relations through 1979, Volume 1*, p. 2. AID Economist Constantine Michalopoulos makes the point with regard to the origins of basic human needs that "helping address the basic needs of the poor in low-income countries seems to have become a US assistance objective before the development strategy that developing countries could pursue to better attain basic needs objectives was fully articulated and understood, and despite the fact that developing countries on various occasions have been openly hostile to making such objectives the main basis for international cooperation. This occurred in good part because of the fundamental humanitarian appeal of an assistance strategy aimed at addressing the basic needs of the poor to a small but important and vocal group of supporters of the US bilateral assistance program such as private voluntary organizations, the Overseas Development Council and specific supporters in Congress, especially in the House Foreign Affairs and the Senate Foreign Relations Committees. Because basic needs as an assistance policy objective resting primarily on humanitarian considerations caught on quickly, and ahead of intensive analysis of the development strategies that would best achieve basic needs objectives in individual country settings, a number of problems arose. . . ." See "Policy Implementation Issues of Basic Needs Strategies," Unpublished Paper, Agency For International Development, Washington, DC, March 1979, p. 3.

11. Foreign Assistance Act, Chapter 4, Section 531, in *Legislation on Foreign Relations through 1979, Volume 1*, p. 86: "In planning assist-

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ance intended for economic development under this chapter, the President shall take into account to the maximum feasible, the policy directives of section 102."

12. Foreign Assistance Act, Chapter 4, Section 531, in *Legislation on Foreign Relations through 1979, Volume 1*, pp. 85-86.

13. *Agency for International Development, Congressional Presentation, Fiscal Year 1981, Main Volume*, p. 66.

14. Foreign Assistance Act, Section 102, in *Legislation on Foreign Relations through 1979, Volume 1*, p. 3.

15. See Irma Adelman, Cynthia Taft Morris, *Economic Growth and Social Equity* (Stanford: Stanford University Press, 1973); John C. H. Fei, Gustav Ranis, and Shirley W. Y. Kuo, *Growth with Equity: The Taiwan Case* (Oxford: Oxford University Press (published for the World Bank), 1979); Felix Paukert, "Income Distribution at Different Levels of Development: A Survey of Evidence," *International Labor Review*, Vol. 108, Nos. 2-3 (August and September 1973), pp. 97-124; Mahbub Ul Haq, "Employment in the 1970s: A New Perspective," *International Development Review*, Volume 13, No. 4, 1971, pp. 9-13.

16. See Irma Adelman, "Strategies for Equitable Growth," *Challenge*, May-June 1974; Sylvia Ann Hewlett, "The Costs of Growth," *New York Times*, 28 July 1979; Edwin Anderson, "Comments on An AID Development Assistance Strategy for Latin America, 1980-1999," AID Memorandum (Operations Appraisal Staff), 24 April 1978.

17. See "Evolution of the Basic Human Needs Concept," *Development Coordination Committee Policy Paper*.

18. Eriksson, "Whats New About Basic Human Needs," p. 2.

19. See "Evolution of the Basic Human Needs Concept," *Development Coordination Committee Policy Paper*, p. 2.

20. Michalopoulos, "Policy Implementation Issues of Basic Needs Strategies," p. 21.

21. We no longer have the luxury, if we ever did, of seeking to escape, consciously or otherwise, from the realities of political turbulence, laced with deeply-rooted anti-Western feelings, and of Soviet ambitions and enmity in the Third World; for we can no longer view the development problems of the Third World as being somehow removed from these realities, with economic assistance acting as a safety valve for our humanitarian impulses and great technical capabilities. Lucian Pye noted this inclination back in 1962, and traces of it can be found today in Basic Human Needs initiatives in AID and Congress. See Lucian Pye, "The Political Impulses and Fantasies Behind Foreign Aid," *The*

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New Look in Foreign Aid, Proceedings of the Academy of Political Science, Vol. XXVII, No. 2, January 1962, Columbia University, p. 99.

22. See Roger D. Hansen, "North-South Policy—What is the Problem," *Foreign Affairs*, Summer 1980, pp. 1123-1127.

23. Robert S. McNamara, President, World Bank, "Address to the Board of Governors," Washington, DC, 30 September 1980, p. 17.

24. See Martin M. McLaughlin and the Staff of the Overseas Development Council, *The United States and World Development, Agenda 1979, Annex A. The Global Poverty Affluence Spectrum* (New York: Praeger, 1979), pp. 149-183.

25. See Roger Darling, "How Humanitarianism Impedes Third World Development," in *Two Articles on Third World Development*, Lectures-Seminars, Vienna, VA, 1976.

26. A number of interviewees for this study who have had extensive experience working with and in Congress on economic assistance matters noted that one of the major reasons that humanitarian arguments have had such staying power—ultimately, supporters of aid tend to fall back on them—is that the arguments are more straightforward and present fewer problems and uncertainties. Economic assistance is simply easier to justify.

27. See, for example, Cyrus R. Vance, *Harvard Commencement Address*, 5 June 1980; Statement of Warren Christopher, Deputy Secretary of State, in US, Congress, Senate Committee on Foreign Affairs, *FY 1981 Foreign Assistance Legislation, Part 1*, 12 March 1980; Cord Meyer, "US Must Face Reality of Soviet Threat in Third World," *Washington Star*, 21 November 1980.

George A. Fauriol writes about the problems posed to the United States by Haitian emigration: "Clearly, the policy of defining aid in terms of basic human needs has, in the Haitian case, been unproductive. What is suggested here is placing development policies in a political context—foreign aid with a more developed sense of strategic purpose." "Haiti's Misery Has Become a Dilemma for the US," *Los Angeles Times*, 10 October 1980.

28. "National Security Absurdly Defined," *New York Times*, 1 June 1980.

29. See Jack Shephard, *The Politics of Starvation*, (Washington, DC: Carnegie Endowment for International Peace, 1975).

30. See US, Agency for International Development, *The Foreign Assistance Study of the Development Coordination Committee*, October 1977, pp. 1-6.

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31. US, Congress, House of Representatives, Committee on Appropriations, *Foreign Assistance and Related Programs Appropriation Bill, 1981*. Report No. 96-1207, 96th Congress, 2d session, 29 July 1980, p. 22.
32. US, Congress, Senate, Committee on Foreign Relations, *International Security and Development Cooperation Act of 1980*, Report No. 96-732, 96th Congress, 2d session, 15 May 1980, p. 12.
33. Presidential Commission on World Hunger, *Overcoming World Hunger: The Challenge Ahead*, Washington, DC, March 1980, pp. 4-6. See also Thomas W. Wilson Jr., *Hunger, Politics and Security*, monograph prepared for the Presidential Commission on World Hunger, April 1980. See addresses over the past few years by Secretaries of State Edmund Muskie and Cyrus Vance and AID Administrators Douglas Bennet and John Gilligan: e.g., Muskie, "The Cost of Leadership," Foreign Policy Association, New York, 7 July 1980, US Department of State, Bureau of Public Affairs, Washington, DC; Vance, *Harvard Commencement Address*; Bennet, "The Third World: US Opportunities for Survival," Commonwealth Club of California, San Francisco, 2 June 1980; Gilligan, "Why Foreign Aid," International Road Federation, 17 May 1978, Office of Public Affairs, AID, Washington, DC.
34. The other countries which receive both DA and ESF are Djibouti, Sudan, Thailand, El Salvador, and Jamaica.
35. See Ambassador Donald McHenry, "Address to the Baltimore Council on Foreign Relations," 8 October 1980.
36. Donald Zagoria, "Into the Breach: New Soviet Alliances in the Third World," *Foreign Affairs*, Spring 1979, p. 752. See also Elizabeth Valkenier, "Moscow is Not Winning Africa," *Christian Science Monitor*, 20 May 1981.
37. See Joseph Kraft, "What to do About Not Being First," *Washington Post*, 6 July 1980.
38. See Harry Bayard Price, *The Marshall Plan and Its Meaning*, (Ithaca, NY: Cornell University Press, 1955).
39. Cyrus Vance captures the essence of this in an address to the National Urban League, Chicago, 23 July 1979: "We promote our long-term interests—including our security interests—when we encourage democratic change and social and economic justice. We cannot let ourselves be diverted by the myth that if we encourage change or deal with the forces of change, we only encourage radicalism. The fact is that we can no more stop change than Canute could still the waters. Our strengths and our principles can help us promote peaceful change and orderly reform that strengthen the ties between government and people. For once such ties are broken, and a government has lost its

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legitimacy in the eyes of its people, no amount of outside intervention can secure its long-term survival. It is profoundly in our national interest, therefore, that we support constructive change before such ties erode and the alternatives of radicalism or repression drive out moderate solutions."

40. See US, Agency for International Development, *Statement of Organization, Functions, and Procedures*, Public Notice No. 1, Revised, July 1978, pp. 5-9; *International Security and Development Cooperation Act of 1980*, Senate Report No. 96-732, pp. 5-15; and US, Congress, House, Committee on Foreign Affairs, *The Report of the House Committee on Foreign Affairs on the FY 1981 FAA*, Report No. 96-884, 96th Congress, 2d session, 16 April 1980, pp. 27-33.

41. Senate Report No. 96-732, p. 12. See also John B. Oakes, "For Reagan, A Ticking Ecological 'Time Bomb,'" *New York Times*, 20 January 1981.

42. Yost, *History and Memory*, p. 282.

43. See US, Agency for International Development, *FY 82 Country Development Strategy Statement (CDSS) for Egypt*, January 1980, p. 3.

44. AID Economist Constantine Michalopoulos correctly points out that "political-security objectives are often pursued by the bilateral program including development assistance." "Policy Implementation Issues of Basic Needs Strategies," p. 19.

45. Note the politico-economic arguments used by the House Committee on Foreign Affairs to continue the Public Law 480 Title I Food Assistance Program in FY 1981 in Indonesia. See House Report No. 96-884, pp. 35-36.

46. Mary Jane Heyl, past coordinator of Security Assistance in AID, writes that "world poverty is the greatest threat to our national security and the gap between the resources available for that first line of defense and the second which is our military effort, is too extreme. Five to six percent of America's GNP is allotted to the defense budget; less than one-fifth of one percent to international development. Thirty times as much is programmed for the Defense Department as is available for the global war against poverty, hunger, and disease, the battleground where the Third World War will be fought and won or lost, long before the missiles are launched." "Only One Penny for the World's Poor," *Christian Science Monitor*, 25 August 1980.

Chapter 4

Program Issues

What are the implications of a reshaping of the policy framework for US economic assistance such as called for in the previous chapter? This and the following chapters attempt to draw these out, beginning with the need to expand overall aid levels and to redress the imbalance between multilateral and bilateral assistance.

Aid Levels

Former Secretary of State Cyrus Vance recently characterized the present assaults by Congress on American aid programs as "disgraceful."¹ Stated positively, the case for a substantially higher volume of concessional economic assistance to the developing nations appears overwhelming. Leaving aside for the moment allocation issues between countries and between bilateral and multilateral instruments, the need for expanded aid programs has dramatically increased in the face of the dire financial and development problems which Third World nations, particularly the poorer, non-oil-producing nations, are now facing.²

The projections of the World Bank for the first five years of the 1980s clearly reflect these problems as well as the exigent need for increased financial assistance from all donors. The Bank projects that the average annual GNP per capita growth rate in the oil-importing, developing nations—3.1 percent in the 1960s, 2.7 percent in the 1970s—will fall further to the dismal low of 1.8 percent. In a number of the poorest Third World countries, the challenge is simply to survive. The countries of Sub-Saharan Africa, for example, face the grim prospect of zero or negative growth rates for this period. The two immediate causes of this financial and economic deterioration have been (1) the escalation in oil prices, which has more than doubled the cost of imported energy for the non-oil-producing developing nations; and (2) constricting import demand in Northern industrial countries, due pri-

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marily to continuing recession also in part attributable to energy costs.³

A considerable number of the poor developing countries face this predicament: without external economic assistance, and/or the trade with and investment by OECD countries which has been lagging, the poor countries can only afford to allocate a declining volume of their assets for economic growth. Their debts alone require outlays which constitute large percentages of their GNPs.

Developing countries face difficult policy and structural changes in their economies, not only to meet their energy problems, but even more so to move back onto some reasonable course of economic growth. For the United States, and other donors, to expect this type of self-help economic performance without committing substantial sums of external financial assistance is unrealistic. The 1980 Annual Report of the International Monetary Fund points out why:

Largely because it is difficult to raise domestic saving ratios where per capita incomes are very low in relation to basic consumption requirements, the low-income countries are extraordinarily dependent on resources from foreign governments and international agencies for any increase in their capacity to raise investment outlays and growth rates. The importance of additional concessionary financing for these purposes is clear. Under existing circumstances, indeed, a number of low-income countries may need additional external assistance even to maintain present rates of investment and growth.⁴

The recovery of the Third World from the economic shocks and dislocations of the past few years is clearly in the US interest. The price of continuing low or negative growth rates is deepening patterns of instability and violence and further radicalization of Third World politics—an environment most hostile to US interests.

At present, the magnitude of US economic assistance requested by the Executive and appropriated by Congress is inadequate to protect, much less extend, vital US interests in the Third World. There are few countries left, e.g., Egypt and Bangladesh, where the volume of our bilateral economic assistance is significant enough by itself to affect host government macroeconomic policies and resource allocation decisions.⁵

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Notwithstanding the opportunities that exist, the present low levels of economic assistance diminish our ability to influence Third World governments and events in ways favorable to broader US foreign policy purposes. Detractors of foreign aid should note the quite modest sums of US economic assistance provided the previously not-so-friendly African countries of Zambia, Tanzania, and Botswana; our assistance played a positive role in encouraging the governments of these countries to cooperate and accept the British-sponsored settlement of the Zimbabwe-Rhodesia civil war—a settlement which has diminished opportunities for further Soviet penetration in East Africa.

US aid officials should direct their advocacy more to the growing vested interests that the American private business sector—manufacturers, producers, traders and technical consultants—have in Third World economic development. As Douglas Bennet, past AID Administrator, has pointed out, "US companies know that tomorrow's sales are in developing nations." A broader, more involved constituency for American economic assistance is now emerging in the private sector given the tightening ties of economic interdependence and the sharper bite of self-interest calculations.

A major factor in a political breakthrough in the United States on raising aid levels would be some real progress in the North-South dialogue. In these global economic negotiations, the magnitude and character of economic assistance constitute but one issue. Aid questions are linked to broader questions of trade and reform of international financial institutions. The dominant subjects of this dialogue over the past decade have been proposals by the developing countries for collective arrangements to assure them higher and more stable prices for their raw materials and more liberal access to Northern markets for their processed and semi-processed products. In the case of the poorer developing countries, who have come to rely heavily on external financial assistance to maintain their solvency, major issues revolve around debt remission and/or cancellation, and a larger volume of concessional resource transfers on more automatic terms.⁶

However, the prospects for more constructive negotiations with genuine progress on these issues also depend in part on the developing countries—or their representative in international economic negotiations, the Group-of-77: the Third World must show

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greater recognition that OPEC has played *the* major contributing role in bringing about the present financial and economic straits in which so many of these countries find themselves today. A *New York Times* editorial points out that

what is demonstrably not true is that Western aid alone could cure what ails the Third World. A single devastating fact underscores the point. In 1973, the oil bill of the less-developed nations was \$7 billion; that bill this year, even without taking the Gulf War into account, is likely to be \$67 billion.⁷

The oil cartel's price hikes in 1973-74 and the large increases of 1979 and 1980 have ravaged Third World economies, pulling down growth rates and generating huge deficits. Yet, the negotiating positions of the Group-of-77 with the OECD nations obscure this essential reality, placing the blame for present economic conditions almost exclusively on an unjust international economic system dominated by the Northern industrial nations. While zealously pushing reforms of that system, the Group-of-77 thus far has skirted the central role of OPEC and the need for collective arrangements to assure stable oil supplies at realistic prices for all consumers. The merit of the Third World's case is damaged by this one-sidedness; the sensitivities and difficulties of North-South cooperation are compounded and the considerable convergent interests between the oil producers, the industrial OECD nations, and the oil-importing developing nations remain on the margin rather than in the mainstream of negotiations.

A more forthcoming US response on the range of bilateral and multilateral assistance issues that mark the North-South dialogue no doubt has been inhibited in recent years by the unreality and inflexibility of Group-of-77 attitudes and positions on OPEC and oil prices. The distortions that the Group has permitted, either willy-nilly or by design, to imbue its adversary relations with the OECD nations have further inhibited the US response.

On the other hand, officials in Northern public and private sectors, particularly advocates of internal "self-help" economic and social reforms in developing countries, have not sufficiently appreciated the extent to which the international market system is tilted—in myriad ways—against the developing countries. For example, external controls of capital, technology, prices, and credit significantly constrain the internal development options

and priorities of these countries.⁹ Similarly, the North fails to appreciate fully the extent to which "reverse dependency" on Southern resources and markets has grown, and will continue to grow; reverse dependency should intensify the economic and political interests that the OECD nations have in reversing present economic trends in the Third World and returning to patterns of orderly economic growth.⁹

Neither Congress nor the American public seems fully aware of the extent of our economic interdependence with Third World countries. This writer would agree with the recent remarks of Robert McNamara that "I do not believe the average American sees the world of the '80s yet as it really is. It is an interdependent world, and the US is not yet acting fully in its own interest in that world."¹⁰ And to the degree that we comprehend interdependence, we comprehend it in a negative sense; that is, the extent to which it places limits and constraints on our actions. We are not awake to the positive opportunities and benefits, both economic and political, that interdependence also offers.

In this regard, there is a pressing need for development of a public consensus on the longer-term justification and priority for US programs of assistance, investment, and involvement in Third World countries. Nothing else would bring into sharper relief the inadequacies of our present aid efforts. Beyond affording a better perspective of the Soviet threat and the dangers of the over-militarization of the US response,¹¹ and/or over-emphasis on short-term security concerns, the consensus would merge humanitarian and security arguments. The idea is beginning to take shape in public debate that massive global poverty is not only morally unacceptable, but destructive over time of Western values, the credibility and strength of which are integral to the cohesion and vitality and ultimately the security of our societies. Conversely, unless progress is made in ameliorating the problems of world poverty, we contribute not only to our own moral or cultural debilitation, but to a progressive escalation of external threats to our security on a multitude of fronts. In proper perspective, moral and security premises are of the same coin.

US Multilateral Assistance

Both bilateral and multilateral assistance clearly have a role: bilateral aid is an instrument of US foreign policy by which

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we are able to direct resource transfers to selected countries for specified purposes; multilateral aid also is an instrument of US foreign policy, over which we have considerably less control but which affords us other advantages and ways to further our interests.

Multilateral assistance and bilateral assistance are not interchangeable. Although both may serve ultimately the same ends, there are significant differences. A donor has greater control over every phase of the resource transfer when it uses the bilateral channel; resources put into the larger multilateral pool lose their identity. Bilateralism also provides more flexible means of fashioning assistance with a recipient government to meet specific, shared ends. Bilateral assistance is more amenable to policy concerns. Although this distinction is relative, bilateral donors are national governments with policy purposes and interests to serve and protect, while multilateral development banks (MDBs) are essentially banking institutions. A member country of an MDB may obtain funding for a "bankable" project notwithstanding, for example, the opposition of other member countries to the former's foreign policy, or to the character of its government.

Multilateral development banks provide the largest volume of external assistance to the developing countries. The lending of the MDBs now constitutes about 15 percent of the total external resources being provided to developing countries. This percentage is considerably higher among the least developed, poorer countries who have little access to credit from private capital markets. The International Development Association (IDA) is the largest source of concessional assistance to those countries. The World Bank alone now commits about \$12 billion a year to a wide array of development projects and programs and this figure is projected to rise progressively in the coming decade.

Given the breadth and magnitude of the assistance role of the MDBs, they offer the United States most advantageous means for leadership and cooperation on the major issues of Third World economic development. The US Treasury Secretary aptly described the MDBs as "an arena for North-South cooperation on practical problems with the great confluence of interests among all MDB member countries making these institutions unique among North/South fora."¹² Participation in these international institutions, where the fundamental concern of the member Third

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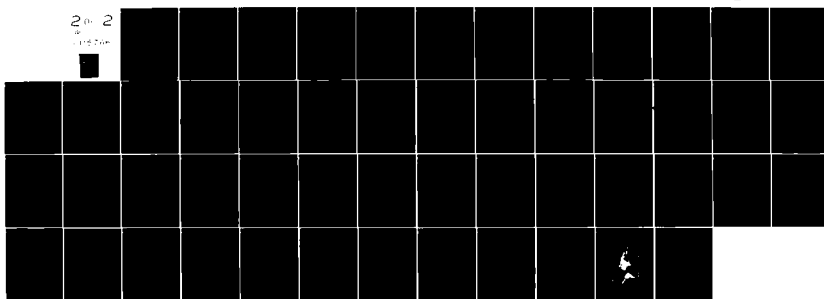
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World countries is their economic development, facilitates cooperation on many of the other global issues vital to the United States." Pooling our resources in the MDBs with the other member nations is also cost-effective. The contributions of other nations which now constitute about 75 percent of the banks' resources, and the MDBs' reliance on borrowings from the world's capital markets through callable capital,¹⁴ allow US contributions to play a generative role beyond the limited payments which we periodically make. The Treasury Department estimates that in the case of the World Bank the "leverage factor" is more than 50 to 1.¹⁵

Note also that the World Bank—along with the International Monetary Fund (IMF)—is playing an increasingly influential role within the international financial system. In the face of the huge increases in the oil import bills of the developing countries, the Bank is now assisting oil-importing developing countries to shore up their economies while they adjust to higher energy costs and develop new and alternative energy sources. In this new role, the Bank supplements the efforts of the IMF and the commercial banks in the recycling of petrodollars to the non-oil-producing developing countries. A.W. Clausen, the new President of the World Bank, in remarks suggesting Bank participation in other possible schemes of assistance such as an insurance pool for private lenders, implied an increasing role for the Bank in financing the balance-of-payments deficits of, and in generating more private investment in, Third World countries.¹⁶ Over the longer term, Robert McNamara's proposals to increase substantially the Bank's lending capacity indicate further expansion of its role as the major broker of Third World development.

These factors argue for a vigorous and constructive US diplomacy with regard to the Bank and the other international financial institutions (IFIs). Indeed, our contributions to the MDBs and our active participation in their affairs are imperatives of an effective US multilateral diplomacy addressed to collective international problems which are simply beyond bilateral solution. Reliance on traditional bilateral diplomacy is inadequate given the global reach of the problems involved. At a minimum, the internationalism reflected in our support of the MDBs mirrors the interests we have at stake in a North-South structure of increasing economic interdependence.

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Note that significant "North-North" relations also are involved in US support of the MDBs. For example, the non-oil-producing developing countries constitute approximately one-third of the European Community's export market, and our allies, quite naturally, are sensitive to the need of protecting the financial system that supports this magnitude of exports.¹⁷

However, US actions toward the MDBs in recent years have certainly not reflected full support of these institutions. Congress has been increasingly resistant to appropriations to support the Bank and the regional MDBs. Appropriations of pledged US contributions have been consistently delayed and cut. Also, the Reagan administration appears to want to cut back our role in the MDBs. The reasons for this negativism, at least by Congress, seem clear.

The MDBs—and the US role within them represented by the Treasury Department—have been sharply criticized over the last few years by Congress, especially by the Subcommittee on Foreign Operations (the Long Subcommittee) of the House Committee on Appropriations.¹⁸ Three of the major criticisms of the MDBs were: (1) lack of effectiveness in channeling aid to poor, less-advantaged beneficiary groups; (2) overstraining the absorptive capacities of developing countries; and (3) defective coordination among themselves and with bilateral donors.

These criticisms have merit. The first one—that MDBs have not been effective in channeling aid so that poorer, less-advantaged groups share equitably in the growth process—is central to the critique, but it is one which is leveled at the bilateral program as well. The difficult challenge of assisting developing country governments to build more equity into their development programs is indeed one which foreign donors—whether multi-lateral or bilateral—have only partially met.

With regard to the second criticism, the Investigative Staff of the Appropriations Committee noted "the pressures to demonstrate growth by committing an increased amount of lending each year tends to overstrain the absorptive capacities of LDC's, and thus be counterproductive in making them more dependent rather than building their own indigenous institutions."¹⁹ Whether the absorptive capacity of developing countries is in fact being overstrained by the drive of the MDBs to commit funds, emphasizing

project quantity rather than project quality, is not ascertainable without a more systematic survey of project data than what is provided by the Report of the Appropriations Committee Investigations Staff. However, the cumulative gap between loan commitments and disbursements for the MDBs cited in the report—\$59 billion in commitments as against \$34.5 billion (58 percent) in disbursements²⁰—does suggest absorptive capacity problems; e.g., inadequate host country skilled manpower for project management and shortfalls of local cost financing by host country institutions. The report cites evidence indicating that the MDBs are assuming larger portions of local cost project financing in lieu of host country contributions. This trend is a further sign of absorptive capacity difficulties, particularly with the more difficult social projects such as health, education, rural development, and nutrition, which generate little if any revenue.²¹

Inadequate coordination among the MDBs and with the bilateral donors also has been fair game for criticism by the Long Subcommittee. Its staff report found considerable evidence of duplication and overlap between projects of the MDBs and with those of the bilateral donors in individual countries. The report found that "the IFIs [international financial institutions] overlap each other in virtually all sectors." ²² Although due credit is given to the work of the World Bank in arranging cofinancing by multiple donors on major projects and in organizing consultative groups for individual countries, the report stresses the need for more effective coordination at the actual project level.²³ The Long Subcommittee urges that the MDBs and bilateral donors give greater attention to better coordination at the policy level as well; this would increase their collective influence over host government development policies and programs, not only avoiding duplication and overlap but promoting a more "focused and concentrated donor effort." ²⁴

Although these criticisms are well-taken, improvements in donor coordination are not easy to come by. Recipient governments tend to resist genuine efforts at coordination as limiting their own flexibility and control of development policies and programs. The donors themselves have different styles and methods of operation. Their perceived interests in individual recipient countries may also vary considerably. There is indeed need for fresh thinking and new approaches to the requirements

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and opportunities for donor coordination.²⁵ However, criticizing the World Bank, particularly, for poor performance, and placing the burden on it as the largest donor to upgrade the quality and frequency of coordination, do not take us very far along the road toward new approaches. The problems of coordination are intrinsic to the character of the assistance process in local country situations with their multifaceted politics and large numbers of donors; also, the bureaucratic labyrinth of bilateral and multilateral aid agencies in Washington and other headquarter cities makes even decent communications—much less coordination—a real challenge. Some commentators also argue that tasking the World Bank with the responsibility of chief coordinator²⁶ not only is unrealistic, but detracts from the responsibilities of the other donors.²⁷

The intent of these congressional criticisms does not appear to be to develop the case for a progressive US disengagement from the MDBs. Rather, Congress seems to be prodding Executive Branch officials to play a more influential role in the affairs of the MDBs, to be more initiatory than reactive, and more systematic than ad hoc in approach. To this end, Congress tasked the Treasury Department to develop a "comprehensive strategy" for our policy role in the MDBs.²⁸

Congress' discomfort with the lack of control which the United States has over the policies and programs of the MDBs underlies its insistence on a more vigorous, strategic approach to the US role. For the same reason, bilateralism is making somewhat of a comeback in Congress. As the world looks more unpredictable or unmanageable, the tendency is to favor the instruments over which one has greater control. Similarly, some dimensions of the bilateral programs (e.g., identifying US Third World policies with principles such as basic human needs, or more broadly with justice and equity), which more than a few congressmen find attractive, simply cannot be duplicated in the same way in the multilateral framework. Bilateral assistance also is less of a political liability today than it was 10 to 15 years ago. Senator Fulbright's argument of the 1960s that US foreign economic assistance was "welfare imperialism" is no longer credible. There are too many other major donors. US foreign aid no longer dominates the field as it did a generation ago.

Further, I would argue that the relative balance between bilateral and multilateral assistance is awry; the multilaterals, particularly the World Bank, have grown at a pace in capital resources, personnel, and programs which has not only saturated recipients' absorptive capacity, but also has out-stripped our bilateral assistance and diminished its role as an instrument of US foreign policy.

The Department of the Treasury states that "multilateral programs are the principal mechanism for resource transfers to the LDCs, while our bilateral programs emphasize humanitarian objectives and innovative programs, as well as specific US foreign policy objectives." ²⁹ But one does not have to accept this view, which diminishes the bilateral role. By all means, the United States should maintain its level of contributions to the hard window of the World Bank through the callable capital device. The arguments are also persuasive for supporting expansion of the Bank's capital as well as liberalizing the present required 1-to-1 ratio of capital resources to lending volume. The United States should seek, principally through its Executive Directors in the MDBs, to play a more influential role with respect to the policies and operations of these institutions. We should also support the vital role of the World Bank, along with the International Monetary Fund, in providing short-term adjustment assistance to developing countries to cushion severe economic shocks produced by external disequilibria in the world economy over which these countries have little or no control. However, the United States should hold down its appropriated contributions to the periodic replenishments of the soft loan window of IDA and the other MDBs to a specific level, or to a percentage of the total contributions from other member countries. Thus the other member countries would be required to finance further expansion in the concessional loan resources of these institutions.

In an uncertain, volatile Third World, where the United States has major interests at stake with substantial security implications, it is unwise to rely increasingly on international institutions over which we have little control to dispense a large part of our Development Assistance. The trade-off is essentially between the concessional flows of IDA and the regional banks vis-a-vis US bilateral economic assistance. The priority should be given for the next few years to refurbishing and expanding bilateral assistance as a more ample and effective tool of US foreign policy.

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US Bilateral Assistance

The United States must maintain a strong, creative bilateral assistance effort. The ability to identify ourselves as a nation with the development aspirations and programs of the developing countries is fundamental to an effective Third World diplomacy. Priority within the overall aid budget should be given to this bilateral effort. Economic assistance is a field of significant comparative advantage for us in the Third World.³⁰ Our thirty years of experience and success are unsurpassed among donors. Gustav Ranis points out, for example, that

many of the past innovative ideas in development theory and aid policy—program lending linked to aggregate policy changes, flexibility on local cost financing, even the initiation of rural poverty-oriented assistance programs—were actually generated within the much-maligned US bilateral programs.³¹

Further, no other donor has been able to combine capital and technical assistance as effectively as we have in various assistance packages over the years.

The policy rationale for a vigorous bilateral program relates to the politico-economic implications of some 800 million people living in a condition of absolute poverty, and to the expectations of a further spread and deepening of no-growth, high unemployment economies in the less developed Third World countries. One can support this rationale as a matter of "prudential statecraft"³² or "recaptur[ing] a higher moral ground abroad,"³³ but, ultimately, it is a matter of our own security.

Trends in bilateral aid, as already noted, are not favorable. For FY 1982, AID is requesting an appropriation of \$4.4 billion for its bilateral economic assistance program. Of that amount, \$2.5 billion is for the Economic Support Fund; of the ESF, countries of the Middle East, principally Egypt and Israel, are to receive approximately \$1.6 billion, or about two-thirds of the total, leaving some 20 other countries and regional programs to divide the remaining one-third. The balance of \$1.9 billion for Development Assistance (DA) is shared by some 60 other countries as well as programs of private and voluntary organizations (PVOs) and various other AID-funded, non-country-specific programs. A senior AID economist points out that "the average size of a country de-

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velopment assistance program in 1976-78 was \$10.1 million compared to \$22.3 million in 1966-68. If one takes account of developing countries' growth and inflation, the real size of the average program relative to the economies we assist is even smaller."²⁴

Given the diminished size and fragmentation of our bilateral country programs, are the programs, at least those funded by DA, becoming too small to be significant? As the magnitude of our assistance diminishes in relation to the magnitude of the needs of the developing countries and the larger contributions of the multilateral donors, are the programs becoming, in effect, dispensable? Generalization is, however, difficult.²⁵ One has to look at the country programs themselves, and at the objectives to which they are addressed. Clearly, what we are now providing is not enough by any standard, however. We have country programs spread across the globe, administered by 60-odd overseas missions with too little resources, but mandated to carry out growth-with-equity programs which are supposed to promote structural changes and reforms in the economies and societies of host countries.

Roughly doubling DA and ESF to about \$8 billion per annum over the next few years would be a justifiable target.²⁶ Are expanded aid budgets realistic, however? The performance of Congress and the Executive the past few years would appear to indicate a negative answer. Yet, if the policy framework of the Foreign Assistance Act is reshaped so that humanitarian arguments do not have to carry the brunt of the justification—that is, by more systematically integrating the increasing salience of the security and economic self-interest elements—the door opens for a fresh and more forceful statement for enlarged bilateral aid. Other factors as well argue for increasing aid in the magnitude suggested.

First, economic aid is a more versatile foreign policy performer than other more mechanistic means of resource transfer, such as debt moratoria and price-fixing in international commodity markets. Economic assistance provides a more flexible means of supporting the development programs and economies of developing nations with considerably less intervention in trade markets and less economic disruption at home than automatic resource transfers. On the good assumption pressure will grow in the next few years on the United States from other OECD nations and the developing countries to be more accommodating on North-South

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issues, expanding our bilateral aid effort would be the preferred policy response.

Second, not only do the needs for concessional economic assistance continue to grow, particularly among the poorer, oil-importing developing countries, but also opportunities for effective utilization of the assistance grow as well. Evidence mounts that, in a substantial number of developing countries, leaders are becoming more flexible and pragmatic in approaching and solving their serious economic problems. Greater receptivity to development of indigenous private sectors and fewer ideological hang-ups on foreign private investment reflect these changing attitudes—attitudes which significantly enlarge the opportunities for mutually advantageous, effective assistance programs.

Third, although there is nothing magic about the \$8 billion figure—one would be hard put to justify precisely \$8 billion as against increases of aid to \$7.5 or \$8.5 billion—the \$8 billion figure does provide for necessary upward adjustments for inflation, as well as the incremental resources to make a much more substantial impact on food production, population growth rates, environmental deterioration, and other related development problems which impinge on US security concerns.

The largest number of AID country programs today are small-to-medium relative to the size of the economies to which they provide resources. The presumption should be to maintain these programs while being clear as to what they constitute in levels of effort and the limited objectives which they serve. A cautious approach should be taken to proposals of program consolidation or smaller program elimination to release resources for larger ones. Although some consolidation may be justifiable with present or further diminished aid budgets, these moderate-sized country programs are not without redeeming features. They are, in part, experimental in character. For example, some develop innovative delivery systems which carry out poverty-oriented growth programs or public services programs in health and education. Other programs devise work in close collaboration with local and private organizations on the implementation of participatory community development strategies. Still others support family planning or natural resources management programs which have new components, or components adapted from the experience of other countries.

In effect, our moderate-sized country programs develop country-specific outreach systems that can be replicated and expanded by a wide array of public and private organizations in the host country. Similarly, they characteristically involve a greater role for private and voluntary organizations (PVOs) in carrying out a broad assortment of development projects in the local situation, generally on a more modest but diversified scale than those of the AID country program proper.

The PVOs have a number of advantages vis-a-vis larger public donors involved in direct host government assistance activities. The PVOs can reach and involve low income beneficiary groups in local communities through small-scale, growth-with-equity projects which the big donors cannot undertake as well, if at all. The PVOs have greater operational freedom in carrying out their programs in host countries. They are less visible. Their focus of action is usually further removed from national government authority and oversight. They ordinarily have to cope to a lesser extent with the constraints and uncertainties of working directly with national government officials and agencies. The characteristic dispersion and relative remoteness of the majority of PVO activities from the main centers of power are, in this sense, assets. Also, PVOs have the advantage of being able to carry out, more or less freely, economic and politico-social change projects, albeit on a modest basis, in local communities.

Similarly, PVOs have more opportunities for experimentation through small-scale, low-cost "starter" projects. They can experiment with different developmental approaches with greater flexibility and less risk than AID or the MDBs. Problems and setbacks tend to be localized and resource transfers small. Those projects which prove successful are candidates for replication, perhaps on a larger scale, by others.³⁷

Financial support for the overseas programs of the PVOs in the US bilateral aid program has increased steadily over the past few years. The proposed level of aid support for FY 1982 is \$212 million; if the PL 480 Title II food programs of the PVOs—the funds for which come from the Department of Agriculture but are administered by AID—are added, total support is about \$541 million.³⁸

The field in which the PVOs can make a major development contribution in the years of this decade is food production. There is a major unmet requirement for further relatively small-scale ex-

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perimentation with food production strategies and projects in the many different microenvironments of agriculture in the numerous food-deficient Third World countries.

However, notwithstanding the considerable assets of PVO programs, they should not be viewed as substitutes for the overall, government-to-government AID country program. Overseas PVO activities are justified almost solely on humanitarian grounds, as they should be. By their very nature and number, they lack the strategic purpose and direction that should guide the overall US effort in the particular country, and their fragmentation and diversity already compound the difficulties of coordination among donors and with the host government.

We should also remind ourselves with respect to our country assistance programs that the major constraint on development is never wholly a matter of money or material resources. Lack of knowledge is a pervasive constraint.³⁹ Third World nations, particularly those on the lower rungs of the development ladder, require that much more technical and professional knowledge be brought to bear on their institutional and economic problems, especially through the medium of education and training of the modernizers and managers of development.

Even if the AID program bulks relatively small in the overall resource picture of the host country, it still can play a vital role in identifying and addressing critical technical and institutional constraints to development. As was written in the *Country Development Strategy Statement (CDSS) for Honduras*:

If our limited funds have diminished leverage effectiveness, the substitute has to be our intellectual and technological resources, applied primarily through joint engagement in an analytical process, employment of high-level and competent advisory assistance followed by our participation in implementation.⁴⁰

There is much to be preserved in our smaller country aid programs—their experimentalism and record of innovation, our assets of technical knowledge and assistance, and the rich and growing PVO experience. Their usefulness should not be measured solely by the volume of resources. *Their limited means and objectives should, however, be made explicit; they should not be oversold.*

The quality of the country programs can be improved, for

example, in several areas: better evaluation; use of collaborative styles with the host government;⁴¹ more program flexibility in applying basic human needs directives; expediting project review and clearance procedures; moderating the tendency toward too many small projects; and, improving program coordination with other donors. Yet there are limits as to how far AID can go in developing project-oriented programs—limits, for example, of project quality, competition with other donors, and host country absorptive capacity. If the bilateral aid program is to be expanded significantly in the 1980s, other approaches or alternatives must be considered.

Greater use of nonproject alternatives deserves attention. The purpose of going the nonproject route would be to support more effectively developing countries which require the injection of a larger volume of external resources to effect the structural and policy changes that will generate growth. The purpose would be to support longer-term, growth-with-equity development strategies in appropriate countries by not only increasing the magnitude of assistance, but by positioning it so that it relates more directly to broader development policy choices and resource allocation decisions of the host government. As one senior AID official put it: "We should not change program goals or sectors but rather the method of delivery of the assistance so as to enhance its policy effectiveness."

In countries where nonproject resource transfers are feasible and justifiable, upgraded coordination with other major donors would be at a premium, for example, on such questions as the division of responsibility between sectors or fields of concentration and the orchestration of policy positions with host government agencies. However, most important, the host government must be willing to take the lead on developmental policies and actions. Building consensus and cooperation on programs is a negotiated, learned process on both sides, donor and recipient; a necessary pre-condition for the effectiveness of this process is a host government that has the internal political will to mobilize the resources needed for a concerted attack on the country's development problems.

To the degree that it is able to increase its use of nonproject loans and grants, AID must also appraise the types of staff skills it needs in place, especially in its field missions, to collaborate productively with host governments and other donors.⁴² The col-

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laborative style and the expertise which backs it up are central to the process of consensus-building on policy and programs noted above. And the effectiveness of this consensus determines the acceptability of the donor intervention in the internal affairs of the host government which inevitably is involved.

There are a number of approaches to nonproject financing of the external assistance needs of recipient countries, both as to the character of the programs to be supported and the method of resource transfer to be used. AID and its predecessor agencies have had considerable experience in certain areas: they have made nonproject loans and grants for budget and balance-of-payments support designed for short-term economic stabilization or to effect somewhat longer-term and more specific resource allocation patterns, e.g., through program loans. A considerable part of US support for the successful "growth with equity" development programs of Taiwan and South Korea was nonproject assistance of this character, which used the old Defense Support aid instrument, the predecessor to Security Supporting Assistance and now the Economic Support Fund. AID also had an abbreviated experience in the early 1970s with sector loans; these loans provided a package of largely nonproject financing addressed to a set of interrelated development goals in one sector such as agriculture, and underpinned by sector studies of varying scope and depth. The sector approach was largely set aside in the early years of the 1970s in the face of the New Directions mandate from Congress which AID has sought to carry out mainly through discrete development projects.

There is considerable room for variations on these types of nonproject assistance, just as there is on the method of resource transfer which is chosen, including: commercial import financing with the counterpart local currencies generated allocated to specific development programs; direct conversion of dollars for local cost financing of programs; or, allocation of resources by attribution to the government's budget. Our assistance could also be "decycled," that is, divorced from annual program obligations and allotment cycles.⁴³ However, whatever the character and form of the nonproject assistance, its guiding purpose would be much the same: to support recipients' political leaders to bring about policy changes designed to address poverty and growth in complementary fashion, and at a level and with a scope that cannot be readily duplicated with "direct impact" or microdevelopment projects.

The specific countries appropriate for US bilateral nonproject assistance depend on variables such as absorptive capacity, the role of other donors, and policy receptivity. Good candidates, for example, are Sri Lanka, Kenya, and Jamaica. The point is, however, that in view of the strong case for roughly doubling our Official Development Assistance to about \$8 billion over the next few years, the nonproject route generally affords the best opportunities for efficient use of the additional resources.

4. Endnotes

1. Cyrus Vance, *Harvard Commencement Address*, 5 June 1980.
2. The Overseas Development Council lists 35 countries in the category of the poorest developing countries (per capita incomes under \$300 per annum), of which most are in Sub-Saharan Africa and South Asia: Benin, Burundi, Cape Verde, Central African Empire, Chad, Comoros, Ethiopia, Gambia, Guinea, Guinea-Bissau, Lesotho, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, Sierra Leone, Somalia, Tanzania, Upper Volta, and Zaire; and also, Afghanistan, Bangladesh, Bhutan, Burma, India, Kampuchea, Laos, Maldives, Nepal, Pakistan, Sri Lanka, Vietnam, Haiti.

The United Nations has similar country classifications: the most seriously affected (MSAs) by present adverse economic circumstances, e.g., oil prices and depressed markets for primary product exports (45 countries); and the least developed countries (LLDCs) (28 countries). See Sewell and the ODC Staff, *The United States and World Development, Agenda 1980*, pp. 152-164.

However classified, one should add to the list of 35 above those countries in the throes of deep economic and financial troubles, such as Sudan, Uganda, Zambia, Liberia, Ghana, Nicaragua, and Bolivia.

3. McNamara, "Address to the Board of Governors," 30 September 1980, p. 3. Other projections are similarly bleak. See the *Annual Report of the International Monetary Fund*, Washington, DC, September 1980, pp. 13-15; *World Bank Annual Report 1980*, Washington, DC, 1980, pp. 15-17.

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4. *Annual Report of the International Monetary Fund*, p. 15. See also Roger D. Hansen, "North-South Policy—What's the Problem?" *Foreign Affairs*, Summer 1980, p. 1125.
5. See Gustav Ranis, "Foreign Aid: Euthanasia or Reform?" *Worldview*, March 1980, pp. 19-20; Michalopoulos, "Policy Implementation Issues of Basic Needs Strategies," pp. 15-17.
6. See Statement of Richard N. Cooper, Under Secretary of State for Economic Affairs before the Subcommittees on International Economic Policy and Trade and International Organizations of the House Foreign Affairs Committee on 15 May 1980 in US, Department of State, Bureau of Public Affairs, *North-South Dialogue*, Current Policy No. 182, Washington, DC, 15 May 1980.
7. "What Binds Rich and Poor Nations," Editorial, *New York Times*, 10 October 1980.
8. See Mahbub ul Haq, "A View From the South: The Second Phase of the North-South Dialogue," in McLaughlin and the ODC Staff, *The United States and World Development, Agenda 1979*, pp. 115-117.
9. One may argue, for example, that American commercial banks, which now carry large chunks of the indebtedness of Third World countries, are hostage to or—if that is too strong a word—in a state of reverse dependency on the debtor nations.
10. "A Plea for Aid to 800 Million on Margin of Life, Interview with Robert S. McNamara, President, World Bank," *US News & World Report*, 31 December 1980.
11. See Barry M. Blechman and Stephen S. Kaplan, et al., *Force Without War: US Armed Forces as a Political Instrument*, Brookings Institution, 1978, pp. 517-518. To appraise the efficacy of military force as a political instrument of US policy in situations short of war, 215 examples were examined and detailed case studies of 10 additional examples carried out. The main conclusion was that "to the degree that they did influence events, discrete uses of military forces for political objectives served mainly to delay unwanted developments abroad. Though there is some value in 'buying time'—that is, keeping a situation open and flexible enough to prevent an adverse *fait accompli*—it should be recognized that these military operations cannot substitute for more fundamental policies and actions—diplomacy, close economic and cultural relations, an affinity of mutual interests and perceptions—which can form the basis for sound and successful alliances or for stable adversary relations. What politico-military operations perhaps can do is provide a respite, a means of postponing adverse develop-

ments long enough to formulate and implement new policies that may be sustainable over the longer term."

12. US, Congress, House of Representatives, *Foreign Assistance and Related Programs, Appropriations for 1981, Part 3*, Statement of William Miller, Secretary of the Treasury, before the Subcommittee on Foreign Operations of the Committee on Appropriations, 96th Congress, 2d session, 26 March 1980, p. 35. Hereafter cited as Statement of Miller, *Foreign Assistance Appropriations 1981 Part 3*.

13. Thomas Ehrlich, past Director of the International Development Cooperation Agency (IDCA), recently wrote: "More basic, however, our contributions to the multilateral development banks do directly support US foreign policy, although not always in immediate terms. The long-term global problems of primary concern to the United States—terrorism and nuclear nonproliferation, for example—are susceptible only to international solutions that Third World countries actively support. Their willingness to work cooperatively with us on these problems depends in large part on their perception of our willingness to help with the development issues that are their primary concerns." *Christian Science Monitor*, 11 March 1981.

14. "Callable capital" is a pledge by the government of a member country of a certain amount of capital which is not actually transferred but acts as a guarantee to allow the Bank to borrow in capital markets.

15. "First, other members contribute \$3 for every \$1 contributed by the United States. Second, supported by callable capital the banks finance the bulk of their lending program through borrowings in the private capital markets. The result is that US budget expenditures are multiplied many times over in actual MDB lending. For every dollar the United States has paid into the World Bank over the past 35 years, for example, the Bank has lent over \$50 (at no net cost to the US taxpayer, because increased federal tax receipts from IBRD activities, i.e., procurement, administrative expenses, and net interests, have been more than double US paid-in contributions to the bank)." See Statement of Miller, *Foreign Assistance Appropriations 1981, Part 3*, pp. 21-22.

16. See Alena Wells, "Clausen's Priority: Recycling," *The Journal of Commerce*, 10 November 1980; Kenneth H. Bacon, "Clausen Pondering Ways for World Bank to Stimulate More Private Investment," *Wall Street Journal*, 14 May 1981.

17. See Robert J. Samuelson, "Global Economics: the Go-It-Alone Spirit," *Washington Post*, 10 March 1981.

18. US, Congress, House of Representatives, Committee on Appropriations, Subcommittee on Foreign Operations and Related Programs,

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Foreign Assistance and Related Appropriations for 1980, Part 6, International Financial Institutions, Hearings, 96th Congress, 1st session. Hereafter cited as Foreign Assistance Appropriations 1980 Part 6. See also Foreign Assistance Appropriations 1980 Part 2.

See also US, Congress, House of Representatives, Committee on Appropriations, *Foreign Assistance and Related Programs Appropriations Bill, 1981, Report Together with Minority Views, 96th Congress, 2d session, pp. 9-12. Hereafter cited as Foreign Assistance Bill, 1981 Report.*

19. *Foreign Assistance Bill, 1981 Report, p. 11.*

20. *Foreign Assistance Appropriations 1980 Part 2, p. 9.*

21. *Ibid.*, pp. 54-56. The *Foreign Assistance Bill, 1981 Report* argues that the 8-to-16 percent range of local cost financing estimated by the World Bank over the prior 5-year period for its projects appears to understate actual financing of local costs by substantial amounts due to reporting and statistical gaps in the Bank's project data.

See also the exchange in the Long Subcommittee hearings between Congressman Obey (Wisc.) and C. Fred Bergsten, Treasury Assistant Secretary of International Affairs, in which Obey contends (and Bergsten appears to agree) that the MDBs have been trying to force-feed the lesser developed countries beyond their capability. *Foreign Assistance Appropriations 1980 Part 6, pp. 474-479.*

22. *Foreign Assistance Appropriations 1980 Part 2, p. 42.*

23. *Ibid.*

24. *Foreign Assistance Bill, 1981 Report, p. 11.*

25. See Gustav Ranis, "Foreign Aid: Euthanasia or Reform?" *World-view*, March 1980.

26. The Long Subcommittee wants to extend the coordinating role of the Bank, urging, for example, that it assume greater responsibility for providing services and coordination among the regional banks. See *Foreign Assistance Bill, 1981 Report, p. 11.*

27. Ranis writes: "I have already mentioned the increasingly exclusive role of the World Bank as lender, coordinator of other lenders, assessor of country performance and purveyor of policy advice. As a direct consequence of this, the bilateral program has been consistently declining in both quantitative importance and intellectual capacity, with AID becoming ever less capable and willing to reverse the trend." "Foreign Aid: Euthanasia or Reform?", p. 22.

28. "If the US is to do more than merely react to proposals made by Bank management, Treasury must develop a comprehensive strategy describing in detail both the US views on the important development issues facing the banks and poor nations and specific policy initiatives that the US intends to undertake in the years to come. The Committee therefore expects Treasury to develop such a comprehensive strategy and submit it to the Congress as part of the FY 1982 Congressional Presentation." *Foreign Assistance Bill, 1981 Report*, p. 10.
29. *Foreign Assistance Appropriations 1980, Part 6*, p. 371.
30. Witness the predictable difficulties of the Soviet Union and the Eastern Bloc nations with Ethiopia in putting together the economic assistance programs in the magnitude and character necessary to meet the short- and longer-term development needs of their new Socialist ally. See David B. Ottaway, "Red Star Over Ethiopia," *Washington Post*, 4 December 1980. See also Elizabeth Valkenier, "Moscow is Not Winning Africa," *Christian Science Monitor*, 20 May 1981.
31. Ranis, "Foreign Aid: Euthanasia or Reform?" p. 20.
32. Roger D. Hansen, *Beyond the North-South Stalemate*, 1980s Project/Council on Foreign Relations (New York: McGraw-Hill, 1979), p. 222.
33. Ranis "Foreign Aid: Euthanasia or Reform?" p. 23.
34. Michalopoulos, "Policy Implementation Issues of Basic Needs Strategies," p. 15. This comparison is qualified somewhat by the fact that in the decade, 1966-68 to 1976-78, the number of AID programs expanded in relatively small countries, particularly in Africa.
35. Charles Montrie, "Aid Levels and AID's Function in World Development Financing," Unpublished Paper, 16 June 1977, p. 10.
36. The World Bank Report, *Accelerated Development in Sub-Saharan Africa: An Agenda For Action* (the "Berg Report") comes to a similar conclusion about the requirements for "a doubling of aid in real terms by the end of the 1980s" to Africa. Report No. 3358, August 1981, p. 1.10.
37. For elaboration on PVOs, see Richard L. Hough, "Private and Voluntary Organizations: Field Appraisal," AID/Operations Appraisal Staff Paper, Agency for International Development, 24 January 1978.
38. *Agency For International Development, Congressional Presentations Fiscal Year 1982, Main Volume*, pp. 57, 112. The AID country missions now have the authority to make grants to PVOs for local development projects, up to \$500,000 in life-of-the-project costs, without approval from AID/Washington. This delegation represents healthy decentralization. Some PVOs operate in the context of AID country programs of limited scope and resources and of necessity are built more on the quality of discrete projects than on influencing host government macro-

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development policies. In these cases, it makes sense to devolve decisions to the more locally knowledgeable USAID missions on the selective use of scarce resources to support PVO microdevelopment projects.

39. Richard Critchfield argues that "the real problem is not money. The real problem is a knowledge gap. The poor nations need to possess a lot more scientific and technological knowledge than they do. And Americans need to know a lot more about what is going on in the world's 2 million villages, where 80 percent of the Third World lives." "It's Time to Give Foreign Aid A Good Name," *Christian Science Monitor*, 3 July 1979.

40. See US, Agency for International Development, *FY 1981 Country Development Strategy Statement (CDSS) for Honduras*, January 1979, p. 30.

41. Genuine collaboration between the US mission and host government in developing assistance programs, or alternatives for major policy choices, is always difficult to achieve, more so to sustain. One of the more promising AID initiatives toward collaboration is the "joint program assessment" (JPA), where both sides meet at the working group level to develop a long-term development assistance strategy. A moderately successful JPA has been completed in Senegal, and a second one begun in Niger.

42. USAID/Kenya, in commenting on the role of the professional economist in AID's field missions, notes: "AID must address the question of how AID plans to use economists. If our work is to be limited to project analysis and CDSS input, the level of sophistication needed is not great. However, if we plan to seriously enter into policy dialogues with host governments and with the US foreign policy community, we need a different set of skills and a different rewards system. Policy dialogues suggest that prior analysis of problems be addressed at the macro and sectoral level." Unclassified cable, Nairobi 19196 to SECSTATE WASHDC, August 1981.

Constantine Michalopoulos comments that "at present neither AID nor any other part of the US Government possesses the staff with the analytical capability to evaluate adequately development strategies, and macroeconomic policies in aid recipient countries and the optimal types of intervention that would promote the attainment of basic needs objectives by the recipients." "Policy Implementation Issues of Basic Needs Strategies," p. 14. See also Ranis, "Foreign Aid: Euthanasia or Reform?" p. 21.

43. See Al Boucher, "An Approach to AID Policy Toward Middle Income Countries," AID Operations Appraisal Staff Paper, 16 January 1979.

Chapter 5

Program Perspectives

Priority Areas of Assistance

If venerable means "calling forth respect through age, character, and attainments," AID's country assistance program (and mission) is indeed a venerable institution. The country program approach has stood the test of time because of the very real advantages it offers, such as an integrative program focus; decentralized overseas operations; the acculturation of American foreign aid personnel, continuities of local knowledge and memory, and the opportunities for prolonged in-country dialogue and collaboration with host national public and private officials.¹

Recently, AID has attempted to use US economic assistance to increase the opportunities and role of the American private sector in Third World development and to "privatise" larger amounts of our assistance through more extensive utilization of private and voluntary organizations. These efforts are welcome initiatives and can leaven the new ideas and approaches which are always needed in the American aid process.² However, to pursue these initiatives as ends in themselves, detached from a rigorous country program framework, is to invite ineffectiveness and perhaps counterproductive results. AID has been guilty over the years of exactly this in embracing other new initiatives which were also altogether laudable and attractive, for example, in co-operatives, surplus food, and the role of women.

Thus a resolute adherence to the country program concept is called for. We should test and adapt the new initiatives to the local situation of the host country, sifting project proposals through the filter of what is locally feasible and appropriate. This approach will help the present initiatives to grow, not die in the bud, or exist as shared objects of narrow, vested interests, only marginally relevant to host country development needs and priorities. Part of the challenge is certainly to find ways to link greater private

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sector involvement—both American and host country—to types of development projects that will indeed generate significant economic growth, but avoid the maldistribution of income caused by too much capital-intensive investment.

With the centrality of the country aid program—and country aid mission—clearly in mind, we should also look, at least selectively, at where additional bilateral assistance might go from the program perspective of subject matter areas. In this regard, *food*, *population*, and *training* would appear to stand out.

Food

The developing countries simply must produce more food themselves to keep pace with their growing populations, as well as give the primary producer a fairer price for his product and distribute it more efficiently. *The 1979 Annual Report of the International Fund for Agricultural Development (IFAD)* points out that

developing countries imported almost 70 million tons of grains in an effort to feed their populations in 1977/78, compared to 30 million tons in 1969-71. Their net cereal deficit could rise to 91 million tons by 1990 and to over 150 million by the year 2000 if current production trends were to continue.³

Population growth rates are outpacing per capita food production in about half the developing countries, and the low-income least-developed nations increasingly constitute the largest part of the aggregate food gap which is covered by imports.⁴ Moreover, the indefinite reliance of food deficit countries on surplus grain producers, principally the United States,⁵ compounds several global problems: rising food prices; the finite limits on the food production capacities of the Northern producers; and the financial difficulties of these poorer countries in competing price-wise for international grain supplies.

However, modernizing the agricultural sector of a developing country, and realizing the potential for greater food production and increased rural income and purchasing power, are neither short-term nor easy processes. The structural poverty of the rural sector is likely the most intractable development problem in Third World countries. A number of key elements must begin

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to fall into place—such as equitable price policies, technical and management skills, availability of modern production inputs, effective service institutions, adequate financial resources, and serviceable physical infrastructure. Only then will agricultural modernization for the largest number of small farm food producers gather momentum. This will not happen overnight in most food deficit countries; for example, those in Sub-Saharan Africa, where food production per capita has been declining for a number of years. The dilemma is this: by focusing limited external resources on support of the long-term goal of food self-sufficiency in virtually all the Third World food deficit countries, governments and international donors may be overwhelmed by short-term exigencies and crises which further deepen patterns of food dependence on Northern producers.

First, a more sequenced strategic approach to food production is needed. Anthony Gayoso, former International Development Cooperation Agency (IDCA) rural development expert, points out that

given the large number of countries where critical food shortages are expected, it may prove futile to attempt reversal of current trends in all deficit countries at the same time. Perhaps a more rational approach would be to concentrate on developing countries with demonstrable export potential. Increased exportable supplies from these countries would prevent international food prices from becoming higher than the poorest countries can afford.⁶

Mr. Gayoso suggests that priority be given to those developing countries which have now or will soon have the physical resource base and political stability, as well as the policy, institutional and infrastructural bases, to become significant food exporters in the next 5 years. He notes the near-term investments which would have to be made to aid those present and potential countries to expand their food production significantly. Support of the longer-term goal of national self-sufficiency in food, and attack on the deeper problems of chronic malnutrition, are not discarded; rather, the crucial nature of the time factor viewed in regional and global terms appears central to his argument: "Current and forthcoming food shortages require that more elaborate, aggregate strategies be rapidly developed that focus on food production and consumption as major goals to be reached."⁷

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This approach to Third World food production has merit and near-term potential. Its feasibility should be subject to further study and elaboration. Obviously, the requirements for donor collaboration increase in light of the approach's transnational character. The United States, far and away the world's largest food producer, could indeed take the lead in this area by initiating the deliberations and negotiations in the various multilateral fora, as well as bilaterally. The negotiations would flesh out strategy and precipitate the decisions that would justify expanded US bilateral assistance to food production in specified individual countries against national production and export goals.

Second, one of the central problems in increasing food production in many developing nations is the terms of trade between rural producers and urban consumers. The customary bias in pricing policies of Third World governments favors the more politically conscious, organized, and volatile groups in urban areas, as against the more politically backward and amorphous interests on the land. This bias acts as a disincentive to increased food production. Joseph C. Wheeler, AID Deputy Administrator, in writing about food production problems in developing countries, recently pointed out that

in country after country governments come to expect farmers to produce at prices too low to encourage enough production. While almost any price will bring forth some level of production, a higher price will bring forth more. The trick is to get the price high enough so that farmers will produce enough to cover the needs.⁸

Having the technical means and skills at hand through, for example, the support of otherwise sound projects of external technical and financial assistance, will not bring about significant production breakthroughs, at least voluntarily by the farmer, unless he is receiving a fair price for his product.⁹

There is indeed much to be said for incentive financing (e.g., agricultural sector loans) of host government policy changes to achieve a fairer and more dynamic balance of trade between urban and rural sectors. Given a program framework of expanded bilateral assistance, especially of a nonproject character, this should be a priority policy area of renewed, concerted effort; one which AID however has tended to shy away from or approach indirectly with the political leadership of recipient countries. Yet

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it is one where the stakes are high and the dividends great with respect to food production; and one where host country political elites are becoming more willing to listen in the face of escalating food import bills and related economic ills.¹⁰

Third, in more than a few developing countries there are major, longstanding land use and tenure problems. Particularly prevalent are traditional ownership and production patterns which perpetuate the existence of large numbers of landless, small primary producers, e.g., tenant farmers, sharecroppers, and farm laborers. The United States and other external donors need to encourage and support peaceful, redistributive agrarian reform programs in these countries. There is of course a prior requirement of political will by host governments before external support and collaboration become meaningful. But the availability of external financial and technical assistance—bilateral and/or multilateral—can lessen the risks in what is usually a difficult political undertaking, especially in its early stages.

The broad model or type of agrarian reform which best reflects Western values and which also has proven to be the most successful in developing countries in the post-colonial period, devolves ownership and production into a system of private, owner-operated farms—in the case of food crops, usually small, family-operated units. The alternative of collectivization, in numerous cases the handmaiden of totalitarian government, certainly has been less efficient and less competitive with other more open systems.

Agrarian reform programs should involve not only land redistribution to the actual tillers and fair compensation to the landlords, but also the expansion of vital agricultural services to the new owner-operators, e.g., credit and production inputs. The key factor in comprehending the significance of these reform programs is the complementarity of the political and economic effects of the reform. Prosterman, Riedinger, and Temple, in an excellent article on land reform, point out that

the effective resolution of land-related peasant grievances in a setting in which such grievances are widespread is essential to the establishment—or restoration—of long-term political stability, as well as to creation of the conditions for broadly based agricultural and general economic development.¹¹

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Agrarian reform, appropriately designed to local conditions, can have the mutually reinforcing effects of politically stabilizing the countryside and increasing agricultural productivity, or more broadly, establishing the base of agricultural modernization. The post World War II experience with agrarian reform programs in Japan, Taiwan and South Korea certainly bears out this conclusion. Although the evidence is less conclusive and less direct given the intervention of other variables—social, political, and economic—one can argue in a similar way about the land reform programs in Mexico and Bolivia.

The conversion of landless peasants into small owner-operators is unquestionably a powerful incentive and a dynamic force in the evolution of subsistence farmers into modern food producers. In Third World countries where the development of the rural sector is lagging and most of the people are landless, poverty-ridden, largely subsistence producers, land redistribution options should be in the forefront of development choices. External donors should not relegate land distribution options to the background as they are apt to do in favor of technical approaches to what are essentially nontechnical problems.

The United States has tended to embrace agrarian reform programs only very late in a typically unstable and violent process of social change, almost as a last resort in the face of threats inimical to US interests, e.g., South Vietnam and El Salvador. In this regard, it behooves American development practitioners and policymakers to heed the advice of Prosterman, Riedinger, and Temple; we need not necessarily accept whole their strong advocacy of land reform, but we should put it and leave it clearly and definitely in the mainstream of our development concerns:

Analysts and policymakers should have few more urgent priorities than to rethink both the security and development implications of grievances of the landless. It is difficult to think of an issue which has commanded less consistent attention relative to the power of the facts: land-related grievances are real and widespread, and have provided the brute manpower for nearly all of the great twentieth century revolutions. Just within the last half-decade, their significance has been felt in Ethiopia, Iran, Nicaragua, El Salvador, and Zimbabwe. In years to come, they may be felt in India, Bangladesh, Pakistan, Indonesia, the Philippines, Brazil, Honduras, Guatemala, the Dominican Republic, and others.

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In such countries today, landlessness probably constitutes the greatest single constraint on the production of food and the development of the rural sector. Yet the response of the democracies (although it is the implications of land tenure that have turned their world topsy-turvy as much as any other fact of the past seven decades) has been at best ad hoc support for a democratic alternative. More commonly, their response has been irrelevant or nonexistent.¹²

Population Planning

With regard to the second priority area, population planning, the House Committee on Appropriations has instructed AID to prepare a report on ways to expand significantly population planning efforts and submit it with the FY 1982 budget request.¹³ The committee is patently right in tasking AID to expand its family planning efforts. The urgency of the matter is reflected in the numbers; for every 10 years of delay in reaching the net reproduction rate of fertility, 1.0 percent, the world's population will ultimately stabilize at a level roughly 11 percent higher; the urgency is reflected also in the pressing challenge to build on the momentum in lowering fertility rates now apparent in many of the developing countries, and in the lagging economic growth rates and lack of improvement in the standard of living of the poorest income groups. The committee further notes that "at least a tripling of available resources to \$2.5 to \$3.0 billion annually" would be required to provide family planning services and information to the 400 million couples needing them in developing countries outside China.¹⁴ Although these figures are estimates, they do suggest the dimensions of the problem. The challenge to the United States is not only to expand substantially its assistance, but also to continue to provide effective leadership among other donors and developing countries in this crucial field.

There clearly is room for expansion of AID's financial and technical support of population programs. Areas that could be expanded are, for example: (1) Support for new and enlarged national family planning programs rooted in local communities; these programs would be linked to the extension of primary health care systems and to the role of paramedical workers in dispensing family planning services. (2) Support for more intensive and extensive research on the determinants of fertility behavior; the research would be scoped and formatted to produce findings that

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can be fed readily into ongoing programs. And (3), support for innovative projects that focus on increasing literacy rates among young women; the projects would expand their opportunities for gainful employment, as well as for continuing employment after marriage.

However, AID should particularly explore the possibilities, with recipient governments and other donors, of linking loans and grants, especially broader nonproject assistance, to agreements on incentives and disincentives for smaller family size in other fields such as education, housing, and taxation. This is not to propose that the United States should unilaterally impose population-related "self-help" criteria for host countries as preconditions for assistance in other fields, as some have periodically proposed. Rather, what is being proposed is a broader strategic focus for diminishing population growth rates in cooperation with host government officials and other donors. This approach will take advantage of economic and social factors which can be positively brought to bear on family size.

Social and economic incentives and disincentives apparently have played a significant part in the dramatic downturn in fertility rates in the People's Republic of China, as they did previously in Singapore. And China's experience, though certainly in part *sui generis*, does offer a point of departure for adaptation and new applications in other countries.

The present difficult economic and financial conditions in many developing countries are extreme; particularly damaging is the falling off of growth rates in the face of energy costs and growing debt, both of which compound the negative impact of population growth rates on development prospects. Such conditions should make government officials more open to wider-ranging socio-economic policies calculated to promote positive popular responses to family planning initiatives. One positive sign is the rapidly growing demand from public and private groups in the Third World for technical and capital assistance for family planning programs. This at least suggests greater receptivity to broader approaches.

Training

A third field where there is a strong case for a larger US

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assistance effort is in training, particularly with respect to the disciplines and technical skills of development. A review of the AID Country Development Strategy Statements of fiscal years 1981, 1982, and 1983 highlights the fact that the scarcity of host country talent, generally managers and technicians, greatly constrains development in virtually every country where AID has a program. Some commentators, indeed, argue that "the truly scarce resource is not natural, but man-made: competent government."¹⁵ This is an incommensurable judgment; but if developmental changes are to be both telescoped in time and institutionalized in practice, wholesale training programs in management and technology tailored to the individual country are surely needed, and are essential for relative success. No doubt, economic development depends first on the effective political will of a nation's leadership. If sufficient managerial and technical capabilities do not progressively come on-line, however, the material and human costs of development will be excessive. Eventually, the collective effort may go awry, causing conditions perhaps worse than what had existed before.

AID should examine ways to expand the training components in the priority fields of its country programs, long-term as well as short-term, in-country and abroad, and both project and non-project. Given a receptive government, with acceptable development performance, no area generally is more cost-effective for both sides than well-designed investments in human resources development.¹⁶ As already noted, this is also an area of distinct American comparative advantage. If we are concerned with the character and dynamism of the image which we project in the Third World, then this comparative advantage is a factor of no little importance.

The Quality of Knowledge

The case for enlarging the bilateral aid program rests not only on revising the aid policy framework to bring pertinent national security factors more directly into play. It also rests on improving the quality of knowledge and insight which are brought to bear on the aid decisionmaking process in the field and in Washington. We need to go beyond the shibboleth and boilerplate of development language and concentrate on producing the more intensive, locally-specific knowledge and insights upon which

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effective programs can be built and periodically validated. There is some truth in Critchfield's broadside that "so many buzz-words like 'small is beautiful,' 'the poorest of the poor,' 'appropriate technology,' and 'basic human needs,' have been substituted for real knowledge of the world's villagers that most of the key committees in Congress now oppose any form of aid to higher education." ¹⁷ The comments of retired AID economist Al Boucher also ring true:

Development practitioners have become adept in cataloging the *ingredients* of development—"productive" investment, "relevant" education, "appropriate" technology, "responsible" government, etc., but there is no consensus on the *process* of development. In consequence of this malaise, a kind of faddism has become the hallmark of foreign aid. Development theoreticians, now speak learnedly of "trade-offs" among growth, employment, and distribution. The current code words call for a more satisficing growth path under which concern for efficiency and productivity give way to accommodation to the dictates of social justice and alleviation in the plight of the poor majority. However, the formula to accomplish this phenomenon has not been demonstrated. . . . Since rural villages differ widely in their functional capacity to manipulate change, the idea of global strategies originating either in the Congress or in AID must give way to mission dialogue and discovery in a country-specific environment.¹⁸

The past decade has seen the steady infusion into AID of personnel with Peace Corps and similar overseas experience; also, in the last five years, we have seen closer working relations in the field among AID, Peace Corps, and PVO contingents. These developments have certainly brought greater awareness of the importance of having more than a facile knowledge of the local environments in which AID-supported projects operate. At the same time, the present concentration on discrete projects by AID staffs and the smaller size of the overseas missions have left most of these missions without the in-house capability to do broader but selective economic and politico-social analyses. These analyses, if timely and properly executed and employed, could upgrade and inform the aid dialogue with the host government as well as the communications and decisionmaking process in and between the field and Washington. The present reliance on

the World Bank by most of the AID missions for macroeconomic data and analyses reflects this incapacity.

AID and State

The economic, social, and political systems of a country are interrelated parts; change in one part will affect the others. Thus, changes in the distribution of economic assets in a society will affect the distribution of political power in that society. Moreover, the rates of change in the development/modernization process are generally uneven or imbalanced between the social, political, and economic components. For example, the social mobility engendered by higher levels of education and literacy produces popular demands that almost inevitably overload a more slowly-changing, traditional political system. Further, the more rapid and uneven the changes, the greater the likelihood of social instability and conflict; the more severe the differential rates of change, the greater the severity of conflict.¹⁹ No doubt, the forced draft and uneven modernization and development under the Shah in Iran contributed to political divisions and instability and eventually the civil conflict that cost him his throne.²⁰

To use the much-quoted words of Robert Heilbroner in his classic essay, *The Great Ascent*:

Thus we deceive ourselves when we think of economic development in the pallid terms of economics alone. It is only by a profound social and political transformation that the Great Ascent will get into motion, and the momentum of the Ascent will itself inaugurate still further social and political change. . . . The political and social changes required for economic development are apt to be revolutionary in nature.²¹

The process of economic development is bound to be divisive and destabilizing, especially in light of the underdeveloped character of the political systems which are supposed to contain and direct the changes.

No doubt also the *lack* of economic development, specifically the sharp economic downturns in Third World countries since 1974, can be just as destabilizing and dangerous. As noted, over 100 Third World countries have to import all or a good part of their oil. For these countries, the high cost of this energy

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entails not only the foregoing of economic development investments, but also, increasingly, cutbacks in the allocation of resources for public services such as education, health, and welfare. Service cutbacks—as recently pointed out by World Bank Senior Vice President Ernest Stern—given growing expectations and demands in many Third World countries for just these types of services, generate political and social discontent and perhaps threaten the survival of government.²²

The link between the inherently unstable process of development and US security in the context of Third World politics perhaps seems clearer in individual countries such as Egypt where US politico-security concerns dominate our economic assistance. However, the link is essentially transnational in character, given the close relations between the development/modernization process and the host of other Third World conditions previously noted, such as the fragmentation of governments, economic interdependence, resource scarcities, the nature of contemporary warfare, terrorism, and traditional regional rivalries. The US security problem in the Third World is aggregative in character. Its broad dimensions become apparent by viewing Third World realities as a composite. The ultimate danger to US security is a drift in Third World politics toward closed, repressive societies and violent solutions which will overflow national boundaries. In the face of the massive development problems involved, this drift represents the supreme threat to Western values and interests.²³

Donald Zagoria has written that "the appalling lack of understanding of developments within the Third World and their relation to US security is a national scandal."²⁴ Zagoria criticizes the inattention and the deficiencies in perception and analysis of US Government agencies in the foreign affairs field concerning the conditions and forces in developing countries which contribute to political radicalism and disorder.²⁵ He contends that

we need a much more sophisticated national understanding of radical movements and states than we presently have. Compared to the huge amounts of money and effort the government spends on collecting and evaluating military intelligence and "hardware," the amounts which it spends on political analysis are trivial. . . . Many of the "right" questions to ask about the Third World today concern the nature of radical movements—their ideological origins, leadership,

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foreign policy orientation, social base, and so on. Yet there are very few specialists in the National Security Council, the State Department, the Pentagon, or even the CIA, who possess extensive and detailed knowledge about radical political movements of one kind or another in the Third World. There are even fewer who can relate these movements to the broader political competition between Russia and the United States. . . . The government's own capacity to analyze radicalism in the Third World must be greatly strengthened both qualitatively and quantitatively.²⁶

Both AID and the State Department have traditionally lacked serious focus on the internal political factors which intimately relate to the character and pace of the economic and social development programs in recipient countries. Our attention to the political implications of the structural reforms and income redistribution elements of our basic human needs rhetoric has been less than keen, particularly in the local country situation. In terms of our present modest country assistance programs, this shortcoming is perhaps of less than momentous consequence. With larger bilateral programs linked to the development efforts of the host government, and supported by other donors as well, considerably higher priority should be given to the analyses that will tell us more about the politico-social role and impact of our assistance in relation to the larger effort.

A number of reasons account for the relative neglect by State and AID, and its predecessor agencies, of the political and social effects of US economic assistance programs, particularly the less apparent, longer-term effects. In AID, the largest numbers of development professionals over the years have been technicians and economists of various kinds. Although officers almost invariably of exemplary professional competence and dedication, they persist in viewing economic assistance largely as a technical undertaking.²⁷ The attitude underlying this view is the technician's predisposition to turn his energies inward to his technical problems while relegating to the margin those matters which, however vital they may be, he considers beyond his expertise and influence. There is also the mechanistic assumption, particularly among economists (though not as strong today as it was a decade ago), that an economy can be moved in certain directions largely by the technical manipulation of economic and monetary factors, such as investment ratios, interest rates, and exchange rate poli-

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cies.²⁸ This technicalism has combined in the foreign aid agency with strong currents of idealism and humanitarian commitment to development as an end in itself, to produce an AID "style" of development assistance, ostensibly depoliticized and quantified with respect to needs, goals, and justification.

The technical orientation of AID is nowhere more evident than in many of the sector assessments and analyses written a few years back; papers which though high in technical quality, are largely without analysis of the political implications of their findings and recommendations.²⁹

In the State Department also one finds ingrained attitudes which militate against proper concern for the political dimensions of US economic assistance. Conditioned by the pace and change of events in international affairs, the State Department's policy perspective is seldom more than a year, in many cases only a few weeks or a few days. This near-term view is inadequate and leads to errors in resource allocations, as many would argue is the case with regard to the large volume of resources which we are supplying Egypt today. The traditional State Department approach to economic assistance as a means of serving short-term political purposes is perhaps too harshly caricatured by its detractors with such characterizations as "walking around money" and "political bribery"; however, one of the major shortcomings of the approach is the largely unexamined tradeoff between supposed short-term political benefits and medium- and long-term political and social consequences.

Given AID's technical style and the State Department's political style,³⁰ the heart of the difficulty is, of course, the areas that are overlooked. No one is looking in systematic, cumulative ways at the mid- and longer-range role of external assistance; at how it plays out and mixes with the unstable chemistry of Third World political, economic, and social conditions.

Up to a few years ago, the indifference in the State Department and AID to those factors which did not fall within their traditional purviews was pronounced. Even in the highly-charged context of the large US economic assistance program to the Government of Vietnam (GVN), the strong technical propensities of an expanded foreign aid bureaucracy were difficult to contain. Thus a program focus informed by even modest knowledge of

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internal political and socioeconomic factors was a real struggle which, in most cases, was less than successful. Similarly, the near-term political perspective of the US Embassy was nearly overwhelming. The requirements of the Embassy for reporting and gathering intelligence, for example, on the political actions of current actors in the GVN drama, detracted from undertaking timely political and social analyses of greater depth and scope. These kinds of analyses would have held us in much better stead for the longer pull of our ten-odd years of heavy involvement in Vietnam"—where we were involved in the unlikely political enterprise of nation-building under conditions of a long and bitter civil war.

Recently, AID has been displaying signs of paying more attention to the political and social impact of its projects. AID is no doubt more sensitive today to the political and social factors that impinge on the aid process. This is in part the result of the prior Peace Corps experience of many of AID's officers who were deeply exposed to the local culture and politics of the countries in which they served. Also, through various program devices, such as preproject "social soundness" studies and "impact assessments" of completed projects, the agency is asking more effectively the question of what groups actually benefit from its projects—who are the direct and indirect beneficiaries? Carefully pursued, this question can only be answered by dealing with the project's impact, or lack of impact, on such elements as community authority structures, relations between the distribution of economic assets and local politics, and the power and motives of the central government. Further, human rights issues in Third World countries over the past four years as they have pertained to the granting of economic assistance have made AID more sensitive to the political and social dimensions of its programs." Similarly, the higher priority that AID has given to evaluations of program effectiveness has sharpened sensitivities and interests in the nontechnical elements alive in the local environment of the AID country program and its projects."

As a senior AID official put it, "We are less locked-in now to thinking technically although there is room for considerably more progress." One would have to agree with this. Part of the problem of further progress is the "state-of-the-art." Though learning, we do not know enough, particularly about mounting

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and carrying out useful analyses such that the findings are readily translated into decisions or courses of action. The agency is also short in the requisite social science expertise in Washington and the field, although progress has been made in this regard as well.

The types of questions which AID and the State Department should be asking, or which should loom in the background of more specific studies, are: To what extent do projects extend the authority of the central government through "decentralized" or outreach activities that promote popular participation and pluralism in local communities? How much do particular development programs contribute to stresses and divisions between constituent groups of the body politic of aid-recipient countries? Or, what are the political constraints, risks, and opportunities for the host government to adjust the terms of trade between urban and rural areas?

Developing greater cognizance and knowledge in the State Department and AID on questions of this kind would be a significant step forward in improving program effectiveness. What should be sought in this regard is not definitive knowledge, but the quantum of information and insights that inform effective decisionmaking and prudent program choices. The tasks are to diminish traditional State Department attitudes equating program effectiveness with the volume of resources transferred; to combat the view that economic assistance is principally an instrument for near-term political purposes; and to narrow the present gap between "politics" and "development" as the respective separate provinces of State and AID, or the Embassy and the AID mission.

5. Endnotes

1. See, for example, US, Agency for International Development, *Indonesia Country Development Strategy Statement, FY 1983*. January 1981, pp. 55-56: "Ultimately, the success of the program in terms of successfully planning new joint programs and implementing those already in place will depend critically on AID direct hire staff. Over

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the years the AID staff has evolved good working relationships with Indonesian staff at all levels in key ministries and agencies. These relationships have enabled the AID staff to work closely with their governmental counterparts in identifying specific problems and designing and managing well-focused projects. These relationships and the results which flow from them are dependent on the availability of experienced AID technical and managerial personnel. No other donor has this resource in-country; and virtually all recognize its importance. The Indonesian Government also has become increasingly aware of the value of the continuous interaction between the AID staff and government managers at both the central and lower levels."

2. A greater role for the American private sector in contributing to economic development in Third World countries is of course not a new idea. The Eisenhower and Kennedy administrations both sought, for example, to more extensively and directly involve US private enterprise in various aid initiatives, but with mixed success. Clear limitations are built into greater reliance on the private sector, e.g., the absence of comparable private business traditions and values, questions of profitability, politico-economic stability, and economic nationalism in the developing countries. Although the general approach is not new, there is ample room for new ideas and techniques. Moreover, the overall North-South ambience is changing. Economic interdependence is progressively casting its net over the developed and developing nations alike. The possibilities are clearly growing for greater and more diversified American private business involvement in Third World development—capitalizing on new prospects and opportunities—as well as for more pragmatic responses by the leadership in less developed countries.

3. International Fund for Agricultural Development, *1979 Annual Report*, Rome, June 1980, p. 35.

4. Address by Douglas Bennet, Jr., Administrator of the Agency For International Development, before the International Trade Mart, New Orleans, 24 October 1980.

5. Ann Crittenden points out that "the United States sold more food abroad last year—\$40 billion worth—than at any time in its history, despite a partial embargo on sales to one of its biggest customers, the Soviet Union. . . . In 1981, the Agriculture Department estimates that agricultural shipments could run as much as one-fifth larger, reaching what some experts feel may be the limit of America's export capacity. . . . Already, the United States exports the harvest from one out of every three acres under cultivation, and about one-fourth of farm income comes from these sales. Sixty-four percent of the nation's wheat crop is exported, along with one-third of the feed-grains, almost

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two-thirds of rice, and 39 percent of soybeans." See "Food Trade: Increasing Dependence," *New York Times*, 8 February 1981. No doubt, this bull market for American food and feed products, particularly among the low-income countries, is a mixed blessing. See Richard Drobnick, "Food and Politics: Unwise Direction," *Washington Star*, 25 February 1981.

6. Anthony Gayoso, "The Food Crisis, Which Countries Can Help?" IDCA Draft Paper, 29 January 1980, p. 2.

7. *Ibid.*, p. 11.

8. Joseph C. Wheeler, *Wichita Eagle-Beacon*, 30 November 1980.

9. John McLin points out that "the price of rice paid to farmers in Japan is about three times the world market price, and yields are the world's highest. In the Philippines, the farmer receives less than the market price, and the yields are, correspondingly, one-third the Japanese level." "Why the Politics of Food?" *Common Ground*, Spring 1978, p. 5.

10. AID Deputy Administrator Wheeler notes that "many governments have not sufficiently understood the upward kink in the worldwide cost of grain, and are finding that their policies lead them to pay more to the American farmer to produce grain than they may be paying to their own farmers. This happens both because of distortions in exchange rates and because of deliberate price policies." *Wichita Eagle-Beacon*, 30 November 1980. See also Leon Dash, "Mali Moderating Its Socialism in Effort to Halt Decline," *Washington Post*, July 24, 1981.

11. Roy L. Prosterman, Jeffrey Reidinger, Mary N. Temple, "Land Reform and the El Salvador Crisis," *International Security*, Summer 1981, p. 59.

12. *Ibid.*, pp. 72-73.

13. US, Congress, House of Representatives, *Foreign Assistance and Related Programs Appropriations Bill 1981, Report Together with Minority Views*, 96th Congress, 2d session, p. 24.

14. *Ibid.*, p. 23.

15. Robert J. Samuelson, "The World Shortage of Good Government," *Los Angeles Times*, 10 September 1980.

16. One of Richard Critchfield's principal recommendations to the AID mission in Indonesia after a 5-month tour as a consultant in Javanese rural development and village culture was to "try to give just as many Indonesians as possible higher education in science and

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technology at American Universities." "It's Time to Give Foreign Aid a Good Name," *Christian Science Monitor*, 13 July 1979.

17. Ibid.

18. Boucher, "Approach to AID Policy Toward Middle Income Countries," pp. 11, 12, 13.

19. This broad view of political, social, and economic (and cultural) changes in a developing society has been elaborated at length and in different ways by numerous scholars and commentators. See, for example, Robert L. Heilbroner, *The Great Ascent* (New York: Harper & Row (Harper Torchbooks), 1963); Mancur Olson, Jr., "Rapid Growth as a Destabilizing Force," *Journal of Economic History*, December 1963; Samuel P. Huntington, "Political Development and Political Decay," *World Politics*, Vol. XVII, No. 3 (1965).

20. See Sewell and the ODC Staff, *The United States and World Development, Agenda 1980*, pp. 6-7. Parallels between Iran and Egypt concerning the social conflict and alienation generated by the quality and pace of modernization and secularization, particularly their volatile impact on Islam, have been noted by many commentators. See, for example, Loren Jenkins, "Islamic Fundamentalists Challenge Sadat's Rule," *Washington Post*, 18 August 1981.

Ambassador Marshall Green stresses another similar dimension of change common to the development process; what he calls "the gap between expectations and realities" which he considers "far more explosive than the gap between rich and poor." *New Imperatives in Socio-Economic Development*, National Security Affairs Issue Paper Series 80-2, National Defense University, Washington, DC, November 1980, p. 12.

21. Heilbroner, *Great Ascent*, pp. 16-17.

22. Ernest Stern, "Address to the American Petroleum Institute," World Bank, 10 November 1980, p. 4 (mimeographed). See also David B. Ottaway, "Oil Price Rise Hits Poor Nations Hardest," *Washington Post*, 20 December 1980.

23. See Ball, *Diplomacy for a Crowded World*, pp. 318-320.

24. Donald Zagoria, "Into the Breach: New Soviet Alliances in the Third World," *Foreign Affairs*, Spring 1979, p. 751.

25. A former senior level official in the Department of State in a lecture at the National War College made the same point: (to paraphrase his remarks) political instability in the less developed countries can jeopardize our vital security interests. We do not sufficiently

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understand, or appreciate, the internal sources of instability and tensions in developing countries, produced by the revolutionary forces of modernization and rapid political change. Our failing is especially dangerous in light of the opportunistic, expansionist tendencies of the Soviet Union and its willingness to exploit these forces to its advantage.

26. Zagoria, "Into the Breach," pp. 750-751. Another observer points to similar deficiencies in US military schools and civilian universities. He writes that "the most likely wars of the future—the ones occurring today—are Third World conflicts, not strategic nuclear war or conventional war in Europe. Systematic analysis of these conflicts is essentially ignored in government school systems. (Civilian universities also lag behind in courses which treat the developing areas and their impact on the national security of the United States and its allies.) It is not unrealistic to propose that the senior service colleges and the mid-career military schools spend at least one-third of their course work on violence and instability in the developing areas." See Lawrence E. Grinter, "Checkmate in the Third World? Soviet Intervention and American Response," *International Security Review* 6 (Spring 1981): 49.

27. Hans Morgenthau noted this tendency close to two decades ago in his essay "Preface to a Political Theory of Foreign Aid," in which he wrote that our policy of foreign aid "has been conceived as a self-sufficient technical enterprise." *Why Foreign Aid?* Rand McNally Public Affairs Series, Chicago, 1963, p. 71.

28. See Pye, "The Political Impulse and Fantasies Behind Foreign Aid," pp. 103-104.

29. See Jonathan Silverstone, "El Salvador Education Sector Analysis," AID Memorandum, 7 November 1977. This memorandum is a trenchant comment on the unrealities of technical analyses which are "oblivious to the political, social and economic environment."

30. Ambassador Green notes the weakness of developing country governments when it comes to mobilizing their people in popular participation programs geared to solve their own development problems. He writes: "This is not so much an economic problem as it is a political and social problem. That being so, the United States and other donor nations have been reluctant to become involved in what is usually referred to as the internal affairs of other nations. Within the US Government, the State Department is concerned with national and international affairs; and AID (Agency for International Development) with economic development. But who in our government understands local politics and social dynamics in developing countries?" Green, *New Imperatives*, p. 9.

31. A case in point was the Government of Vietnam's (GVN) Land

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Reform Program. The question was often raised as to why the United States waited to the late 1960s before urging the GVN to develop and carry out an effective land distribution program, particularly in the Mekong Delta. One of the major reasons given by opponents to land reform in the US Embassy was the expectation of strong local landlord resistance and the negative political effects this would have on support in the delta for the GVN. However, the political and social analyses to flesh out this argument were never undertaken; at least not until 1969 when a study was finally carried out under the direction of the Land Reform Office in Vietnam. The study found that the landlords were no longer on the land in significant numbers and that landlord opposition to the GVN Land-to-the-Tiller Program at the local level of government was not likely. "Officials who are farm tenants outnumber those who are landlords by almost 3 to 1." See *Land Ownership and Tenancy Among Village and Hamlet Officials in the Delta*, Pacification Task Force, Control Data Corporation, March 1970.

32. See Richard L. Hough, "Human Rights and US Bilateral Economic Assistance," and H. W. Mudge, "Nicaragua: A Case History in Human Rights and Development Assistance," *The Open Forum*, Department of State Publication, Winter 1979, pp. 10-20.

The human rights policies of the Carter administration were flawed, however, by a tendency to underestimate the difficulties and uncertainties of political and social changes in individual countries. See Charles A. Krause, "Pushing Democracy on Bolivia," *Washington Post*, 1 August 1978; Fernando Valdivia, "The US and Bolivia," *New York Times*, 10 October 1980.

33. See the quite exceptional paper written by an officer in the AID mission in the Philippines, "The Political Environment of Philippine Development." The paper is unclassified though unsigned and undated. See also the perceptive politico-economic analysis of US economic assistance in the Dominican Republic, written by an experienced AID officer. Michael Stack, "No Queasy Voice: Some Reflections on AID's 'Congressional Mandate,'" Unpublished paper, 1978.

Chapter 6

Proposals for Change

The proposals for change in US economic assistance policies and programs, which have been either explicit or implicit in earlier discussion, are presented below. Notwithstanding what happens in the near future on aid level questions, the changes have considerable value in themselves and validity for the long term.

Revise the Foreign Assistance Act

First, the language of the Foreign Assistance Act, specifically sections 101 and 102, "General Policy" and "Development Assistance Policy" respectively, should be revised to provide a broader, more inclusive national security rationale for US economic assistance. This expanded rationale would place the justification of Development Assistance clearly under the mantle of US security and closer in policy terms to the Economic Support Fund justification. The language of Chapter 4, the Economic Support Fund, should be modified in like manner.

Congress could do no better than to start with the thoughts expressed by the Committee on Foreign Relations of the Senate on the *International Security and Development Cooperation Act of 1980*.

... the Committee had to weigh the requirements for major resource transfers necessary to meet more immediate military and political interests, against the requirement for adequate resources to address security concerns of another dimension—that of the pressing development needs of three-fourths of the world's population.¹

Once the proposition is accepted that US security involves dimensions of serious consequence in the developing world—dimensions beyond "immediate military and political interests"—one must deal with the complex and intersecting realities which were discussed in chapter 1.²

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Congressional acceptance of a more integrated concept of national security to underlie economic assistance would entail the linking of security with the character and pace of the modernization/development process itself, in its patterns or manifestations of both growth and no growth. Obviously, relatively short-term elements of *realpolitik* and economic security support for key countries are involved.³ A view or vision of what the world should look like, or not look like, by, say, the first decade of the next century, is also very pertinent. A longer-term view by Congress is at least adumbrated in its words in the *General Policy* section of the 1961 Foreign Assistance Act, as amended:

The Congress finds that fundamental political, economic, and technological changes have resulted in the interdependence of nations. The Congress declares that the individual liberties, economic prosperity, and security of the people of the United States are best sustained and enhanced in a community of nations which respect individual civil and economic rights and freedoms and which work together to use wisely the world's limited resources in an open and equitable international economic system.

If a community of nations of this character best sustains and enhances US security, then the rationale of our foreign assistance must in turn include certain normative concerns, such as how governmental and political power will be organized and expressed, i.e., the survival of the open society; how the world's resources will be used, shared, and replenished;⁴ how social change will be carried out, i.e., whether peaceful reform and accommodation remain viable alternatives;⁵ and how economic development will be carried out, i.e., the equity of intrastate and interstate distribution of wealth. Without a longer-term, normative perspective of this kind, the rationale of economic assistance tends to divide artificially into near-term politico-security considerations and self-validating humanitarian arguments. Without this perspective, recognition of the indivisibility of time and of the close relations between political and economic effects, vital to coherent economic assistance policies, remains on the margin.⁶

Increase Emphasis on the Private Sector

Second, the growing stakes that the American private sector has in a vigorous assistance effort to the economies of developing

countries should be given further exposure and emphasis. If not in the foreign assistance legislation itself, then certainly more emphasis on the private sector can be incorporated in the public presentation and defense of the program. To this end, an advisory board to the AID Administrator, composed of business leaders, should be established to upgrade and extend communication and cooperation between the private sector and AID. The unfortunate but apparently still dominant public image of foreign aid as a humanitarian program removed from our national interests and security is a burden that the program can ill afford to continue to carry.'

Expand Nonproject Alternatives

Third, nonproject forms of economic assistance should be expanded. Even if aid levels are not increased, the selective development of practical nonproject alternatives would facilitate moving away from the present over-reliance on the project format and the built-in tendency toward small projects of questionable cost-effectiveness.'

There is need for new experimentation with nonproject assistance. Innovative nonproject initiatives would likely produce fresh experience of practical value. Benefits might include more effective approaches to the agricultural sector and food production, better coordination with other major donors, quicker draw-downs of our assistance for specified purposes, and the reduction of staff requirements. The time eaten-up and the paper required in the various stages of project design and approval appear excessive. Alternative modes of assistance calculated to enhance its policy effectiveness and shorten the time of its delivery deserve further attention.

In this regard, the initiatives of the AID mission in Sri Lanka on nonproject funding of high priority sector programs in the public investment budget of the government of Sri Lanka are worthy of support and review for application elsewhere. The AID mission has moved toward sector loans and grants, specifically in food production, natural resources management, and the area development program for the Mahaweli basin, through a system of "performance-indexed resource transfers" (PIRT). This offers a number of advantages, such as quicker disbursements of funds; greater program flexibility; greater ease of coordination with other

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donors; the opportunity to focus on longer-term, sector-wide development problems; and the capability to use a larger volume of assistance juxtaposed to broad policy measures and overall program performance by the host government. At the same time, requisite program controls or safeguards to assure proper utilization of funds do not appear in question. Indeed, by releasing AID officers from the details of project operations, the PIRT system should provide more ample staff time for program monitoring and evaluation.⁹

A critical point with regard to nonproject alternatives is to break with the conventional wisdom that basic human needs-oriented assistance programs should be in the project mold, principally so as to better control and monitor the end use of the assistance; in effect, to track the assistance to be sure that it goes to the intended beneficiaries. A nonproject mode of assistance which links the assistance to negotiated policy changes by the host government, say, in public investment priorities or pricing factors, would quite possibly have a considerably broader and greater impact on the basic human needs of disadvantaged groups. Of course, the character and competence of the recipient government are crucial variables. Nonproject assistance is a selective instrument to be used only where the development commitment and performance of the host government justify it.

Upgrade Donor Coordination

Fourth, coordination of assistance efforts among major donors remains an area where there is room for substantial improvement, notwithstanding the congressional directive in the Foreign Assistance Act that

assistance efforts of the United States shall be planned and furnished to the maximum extent practicable in coordination and cooperation with assistance efforts of other countries, including the planning and implementation of programs and projects on a multilateral and multidonor basis. (section 102)

There are no mechanistic or easy answers to the challenge of better donor coordination. The difficulties and complexities involved include the resistance of the host government to genuine coordination and the differences among donors in methods of operation. The longstanding weakness in donor coordination is reflected in the number of bilateral and multilateral donors active

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in most developing countries, the plethora of policy and program reviews of various kinds, and the continuous stream of visits by officials and consultants. The all-too-few competent host government officials involved are usually overtaxed, spread too thin, and buffeted by a multitude of domestic and foreign pressures. As Gustav Ranis put it:

Every major bilateral donor, as well as every other multilateral agency, tends to send in its own team and hold its own discussions. They usually ask the same questions of the same ministers and the same technocrats. This way of doing business is terribly wasteful of the time of the too few key individuals in any developing country.¹⁰

The attrition which takes place on what could have been a cooperative and vigorous aid process is a matter of serious moment. Moreover, when effective coordination is lacking, there is also apt to be harmful competition among the donors for the scarce resources of the host country to support their projects; for example, for host government local cost financing or the limited supply of skilled manpower.

Donor support and coordination in Zambia, as described in AID's FY 1983 CDSS on that country, though perhaps a worst case example, reflects well the set of problems on donor coordination noted above:

In 1979 the external donor community in Zambia included 17 agencies of the UN, 5 multilateral organizations, 26 bilateral donors and 12 nongovernmental organizations. Total commitments in that year represented about 450 million dollars. . . . However, the large number of separate projects (over 200), the apparent lack of complementarity and their drain on GRZ [Government of Zambia] manpower and recurrent budget seems to argue for a more structured and managed coordination effort by the GRZ as well as among the donors themselves. Limited efforts have been begun by FAO but such ideas as division of labor among the donors are not close at hand.¹¹

A major reason why donor coordination needs to be upgraded is the increased use of "aid packages." The aid packages are put together by multilateral and bilateral donors, through consortiums, credit clubs, and consultative groups, and through informal means with perhaps some involvement of private commercial banks. However put together, the aid package is increasingly

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becoming the most efficient or the only way to carry out the aid process on any substantial scale or in any volume with individual countries. The days when the United States alone could dominate the aid scene, such as in South Korea and Taiwan, by the volume of the resource transfers which it was able to bring to bear and its unchallenged position as the principal donor, have long since passed. One senior AID official noted: "Donor collaboration is the name-of-the-game today if one wishes to play a significant and relevant role in the development business." One can further note that effective donor collaboration at the point of putting together the aid package is of limited value if there is not effective coordination at subsequent policy and project stages.

I would recommend the appointment of a small interdepartmental study group led by a senior officer who has had extensive experience with the problems of donor coordination. The group's mission would be to propose specific ways to improve the present situation. The following are suggested as worthy of consideration, or as points of departure: (1) Give higher priority in the AID field mission to more systematic coordination among donors, in effect using to advantage the greater degree of decentralization of US aid operations to take the initiative in this area.¹² (2) Develop practical ways of combining policy, sector, and other kinds of reviews among donors in the host country, with a larger role for the host government and with the agreement that the host government can review (and criticize) performance of the donors as well. (3) Rely less on the World Bank as the principal agent of coordination. (4) Communicate more extensively at senior management levels between bilateral and multilateral donors at headquarters offices. The study group's job would demand dialogue with the staff of the other major donors as well as with host government officials.

Continue Emphasis on Political-Social Analysis

Fifth, we should expand and refine the interest and expertise that have been growing in AID the past few years with respect to the role of indigenous social and political factors in the development process. Congress has provided ample means to do this in the FAA: authorizing research on the process of economic development (section 106); authorizing research, evaluation and in-service training on the political and social role of US economic

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assistance (section 281); as well as directing improvements in the evaluation of AID projects (section 125).

Under these provisions, promising initiatives such as project impact assessments can be applied more broadly; more extensive use of operational research modes can be used in the field mission; and greater attention to informed and timely political and social analyses of program alternatives, or program effectiveness, can be required of State Department and AID offices in the field and Washington. (Something different, for example, than the background political commentary customarily found in the yearly country program strategy statements.)

In this context, I would suggest certain points of direction. The spurious gap between politics and development, both bureaucratic and substantive, should be bridged wherever opportunity presents itself; specifically, State Department and AID officers should collaborate on issues which involve interplay between technical and political factors.¹³ Analyses should be practical, focusing on genuine program issues and developing findings useful to decisionmakers. The approach should be selective, not generalized into indiscriminate program requirements which place an excessive paper burden on field missions and risk deterioration into boilerplate presentation. The predisposition should be to rely on in-house personnel to the greatest extent practicable to undertake assessments, evaluations, and other studies, thereby gaining the added advantages of increased agency sensitivity to the nontechnical dimensions of development and the likelihood of obtaining actionable findings. Again to the extent practicable, we should try to use the services of host country social scientists and other professionals and to seek the cooperation and collaboration of host country institutions.

Change the Balance of Field Mission Staff Skills

Sixth, AID managers should give serious attention to the balance of skills which generally should be sought for its field missions.¹⁴ Particularly, a concerted effort should be made to increase the number of professionals on field staffs in the broader analytical disciplines of the social sciences, such as economics, political science, and the interdisciplinary field of development administration; the desired effect would be to lessen the traditional dominance of technical skills in most of the AID country

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missions. Within the development sectors themselves where technical skills are required, the predisposition should be to recruit and train (and retrain) on an in-service basis "technical generalists" who have sector-wide expertise. The case for this staffing approach is especially strong in country missions where non-project forms of assistance are feasible and where effectiveness turns on the negotiation and follow-up of policy changes by the host government.

These six proposals require refinement and specificity. However, they do derive from a composite view of Third World realities where the keynotes are rapid change and a common set of political, economic, and social problems. A reshaping of the foreign aid policy framework, which puts aside the overly sharp distinction between short-term political assistance justified on security grounds and long-term development assistance justified on humanitarian grounds, would be a key step in bringing into meaningful program perspective the increasing salience of these realities to vital US interests.

Similarly, sharp distinctions between bilateral and multilateral aid instruments, or project and nonproject assistance, blur rather than focus one's perspective, particularly if they limit program options or force either/or choices. Although conditions and problems are manifestly different, the approach called for here would be reminiscent of the US politico-economic design that marked the enormously successful Marshall Plan. For the 1980s and beyond, the United States needs an approach to foreign aid which brings together, rather than artificially divides, both policy and program instruments within a coherent conception of US security in the Third World.

6. Endnotes

1. Senate Report No. 96-732, p. 12.
2. General Maxwell Taylor, in an essay written in 1974, "The Legitimate Claims of National Security," broadly anticipates the way this writer has

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sought to deal with these realities as they relate to one US foreign policy instrument, foreign economic assistance. General Taylor writes that ". . . I for one am fully convinced that the most formidable threats to this nation are in the nonmilitary field. . . . In practice, however, the National Security Council has concerned itself almost exclusively with issues of foreign and military policy, paying only incidental attention to relevant domestic matters and almost none to environmental factors of such critical importance to our security as the population explosion. . . . Success in this comprehensive effort (redefinition of NSC's policy role) could accomplish many things. . . . It could improve the integration process for blending military and nonmilitary components of national power." *Foreign Affairs*, April 1974, pp. 592-594.

Note also that the Japanese Government, in planning to "more than double" its economic assistance from 1981 to 1985, is now apparently basing its aid program on a "comprehensive security policy." Henry Scott Stokes, "Japanese to Double Foreign Aid Outlay," *New York Times*, 30 January 1981.

3. A growing number of developing countries are increasingly assuming more open and flexible positions on their economic and financial difficulties. They thus tend to be less responsive to Marxist polemics, for example, on "neo-colonial" exploitation and "national liberation" from European and American imperialism. However, if the OECD nations do not respond effectively, and economic deterioration and instability deepen, the door opens wider to the further extension of Soviet influence in the great Southern-tier of developing nations. To give this opportunity to a country which provides virtually no economic assistance, except to Vietnam and Cuba, would indeed be ironic. If the Northern response is perceived as being reasonably forthcoming and useful by the less developed countries, however, opportunities for political penetration and self-aggrandizement by the Soviets and their friends tend to become less.

In the past few years, our strong commitment to economic assistance to African nations—as well as our drawing away somewhat from South Africa—proved beneficial. For example, it played a role in Guinea's decision to curtail access of Russian reconnaissance planes to its facilities, in our obtaining facilities in Kenya, and in Zimbabwe's political leadership's cool treatment of Soviet overtures. See David D. Newsom, "Our Arsenal Must Include Our Values," *Washington Star*, 23 April 1981.

4. For the ultimate horror story of the consequences of excessive population growth and the global misuse of the earth's limited resources, see Jean Respal, *The Camp of Saints* (New York: Charles

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Scribner's Sons, 1975), originally published in French, Robert Laffont, 1973; translated by Norman Shapiro.

5. See Georgie Anne Geyer, "Democracies in Terror," *Washington Star*, 18 April 1981.

6. Lucian Pye's words written in 1961 are still timely:

"The point is that in alternating between the false ideal of allowing our aid to be allocated by rigid economic criteria and the equally false ideal of relating it to specific partisan political considerations, we have tended to miss the prime objective which is to facilitate both the diffusion of the world culture and nation-building process in ways which will contribute to the development of a stable international community of states.

"We have tended to lose sight of the fundamental fact that behind all the competing considerations that influence our policy actions there is one fundamental, overriding constitutional issue. This is the question of what kind of a world order we hope to create to replace the classical international system of the colonial era. The clear and present dangers of the cold war tend to obscure the fact that in addition to our political struggle with communism we also have the fundamental responsibility to help shape a satisfying new world order, one in which people at different levels of technology and with differing systems of values can realize satisfying relationships." Pye, "The Political Impulses and Fantasies Behind Foreign Aid," p. 26.

7. See Cord Myer, "US Must Face Reality of Soviet Threat in the Third World," *Washington Star*, 21 November 1980; Paul A. Laudicina, *World Poverty and Development: A Survey of American Opinion*, Overseas Development Council, Washington, DC, October 1973.

8. The AID Mission in Sri Lanka writes in its FY 1983 *Country Development Strategy Statement* that "there is a growing frustration with the current conventional styles of assistance. Countries like Sri Lanka are literally choked by a plethora of small projects funded by a variety of donors, most of which have their own peculiar constraints and detailed regulations with which the host government must try to cope." p. 24.

9. Ibid., *Executive Summary* and pp. 22-33.

10. Ranis, "Foreign Aid: Euthanasia or Reform?" p. 22. A friendly critic of the aid process in Egypt described the local ambience of donors and recipient relations in Cairo as one of "uncoordination run riot."

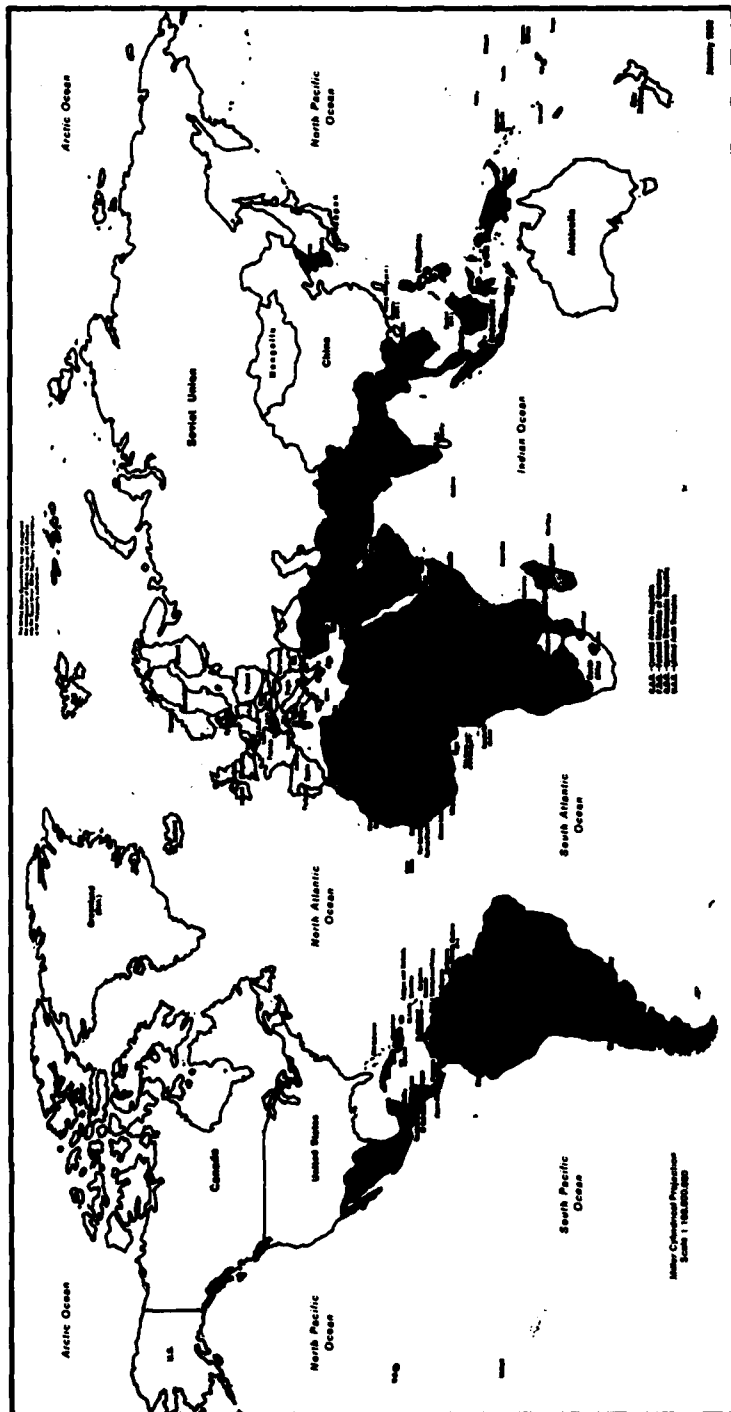
11. US, AID, *FY 1983 Country Development Strategy Statement on Zambia*, pp. 35-36.

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12. Note the apparent improvements in donor coordination which have recently taken place in Kenya, evidently as a result of (1) changes in format, i.e., the Government of Kenya eliminated periodic, large and general meetings of all donors, and substituted more specifically focused and frequent coordination by development sectors; (2) a more energetic US role; and (3), an effort by all the major donors to encourage government leadership at both technical and policy levels. See US, AID, *FY 1983 Country Development Strategy Statement on Kenya*, pp. 57-60.

13. See Richard L. Hough and Gayl D. Ness, "The JCRR: A Model for Internationally Induced Development," *International Development Review*, September 1968, pp. 14-17; Richard L. Hough, "Development and Security in Thailand: Lessons From Other Asian Countries," *Asian Survey*, March 1969, pp. 178-187.

14. This is not a new question, and the ensuing points are certainly not original with this writer. Indeed, the suggestions made parallel some of the specific points in the AID *Memorandum to the Executive Staff* of 25 July 1979 drafted by Ms. Allison Herrick, "A Draft Plan for Expansion of the AID Program with Stable or Reduced Staff Ceiling." This does not imply, however, that the writer agrees with all the recommendations in the memorandum.



MAP: THE UNITED STATES AND THE THIRD WORLD

Abbreviations

ACDA	Arms Control and Disarmament Agency
AID	Agency for International Development
BHN	basic human needs
CDSS	Country Development Strategy Statement
COMECON	Council for Mutual Economic Assistance
DA	Development Assistance
DCC	Development Coordination Committee
ESF	Economic Support Fund
FAA	Foreign Assistance Act
FAO	Food and Agricultural Organization (United Nations)
GNP	gross national product
GVN	Government of Vietnam
IDA	International Development Association
IDCA	International Development Cooperation Agency
IFI	international financial institution
IMF	International Monetary Fund
IPPF	International Planned Parenthood Federation
LDC	less developed country
LLDC	least developed country
MDB	multilateral development bank
MSA	most seriously affected
NATO	North Atlantic Treaty Organization
NDU	National Defense University
NRR	net reproduction rate
ODA	Official Development Assistance
ODC	Overseas Development Council
OECD	Organization for Economic Cooperation and Development
OMB	Office of Management and Budget
OPEC	Organization of Petroleum Exporting Countries
PIRT	performance-indexed resource transfers
PL	Public Law
PVO	private and voluntary organization
SDA	Selected Development Activities
UNDP	United Nations Development Program
UNFAO	United States Food and Agricultural Organization
UNFPA	United Nations Fund for Population Activities