

# Beyond international development assistance

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writes from Kansas, USA

Almost twenty-eight years ago to the date, then US Secretary of State Dr Henry Kissinger called Bangladesh a 'bottomless basket' for foreign aid. The outcry on that comment is yet to die down. Nonetheless, what is really outrageous is not the fact that Secretary Kissinger used such disparaging terms but that he was not inaccurate in his description. We should have been shocked not by the statement but by the veracity thereof. Alas, we condemned the messenger and ignored the message.

Here are several well-known numbers about foreign aid in Bangladesh: Since 1971, it has amounted to approximately 24 billion US dollars; Ninety percent of public investment in Bangladesh is funded by aid; Overseas charity accounts for approximately two-third of total annual overseas investment in the country. (The figures do not include the thousands of educational scholarships/fellowships offered to Bangladeshi students annually or the thousands of hours per year devoted by field volunteers from Japan, Britain, and the United States Peace Corps).

So, after all this largesse, is Bangladesh a developed country now? Yes, we have come from depending on charity for three-fourths of our annual development budget in the mid-eighties to just over half today. We have also achieved a quasi-autarky in rice production on good years. But Bangladesh is still considered amongst the poorest of the poor (a weekend comedy show in the US once mentioned Bangladesh as part of the Fourth World) in the comity of nations.

I could go on and on with statistics which are as well known as they are embarrassing. The common euphemisms themselves betray our shame: instead of 'foreign aid', we use 'development assistance'; the External Resources Division in the Finance Ministry is now the Economic Relations Division; the Bangladesh Aid Club is politely known as the Bangladesh Development Forum. And so on and so forth.

Nobody is blaming foreign aid as a catch-all harmful thing. On the contrary, most of us are grateful for the noble intentions of our overseas friends who have been so generous in their help. One almost shudders to think the consequences of Bangladesh fighting its myriad natural (and man-made) emergencies without immediate situational

assistance from abroad.

Yet, on the eve of thirty years of nationhood, it is pertinent to ask some legitimate questions: Has foreign aid, on the balance, been a good thing for the country? How much of the actual earmarked aid is channeled back to donor countries in the form of mandatory contracts, salaries, and purchase quotas? Is there an alternative to this model of development?

The fodder of foreign aid has created an industry unique in the history of mankind. Sustained by the largesse from abroad, this industry has mushroomed into a fortified political, social, and economic elite with powerful politicians, bureaucrats, educators, businessmen and labour leaders in its fold. The livelihood, positions, and power of these interests depend on the continuous milking of the cow of foreign aid. An identical industry has grown up in the donor countries with export businesses, international development experts, and university institutes surviving on the grants and mandatory contracts which are an inherent part of any Western country's annual overseas aid budget. Tight-fisted conservative farmers in the American wheat belt states are the biggest supporters of foreign aid. Surprising? Hardly. Not only does this stance appeal to their humanitarian instincts but provides a boon for their business when the United States government buys grain under the foreign aid law (Public Law 480) from these farmers to donate to less fortunate countries.

That grain, on reaching the shores of the developing countries, does not always help in the long run. A telling comment by Stephan De Vylder in his book *Agriculture in Chains* (pp. 46) mentions how the Bangladeshi bureaucracy has settled into a complacency about genuine agriculture uplift efforts because the civil servants are convinced that the West will not let Bangladesh starve. The result is a perpetual dependence on foreigners for the basic sustenance of life, De Vylder argues convincingly.

The foreign aid industry does not mind this dependence. To many of them it is a boon. The politically connected businessman is only too happy to submit his tender for a Japanese-aided road improvement project in a bidding process that is untransparent and supervised by some civil servant in cahoots with the same businessman. The quality or even the necessity of the road in question is a different matter altogether. Similarly, the professor at a British grant-funded study is only too delighted to take trips to seminars abroad though the value of the knowledge hence gained is more

likely than not confined in some obscure thesis that will never affect the lives of people in rural North Bengal. The Heritage Foundation economist Doug Bandow points out, 'The tendency of ruling groups, particularly in societies where political power is so important, is to use aid, or funds released by aid, to strengthen their own position, reward their supporters, and buy off or crush opposition movements' (*The US Role in Promoting Third World Development*, pp. IX).

Dr Bandow might well have added that along with political competition, this kind of 'assistance' penalizes economic and social competition as well. The point is that foreign aid seems to disproportionately favour those who already have, the class that the late Anthony Maccarenhas, in the preface to his *Legacy of Blood*, called the 'permanent upper-crust of Bengali society'.

The culture of dependency thus

some years ago in a graduate seminar I was taking:

In the mid-nineties, a group of idealistic American Peace Corps volunteers were posted to do literacy drives in a South African village. Their field leader suddenly came up with the idea that having television sets in every home in the village would allow for a greater impact of the project since people will be able to connect with the 'educated' things like news programmes, dramas, etc. Lo and behold several hundred television sets arrived at the village thanks to the American taxpayers. The Peace Corps youth were happy. There was only one problem: the village had no electricity and generators were unheard of!

Debilitated local initiative, corruption, incompatibility, and inefficiency are not the only, or even the primary, by-products of foreign aid. Perhaps the most disturbing side effect of aid is the impact on the

The following alternative to this conventional model of international development assistance may be able to foster genuine dialogue and partnership with our friends abroad while helping us steadily get rid of the vicious circle of socio-economic dependency that we are in. This new model envisions developmental partnerships based on Trade, Investment, and Exchange (TIE). This TIE is only consistent with the new global order that is emerging on the basis of political systems that are open and economic systems that are integrated. The philosopher Immanuel Kant said some two hundred years ago that countries, which have open political systems and trade with each other regularly, never go to war. Kant's hypothesis is yet to be proven wrong by history.

Never in history have two democracies, that have bilateral commercial intercourse, have fought each other. The TIE model builds on that for reasons too elementary and too many to list here. Politically, the progressive reduction of tariff barriers may be more popular in the US and Europe than doling out foreign aid that is viewed as a drain on the average taxpayer. Free trade has similar positive side effects in the exporting countries as well when more jobs are created and the tax base enlarged to fund development programmes locally.

Yet, least developed countries cannot aspire to be exporting powerhouses if their production base remains narrow. Here is where the Investment pillar of TIE comes in.

Increased foreign direct investment and easier lending terms from multinational banks will go a long way in creating the factories, software laboratories, and assembly plants that will be the engines of export. In this regard, the host government can literally make miracles happen by moving fast to

programmes locally. The reduction of the dollar amount of aid by the ex-donors The reduction, in translated dollar amount, of the cost of investing in ex-recipient country (that is reduction in infrastructure costs and corruption, and strengthening of law and order and property rights of investors)

The reduction, in translated dollar amount, of the tariff and non-tariff barriers in the ex-donor countries The reduction, in terms of regulations, dealing with the travel of opinion leaders and entrepreneurs

Each successive year, the Forum can revise targets to progressively get closer to the ultimate goal of completely free-flow of goods, services, and ideas. The 'escape mechanism' would be an ironclad agreement that until each of the four targets have been achieved from the previous year, none of them can be revised for the upcoming year.

The TIE concept is an ambitious one. But it also is based on certain simple principles: that ultimately people, not governments or bureaucracies, fuel economic growth; that the private sector, not the state monopolies, are the engines of that growth; and that sustainable development has to come from within not without. This new model of development aims to make Bangladesh a genuine partner for peace rather than a junior member of a global philanthropy.

There is an added bonus here for the World Bank/IMF gurus of international development assistance who chalk out elaborate Structural Adjustment Programmes (SAPs) for countries and societies they know little about. While fundamentally these SAPs are good policy based on sound economic principles, the implementation of these initially painful measures often runs aground on the basis of domestic opposition that is predicated on the premise that it is the 'imperialist/colonial/foreigner medicine'.

Proper evolution of the TIE concept, as is shown in achievement targets 2 and 3, puts the onus of making the painful changes in economic priorities on the local politicians and

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fostered amongst the elite filters down to the grassroots as well. It is not uncommon to see the smallest rural literacy or sanitation project being postponed in the hope of the arrival of that mystical grant from Canada or the 'expert' from Denmark. Never mind that the salary of that 'expert' will probably account for more than half the benevolent grant. Or that our own country has more than enough experts of every kind who are helping, ironically, many a developed country with their expertise (the fact that Bengali architect Fazlur Rahman headed the designing committee of Chicago's landmark Sears Tower is but one of a plethora of such examples). One cannot but be saddened by the recent remarks, on this matter, by the former Chief Justice Mostafa Kamal to the convocation of the Engineering University. The renowned jurist lamented that in spite of having all the expertise right here, Bangladesh is forced to import high-priced technocrats, thanks to the strings attached to most foreign aid programmes. These foreign experts, with the best intentions, end up executing projects that are often out of touch with the needs, values, and cultural background of our society. Justice Kamal's thoughts are echoed by the following anecdote related to me by a former USAID worker who lectured

macroeconomic picture of a society. Donors want to see something that is tangible; the recipient bureaucracies are only too happy to pour both donor and local resources into glamorous but less useful projects like steel mills, research institutions, four-lane highways in the capital city etc. The local borrowing of the government to finance its portion of these projects leaves little available credit for the private sector ensuring a continuing statist dominance of the economy, as mentioned by development economist Daniel Sumner.

The broadest ill effect of development assistance is that it distorts market signals and incentives. It therefore diverts economic resources from their most productive uses in developing nations' (*The Theory and Practice of Development Aid*, pp. 57).

One final measure of shamefulness that comes with foreign aid is the meddling by outsiders. While international influence has been remarkably helpful in opening up our political and economic systems, it is quite embarrassing to watch regular sermons from the envoys of the World Bank, the European Union, and others about what we should do and how. A dialogue on the basis of partnership is one thing but condescending lectures from petty diplomats and Brussels-based Eurocrats is quite another.

Kantian theory and further cements the ties between nations by the idea of exchanges of experts, scholars, and opinion leaders. In time, this model provides not only for development partnerships but ultimately for peace partnerships.

John Majewski, writing the lead story for the July 1987 issue of the economics journal *Freeman*, points out that, "...foreign aid fails as a development policy because it destroys the incentives of the marketplace and extends the power of ruling elites. Because it leads the Third World away from the free market, it actually increases Third World poverty. On the other hand, the alternative policy of free trade will give the private sector of the LDCs an opportunity to expand and flourish."

This Free Trade is the first pillar of the TIE tripod. In this day and age the main obstacle to the free flow of goods and services is the protectionism of the industrialized countries. With the emerging global regime of relatively free trade, protectionism is on the defensive. Recently, the European Union proposed duty- and quota-free access to Bangladeshi goods. That posture needs to be taken up in the United States, Canada, and other big markets as well. It is not just a matter of altruism, but of good policy as well. Economically, free trade benefits both parties in the long run

reduce the cost of investing in its country. By cost, I am referring to the obstacles to a profitable investment that exist in that country: corruption, bribery, weak infrastructure, non-existent property protection/profit repatriation laws, lack of law and order, relatively high labour costs, union rackets, and burdensome bureaucracy.

Finally, to integrate economies and societies further, TIE emphasises Exchange. Working from the premise that each society has know-how that can be beneficially shared with others for the common good, both developed and developing countries ought to reduce the bureaucratic tangles involved with travel and technology transfer. Encouraging the regular exchange of educators, professionals, volunteers, business and labour leaders, and other opinion makers is not only a matter of good will. Rather, such people-to-people (as opposed to the artificial government sponsored things) contacts grease the social wheel that keeps commerce going smoothly and prevents hostilities from breaking out suddenly.

So, how do we move from the current model of international development assistance to the new TIE model? Admittedly the transition is a step by step process that is not to be achieved overnight. But the fundamental principle of transition is to move from the current model of international development assistance to the new TIE model. As we now know it, in a fundamental fashion and come up with some alternatives. I have suggested only one such alternative principle. We must examine any such alternatives closely and thoroughly. What do we have to lose? Perhaps, the label 'bottomless basket'!

bureaucrats. These local elites can come up with very similar SAPs but with a flavour and face that is more in sync with society's culture and values. The only people losing on this deal would be the 'experts' who sit in the plush Washington DC offices of the World Bank group, are paid by American taxpayer money, and come up with plans for countries they can hardly find on a map!

The TIE idea evolves foreign development assistance into a better model. There is nothing in this idea to prohibit emergency aid during floods, earthquakes, or other natural calamities. Nor am I suggesting the abolition of the noble work done every day of the year by the hundreds of private charities like OXFAM, CARE, and CARITAS to alleviate the poverty, illiteracy, and malnutrition that is rampant in the land. On the contrary, any effort to

de-emphasize the public/government role in such development activities will most likely remove at least two obstacles to further programming by these non-governmental organisations (NGOs). One, by reducing the taxpayer funded portion of foreign aid in countries like the USA and Great Britain, the new model will free up more money for individuals to give directly to their favorite charities. Two, by reducing the bureaucratic tangles in host countries, as envisioned in the second target of achievement, the TIE idea helps these NGOs in spending more resources in actual philanthropy and less on cumbersome paperwork.

Bangladesh may or may not be Henry Kissinger's basket case today. The jury is still out on that. But what is undeniable is that this country is the eighth biggest democracy in the world and a major contributor to global peace efforts abroad. It is in light of this stature that Bangladesh needs to take a look at a system, euphemistically known as international development assistance, that keeps reminding us of the comments of the former American statesman.

We know that thirty years of foreign aid has helped us. But do we know for sure that it has not hurt us as well? There is enough evidence to suggest that the side effects of this kind of development assistance have been questionable. It is time to examine the concept of foreign aid, as we now know it, in a fundamental fashion and come up with some alternatives. I have suggested only one such alternative principle. We must examine any such alternatives closely and thoroughly. What do we have to lose? Perhaps, the label 'bottomless basket'!

## Ten years on, still weathering the storm

Ten years ago US President George Bush led a 29-country coalition on a massive armed attack against Iraq. As his son takes over the presidency, Gemini News Service draws up the scorecard of the 20th century's last major conventional war. There are no winners, and the biggest losers are the long-suffering people of Iraq.

DILIP HIRO

writes from Baghdad

As Bill Clinton vacated his official residence in Washington, he might have pondered the thought that but for the Gulf War between the United States-led Coalition and Iraq in 1991, he may not have occupied the White House as US President.

The popularity of his predecessor, George Bush, shot up in the aftermath of the war, which began in August 1990 when the US deployed its forces under Operation Desert Shield to counter Iraq's invasion and occupation of Kuwait. It ended with the 42-day-long Desert Storm.

In the subsequent race for the presidency, Democrat heavyweights decided not to seek the party nomination, thus handing an opening to the eager governor of Arkansas.

Today, Desert Storm has no more bearing on US domestic politics, but its devastating impact on the daily lives of 22 million Iraqis is still palpable.

On the 10th anniversary of the 20th century's last major conventional war involving 1.36 million troops, 7,400 tanks and 2,400 warplanes, and costing more than \$82 billion Iraqis have continued to suffer.

They survive on a ration of basic necessities, given almost free by the government system installed in January 1991.

The US and Britain continue to maintain a 24-hour air surveillance in the northern and southern zones of Iraq, controlling the airspace of over 60 per cent of the country's territory in the name of protecting Kurdish and Shia minorities.

As for the regime of Iraqi President Saddam Hussein, besides the continuing humiliation of enduring the Anglo-American violation of its airspace, its most prized natural resource petroleum is under a de facto economic mandate of the United Nations.

Though Iraq has been pumping and exporting oil without any UN-imposed limit for the past year, the earnings are deposited into a UN account and Baghdad receives half of the sum. The UN allocates the rest to a compensation fund for those who suffered from Iraqi aggression in Kuwait and for administering the UN's oil-for-food scheme, as well as inspections and monitoring.

Ten years on, the vexatious issue of disarming Iraq of its facilities and capabilities for producing non-conventional weapons biological, chemical and nuclear remains unresolved despite a further Anglo-American blitz against Iraq for four

days in December 1998.

As United Nations Secretary-General Kofi Annan said in September 1998: "I personally believe ... that Iraq being fully disarmed is never going to be possible."

At the end of the day, the Security Council must decide whether Iraq is disarmed to the extent that it is not a threat to its neighbours, that it has no weapons of mass destruction, and that it has no capacity to make weapons of mass destruction."

Although three of the five permanent Security Council members take the view that Iraqi disarmament has gone as far as it could possibly go, they have been unable to convince the US, where the anti-Iraq lobby working closely with Israel remains powerful.

Here's a brief rundown on the fate of the main players in the Gulf wars:-

President Bush failed in his re-election bid in November 1992;

His hawkish British counterpart, Margaret Thatcher, was disowned and ousted by her Tory Party in November 1990;

Her successor, John Major, lost the general election in May 1997;

French President Francois Mitterrand stepped down after two consecutive terms in 1995; and

Soviet leader Mikhail

Gorbachev, who tried unsuccessfully to avert the Gulf War, lost his position when the Soviet Union collapsed in December 1991.

The fact that Saddam is still in power has led many Western commentators and politicians to suggest that the Coalition forces should have marched to Baghdad, overthrown the Iraqi dictator and established a democratic order.

General Sir Peter De La Billiere, who commanded the British forces during Desert Storm addressed the question in his book *Storm Command*.

"We did not have a [UN] mandate to invade Iraq or take the country over, and if we had tried to do that, our Arab allies would certainly not have taken a favourable view," he wrote. "Even our limited incursion into Iraqi territory had made some of them uneasy ... No Arab troops entered Iraqi territory."

President Bush had no doubt that Western troops would have reached Baghdad in another day and a half. "But in pressing on to the Iraqi capital we would have moved outside the remit of the United Nations authority, within which we had worked so far," he continued.

"...The Americans, British and French would have been presented as the foreign invaders of Iraq and ... the whole Desert Storm would have

been seen purely as an operation to further Western interests in the Middle East.

"Saddam Hussein ... would have slipped away into the desert and organised a guerrilla movement, or flown to some friendly state such as Libya and set up a government-in-exile. We would then have found ourselves with the task of trying to run a country shattered by war, which at the best of times is deeply split into factions."

"Either we would have to set up a puppet government or withdraw ignominiously without a proper

regime in power, leaving the way open for Saddam to return".

It is noteworthy that Sir Peter was also reflecting the view of General Colin Powell, then chairman of the US Chiefs of Staff.

Now that Powell took charge of the state department in Washington on 20 January when George W. Bush moved into the White House he has his opportunity to tackle Saddam and Iraq for the next four years.

