

A FRAGILE BALANCE

Re-examining the History of Foreign Aid,
Security, and Diplomacy

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 Kumarian Press
An Imprint of Stylus Publishing

PART I

BACKGROUND

Custodian of the values of civilization and history, [the colonialist] accomplished a mission; he has the immense merit of bringing light to the colonized's ignominious darkness. The fact that this role brings him privileges and respect is only justice; colonization is legitimate in every sense and with all its consequences.

Albert Memmi, *Colonizer and Colonized*

Americans are barely aware of our history, much less anyone else's.

Mark Hertsgaard, *The Eagle's Shadow*

FOREIGN AID POLICY IN THE TWENTY-FIRST CENTURY

[F]or the friendship which is gained by purchase and not through grandeur and nobility of spirit is bought but not secured.

Niccolo Machiavelli, "The Prince"

However, here we have a "hen and egg" puzzle.

Barbara Ward, *The Rich Nations and the Poor Nations*

Foreign policy decisions are in general much more influenced by irrational motives.

Barbara W. Tuchman, *The March of Folly*

Our Approach

For the third time in a generation, the United States is embroiled in a war in a developing country based on false information and faulty decision making. More than forty years ago, the United States escalated its involvement in Vietnam. In October 2001 and March 2003, the United States invaded Afghanistan, then Iraq, respectively, becoming entangled in one of the longest military engagements in US history. Commentators often note the uncanny similarities among the three conflicts. Each shows the triangulation of foreign policy, then military intervention, followed by foreign aid, all for the worse. In all three, though one hopes for a better future, US diplomacy has taken a global beating that might take decades to repair; the military faced a situation where it could not gain a decisive victory and became mired in nonmilitary actions for which it was neither designed nor prepared to execute; and aid found itself serving goals that were more supportive of military objectives rather than development goals that were largely unattainable in a war zone.

Our book examines US foreign aid from a public policy perspective. Our approach concurs with the view of Vernon Ruttan, who states, "Changes in US [foreign] assistance policy respond to and are constrained by domestic political and economic interests and concerns."¹ Our approach uses history as its methodology. Understanding the history and context of foreign aid within foreign and security policy is as important as understanding technical formulas or narrow calculations of cost-benefit analysis.

The international assistance story "is full of entertaining and penetrating commentaries about the ironies—as well as the historic failure—of foreign aid."² Along with the irony, there is also a great deal of sadness and lost opportunity in the enterprise. Our book analyzes failures and successes as lessons for future foreign assistance approaches. Although we hoped to find more successes than failures, that was not the case in foreign aid.

The book assesses US foreign aid policy at this critical juncture—immediate post-September 11—to contribute to the policy debates about future US foreign and security policy. It looks at decision policies and processes, placing each in a historical, social, and economic context. Our view is that foreign aid, foreign policy, and security policy reflect broad political values of government and society, and understanding these is not only an empirical exercise but also a normative one.

Richard Neustadt and Ernest May warn us about the danger of ignoring the past and assuming that the world is new and that "decisions in the public realm required only reason or emotion, as preferred."³ Our approach places foreign aid within the context of diplomacy, as well as foreign and security policy beginning in the eighteenth century and extending to the post-September 11 world. Foreign aid appeared to many observers to begin in 1948 as a blank canvas swept clean by the carnage of World War II. In reality, what seemed a new approach carried excess baggage from past events, values, and assumptions that originated centuries earlier. Our book's goal is to examine that baggage and link it to decisions made at critical points in history, from the beginnings of the Cold War to post-September 11.

We do not intend for this book to be merely a work of abstract social science.⁴ It addresses both academic debate and practical perceptions as reflected in the normative discussions about foreign aid. Rather than leaving foreign and security policy to the "purity" of the academy, it takes political, journalistic, activist, and normative debates seriously. It treats all sources as proximate, and, while social science research is important, the approach here assumes that foreign and security policies are too important to be relegated to armchair debates.

Motivated by the tragedies of Vietnam, Afghanistan, and Iraq, the focus of this book is on US foreign aid policy and its relationship to foreign and security policy issues. Foreign aid cannot be separated from either foreign or security policy, in spite of the propensity of many analysts to do so; however,

all three can be reconstructed in ways that emphasize one over the other at any point in time. This is important in light of the current emphasis on bringing together foreign, defense, and international assistance policies (the so-called triangulation of US international policy). Some have dubbed triangulation the three D's: diplomacy, defense, and development.⁵

Our goal is to examine various influences on foreign aid over time and discuss the context and process of policy making on and implementation of aid policies and their impact on international relations. A conceptual framework for understanding foreign aid reflects on the search for an enlightened but realistic optimism that deals equally with commercial, security, and humanitarian concerns in a manner nonthreatening to nations receiving aid.

If there is a causal relationship involved in foreign policy and foreign aid, it is a simple, if not profound, one: politics and implementation should be examined historically because past events are always antecedents of future events. There is no single explanation of foreign aid policy decisions in terms of a *realpolitik*, economic determinism, or religious obligation. Different elements weigh in differently at different times. Neustadt and May call for the "placement" of events in a weighted timeline to understand both patterns and processes of decision making.⁶

We believe there is no single explanation for state behavior, whether it acts diplomatically, militarily, or through international assistance. Foreign aid, like foreign policy as a whole, reflects a multitude of influences on group dynamics and individual decisions, cultural, social, and economic, which combine over time to influence the policy and implementation of international assistance.⁷ Some aid decisions are made by people in power; many are reflected in actions by people working on the ground.

Our goal was to write a book accessible to students while also presenting new ideas, debates, and information of interest to foreign policy specialists and informed citizens. This book does not shy away from policy debates but tries to use them to understand the diversity of the issues and our understanding of foreign aid at a time when foreign policy choices may have gotten out of control.

Correctives are important, and self-correction is a part of the process of policy debate.⁸ Our book has been influenced by what Robert Cowley calls "counterfactual" history, that is history that might have been but is not but which can "cast a reflective light on what did [occur]."⁹ This book is a commentary and, perhaps, a corrective.

Understanding Foreign Aid

Paul Mosley defines foreign aid correctly, though narrowly, as "money transferred on concessionary terms by the governments of rich countries to the governments of poor countries."¹⁰ In this sense, there was some

government financial or humanitarian assistance prior to World War II, though the first broad transfer of funds on a worldwide basis in peace time occurred with the Marshall Plan.

Unlike most writing on foreign aid, however, we look at the earlier period of international assistance prior to 1948 because it defined values and boundaries of contemporary foreign assistance and helped to establish processes under which it would be granted.

The definition of aid is important when one places the United States within the context of its *isolationist* and *expansionist* history represented in the nineteenth century by the notion of Manifest Destiny. This, as we will see in the next several chapters, resulted in a *messianism* defined by isolationism prior to World War II and *unilateralism* in the late twentieth and early twenty-first century, with the United States increasingly willing to go it alone in foreign and security policy after 1989.

Foreign aid is one tool for achieving foreign policy goals. In addition to foreign aid, this pool of potential actions includes:

- Threat and use of force
- Covert operations and proxy interventions
- Intelligence gathering and information dissemination
- Diplomacy
- Propaganda
- Cultural exchanges (visits and exchanges)
- Economic threats and promises and trade policies (sanctions and tariffs)

Foreign aid should be seen in the context of historical patterns of international assistance—private or public.¹¹ *International assistance* is the transfer of any resources (grants of money and concessionary—less than market rate—loans), the provision of goods and services, and technical assistance, including military assistance (in 2007, the Department of Defense and its Defense Security Cooperation Agency administered one-fifth of US assistance). Some observers also include debt forgiveness in foreign assistance. International assistance comes from private foundations and philanthropists, as well as publicly funded assistance: government-to-government and government-to-nongovernmental organizations (NGOs).

Use of the term *foreign aid*, as a subset of international assistance here, means the subset of government (donor) economic and financial transfers—directly or indirectly. Foreign aid as it evolved after 1948 was an extension of diplomacy and an alternative to sanctions, conflict, intervention, and war.¹² Along with Carol Lancaster, we see foreign aid as a “voluntary transfer of public resources, from a government to another independent

government, to an NGO, or to an international organization with at least a 25 percent grant element.”¹³

Technical assistance is the provision of expert assistance more often than not on a temporary basis to government agencies (and sometimes to NGOs).¹⁴ This includes technical assistance provided to the private sector or NGOs and interest associations. Technical assistance includes consulting, service support, education, and training.¹⁵

Specifically, such technical assistance provides technical specialists, civilian and sometimes military, on direct contract with government agencies or with private businesses and NGOs or foundations that provide services. Often technical assistance concerns institution or capacity building. Consulting, both long- and short-term, constitutes the heart of technical assistance. The technical assistance expert is responsible to the client, but it is not always clear who the client is: the host country, its leadership and its program managers, or the donor agency and its contracting and program officers.

This book tries to demonstrate and simplify the complex world of foreign aid with all its diversity and meanings. Given the complexity of aid, discussion is necessarily selective and incomplete. In the end, foreign aid like trade, defense, and security policy “may productively be viewed as a microcosm of nation-states’ broader efforts in foreign affairs.”¹⁶

The most common form of international aid is the transfer of economic resources for political, social, and economic development. Often incorporated into foreign aid is international technical assistance. *Military* and *security assistance* is also a subset of foreign aid in some cases, as is eradicating illegal drugs exports and interdiction of illegal migrants—“boat people.”

Traditionally, foreign aid focuses on at least four primary objectives:

- Broadly based economic growth
- An effective attack on poverty and disease
- An end to the destruction of the physical environment of the world
- The promotion of democracy and governance (increasingly common since the end of the Cold War)¹⁷

Following from this there are four components to foreign aid policy visible through time:

- Physical infrastructure development
- Support for social and economic development
- Humanitarian and security assistance
- Support for good governance, conflict resolution, and political development

Democratic governance and political development have become particularly important in the last fifteen years. As early as 1950, advocates made it clear that democratic governance was essential for development aid to succeed.¹⁸ Increasingly since 1989, there is concern for the establishment of legitimacy for democracy and good governance, which predominates, at least conceptually, in aid debates; however, if aid is inappropriately provided, this can make governance problems much worse. Funding opposition political parties with assistance may create political instability, for example.

In the twentieth century, foreign assistance served a multiplicity of purposes: diplomatic, security, cultural, developmental, humanitarian relief, and promotion of commerce. After the Cold War, promotion of economic and social transitions in former socialist countries, the support for democratic governance, mediating conflicts, managing postconflict transitions, addressing environmental problems, and fighting international terror are increasingly important.

Our book has a point of view: foreign aid can be used to provide social services, develop human resources, and promote democratic institutions, but it is not in itself the best tool to promote economic growth or redistribution of resources. Again, if used injudiciously, aid can also do great damage.

While not always an independent policy, foreign aid is a tool of foreign and security policy, and it also serves as a strong symbol and signal to the international community. Since the 1950s, foreign aid and technical assistance were "established on the premise that the developed world possessed both the talent and the capital for helping backward countries to development."¹⁹ Since 2000, observers have questioned the validity of that assumption.

An Overview

We organized our material in three parts, the first focusing on the background necessary to understanding foreign aid's antecedents for the United States. Chapter 2 examines the relationship between foreign aid and foreign and security policy, focusing on the ways the United States uses foreign aid and international assistance to further its international interests. Interpretations of foreign assistance include viewing aid as part of an exchange system, assistance as a humanitarian response and international assistance as part of a policy of trade and commerce. For some there is also a moral dimension to the debates about foreign aid.

Worldwide imperial systems defined much of foreign policy in the last 300 years. These empires still resonate on foreign policy today. In Chapter 3, we analyze foreign aid within the context of the values and processes that

characterized these worldwide governance mechanisms. Missionaries, traders, and military occupiers—British, French, Dutch, Belgian, Portuguese, and Spanish—all left their mark on international relations and foreign assistance prior to 1950.

Part II analyses the somewhat distinct epochs in the history of aid, diplomacy, and security policy. Chapter 4 looks at United States foreign policy and its involvement in imperial expansion and international assistance prior to World War II. Origins of many foreign aid processes and assumptions lay in the US interventions in Latin America, Asia, and Africa prior to World War II, and in their competition with the European colonial powers, particularly in parts of East Asia. The Monroe Doctrine and the self-defined role in the Western Hemisphere are components of that legacy.

Contemporary foreign aid begins with the US entry into World War II. Chapter 5 looks at the way international relations between the wars, assumptions made by President Franklin D. Roosevelt, and requirements of international assistance as part of the war effort defined foreign aid parameters. The quasi-military nature of foreign aid procedures and links between military and civilian assistance are testament to that period. After World War II, foreign aid went through a number of periods, beginning with the initial assistance to Greece and Turkey under the Truman Doctrine and the Marshall Plan.

Chapter 6 begins with the origins of foreign aid targeted to less developed countries (LDCs) that began under President Harry Truman during the Cold War, examines its first decade and establishment of US Agency for International Development (USAID). In Chapter 7, we examine the Vietnam War, the way that foreign aid was changed by the disastrous intervention in Vietnam in the 1960s and 1970s, and how the war shaped foreign aid and technical assistance after 1975, foreshadowing involvement in Iraq in 2003.

Beginning with post-Vietnam reforms, Chapter 8 goes on to examine the Ronald Reagan presidency, structural adjustment requirements, and the end of the Cold War in 1989. Decline in support for foreign aid, sometimes referred to as donor fatigue, reached its nadir during this period. This donor fatigue has left many foreign aid watchers pessimistic about the future. Chapter 9 discusses the changing environment of foreign aid at the end of the twentieth century, the way in which foreign aid is carried out, and how efforts at institutional development and capacity building have evolved. The chapter concludes with an analysis of the presidencies of George H.W. Bush and Bill Clinton and their impact upon foreign aid policy to 2000.

Chapter 9 also focuses on the remilitarization of foreign aid, the quagmire of Iraq and Afghanistan, and the role foreign aid played in the Iraq War. Chapter 10 recounts a most unusual development in foreign aid: the

co-optation of foreign aid by the military. General David Petraeus, recent past commander of forces in Iraq, articulated a major revision of aid policy in which the military would take the lead in nation-building—"armed social work." At the same time, the Pentagon established the Africa Command that would not only create a military presence in Africa but would also pursue diplomatic and development activities displacing aid agencies and individual states.

Part III takes the historical antecedents of aid in the context of foreign policy and security and analyzes not only how they play out contemporarily, but also what it might suggest for effective aid policy in a post-September 11 world. Chapters 11 and 12 focus on the processes that define and constrain foreign aid and technical assistance, examining the ways in which the United States and LDC clients perceive one another, interact, and in many cases misunderstand each other. Chapter 11 identifies institutional factors that influence foreign aid processes, including the contracting out, grants processes and processes of capacity building. Chapter 12 discusses stereotypes, motives, and individual dilemmas that are all a part of the complex decision processes that constitute foreign aid policy and the standard operating procedures often central to misunderstandings surrounding foreign aid. The chapter concludes with a discussion of the budgeting process and the relationships between donors and the recipient country managers. Chapter 13 provides an overview of several contemporary debates about foreign aid policy, including unilateralism versus multilateralism, the importance of human security, support for democracy and governance, and links between foreign aid and trade and investment policy.

Chapter 14, by way of concluding, peers into the future of foreign aid as the United States moves further into the twenty-first century. While there have been limited successes in foreign aid policy, when foreign aid fails, as it did, for example, in post-Saddam Iraq, consequences can be catastrophic. The book ends on a cautiously optimistic note. Foreign aid can be successful from developmental, diplomatic and humanitarian perspectives, but only if one understands the limits of foreign aid and the potential contradictions between foreign aid and the other components of foreign and security policy.

Notes

1. Vernon W. Ruttan, *United States Development Assistance Policy: The Domestic Politics of Foreign Economic Aid* (Baltimore: Johns Hopkins University Press, 1996), p. 8.

2. Robert D. Kaplan, "Far and Away." Book Review of *Dark Star Safari* by Paul Theroux, *Book World*, March 30, 2003, p. 8.

3. Richard E. Neustadt and Ernest R. May, *Thinking in Time: The Uses of History for Decision-makers* (New York: The Free Press, 1986), pp. xi-xii.

4. See Samuel P. Huntington, *The Clash of Civilizations and the Remaking of World Order* (New York: Simon & Schuster, 1996), p. 13. One does not have to agree with Huntington to admire the skill and clarity with which he has presented his polemic.

5. See, for example, Reuben E. Brigety, *Humanity as a Weapon of War: Sustainable Security and the Role of the U.S. Military* (Washington, DC: Center for American Progress, June 2008).

6. Neustadt and May, *Thinking in Time*, pp. 203-206.

7. This view has been influenced by John D. Steinbruner's important and challenging book, *The Cybernetic Theory of Decision: New Dimensions of Political Analysis* (Princeton, NJ: Princeton University Press, 1974).

8. Emory Roe calls on the writer "to think counter-intuitively [and] to conceive of a rival hypothesis or set of hypotheses that could plausibly reverse what appears to be the case, where the reversal in question, even [though] it proves factually not to be the case, nonetheless provides a possible policy option for future attention because of its very plausibility. See Emory Roe, *Except-Africa: Remaking Development, Rethinking Power* (New Brunswick, NJ: Transaction Publishers, 1998), p. 9.

9. Robert Cowley, "Introduction," in *What If? America: Eminent Historians Imagine What Might Have Been*, ed. Robert Cowley (London: Pan Books, 2003), p. xiii.

10. Paul Mosley, *Overseas Aid: Its Defense and Reform* (Brighton, UK: Wheatsheaf Books, 1987), p. 3.

11. See Carol Lancaster, *Transforming Foreign Aid: United States Assistance in the 21st Century* (Washington, DC: Institute for International Economics, 2000), p. 9.

12. George Liska, *The New Statecraft: Foreign Aid in American Foreign Policy* (Chicago: University of Chicago Press, 1960).

13. Thus including concessionary loans. Carol Lancaster, *Transforming Foreign Aid*, p. 9.

14. Rowland Egger, "Technical Assistance at Home and Abroad," in *Institutional Cooperation for the Public Service: Report of a Conference* (Chicago: Public Administration Service, 1963), p. 47.

15. Ferrel Heady, "Report," in *Institutional Cooperation for the Public Service: Report of a Conference* (Chicago: Public Administration Service, 1963), p. 58.

16. Steven W. Hook, *National Interest and Foreign Aid* (Boulder, CO: Lynne Rienner, 1995), p. 34.

17. Ralph H. Smuckler and Robert J. Berg, "New Challenges New Opportunities, U.S. Cooperation for International Growth and Development in the 1990s" (East Lansing: Michigan State University), p. vi.

18. William Vogt, "Point Four Propaganda and Reality," *American Perspective*, iv, no. 2 (Spring 1950): pp. 125. The entire article is on pp. 122-129.

19. Judith Tendler, *Inside Foreign Aid* (Baltimore: The Johns Hopkins University Press, 1975), p. 10.

INTERNATIONAL ASSISTANCE, FOREIGN POLICY, AND SECURITY POLICY

Where . . . avenues are closed—where the economic system will not give people bread, or where the political system will not permit them a hearing, or where the prestige arrangements afford them no chance of dignity—men will appeal to the sword.

Edmund Stillman and William Pfaff, *Power and Impotence*

Each [colonial] station should be like a beacon on the road towards better things, a center for trade of course, but also for humanizing, improving, instructing.

Joseph Conrad, *Heart of Darkness*

Interpreting Foreign Aid

Motives underlying foreign aid policy are complex and multifarious. In this chapter, we examine some of these, placing them within the context of diplomacy and security policy. Four different views of foreign aid are common:

- Exchange theory, a version of which is sometimes referred to as realpolitik
- Financial imperatives and commercialism
- Humanitarian impulses
- Moral imperatives for giving

We examine each in turn.

We begin with a caution. There is no single motivation explaining foreign aid policy. Rather, different motives are explicitly defined by elites and implicitly motivate those who advocate for and implement foreign aid policy over time. Since World War II, communications equipment has been linked to military alliances while commercial concerns have influenced food