

Holbik, Karel

Article — Digitized Version

Aid programs compared and contrasted

Intereconomics

Suggested Citation: Holbik, Karel (1968) : Aid programs compared and contrasted, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 03, Iss. 5, pp. 134-137, <https://doi.org/10.1007/BF02929986>

This Version is available at:

<https://hdl.handle.net/10419/137939>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

ARTICLES

USA—USSR

Aid Programs Compared and Contrasted

by Professor Karel Holbik, Boston/Mass.

Secretary of State Dean Rusk has described the primary concern of US foreign policy as being "the safety of our nation and its way of life", adding that "we can be safe only if our environment is safe."¹ The kind of environment he refers to is that which would result from building and maintaining a decent world order, one characterised by international peace and security, friendly relations among nations, the solution of international problems through international cooperation, and international respect for the rights of man.

Aid as a Weapon in the American Arsenal

A second basic policy, according to Secretary Rusk, is "to help less developed countries of the free world to advance economically, socially, and politically". These countries, about 80 in number, contain almost half of the world's population, and almost 60 of them have attained independent status since World War II. It is in these underdeveloped areas that the Communists are concentrating their expansion efforts, since the economically advanced countries offer little susceptibility to Communist appeals. They anticipate that bringing the underdeveloped countries under Communist control might possibly result in the eventual economic strangulation of the West. Thus security requirements have generated a vital American interest in keeping these vulnerable nations as members of the free world. To accomplish this requires their protection from aggression as well as their social and economic advancement. They need help in these respects and foreign aid is the US chief means of providing this assistance. From this point of view, a major purpose of granting aid is security of the United States as well as the security of the entire free world. Upon signing the Foreign Assistance Act of 1967, President Johnson indicated clearly that "the community of independent and prosperous nations is the best long-term guarantee of a secure America in a peaceful world".

Another purpose often attributed to foreign aid is that which might be called humanitarian, the desire for less fortunate people to enjoy the better things

of life. In this, Inis L. Claude points out that more than half the world's population is living in a state of poverty, for him mankind's chief enemy, with misery, disease and ignorance the main facts of life.²

"The generosity of American citizens and private institutions in the foreign field is legendary."³ Originally this seemed to have been inspired by a religious motive, but more recently the motive has been essentially humanitarian. This humanitarian ingredient is readily apparent in governmental foreign aid in the form of the unselfish work of US Peace Corps volunteers today. With the relatively small financial compensation they receive in return for devoting two years of their lives to person-to-person help in underdeveloped countries, it is clear that the Peace Corpsmen's primary motive is humanitarian.

Another view sometimes offered as a justification for foreign aid is the role that development of the economically backward countries can have in the continued expansion of the US economy.

In an official statement, Mr. David E. Bell, the Administrator of the Agency for International Development (AID), very succinctly combined all three of these concepts into one clear expression of why the United States engages in a foreign aid program: "The fundamental purposes of our aid program have been the same since the end of World War II. US military and economic assistance were invented at that time as means for supporting the strength and independence of other free countries... it is our purpose to help strengthen the forces of freedom and progress. It is essential to our own national security that the people of the less developed areas be assisted to achieve strength and progress through free institutions, or they will surely fall prey to the false appeal of communism. It is important to our own economic progress that there be greater production and greater purchasing power in the less developed countries leading to a larger trade and

¹ Dean Rusk, *Your Stake in Foreign Aid*, The Department of State Bulletin, 23 March 1964, p. 435.

² Inis L. Claude, Jr., *Swords into Plowshares*, 2d ed. (New York: Random House, 1959), p. 390; Edward S. Mason, "United States Interests in Foreign Economic Assistance", in Gustav Ranis, ed., *The United States and the Developing Economies* (New York: Norton, 1964), p. 14-17.

³ *Ibid.*, p. 14.

a better opportunity for American overseas investment. And it is necessary to our own self-respect that the world's richest nation devote some share of its income to helping our poorer brothers elsewhere in the world."⁴

In sum, since its inception in 1947 US foreign aid has not been free of ideological motives. It has, on the one hand, given an expression to American desire to see the world organised to the United States' own image while revealing, on the other hand, doubts about US ability to deal with a new international power constellation, i.e., one fundamentally different from the existing world order which, therefore, should be maintained and defended.⁵ It is clear that both superpowers, the US and USSR, continue to adhere to and consider as valid the principle of geographical domination and territorial political control.

Soviet View of United States Aid

It is characteristic of our bipolar world that the Russian mirror shows some imaginary features of American foreign aid—while neglecting other real ones. The prejudiced and distorted Soviet view has not failed to contribute to international disharmony especially when rating US foreign aid policy as second only to US military power and on a par with political subversion.

Soviet criticism stresses that American foreign aid is designed to benefit the American economy more than those of the recipient countries; is opposed to industrialisation in order to prevent the developing economies from becoming competitive with the United States; and attempts to keep aid recipients out of heavy industry (as in the case of US refusal to build steel mills in Iran and India) thus ensuring their dependence on American supplies of manufactured goods.

The fact that some 90 per cent of the Alliance for Progress money is spent in the United States and that 50 per cent of aid goods are shipped in American bottoms has been exaggerated into a presumed rigid US requirement that financial assistance be spent in the United States.

American developmental techniques are supposedly designed not only to promote private (direct) investment but also to de-emphasise industrialisation in areas where agricultural development is stressed. The Soviets have not ceased to interpret the US Food for Peace Program as a deliberate dumping of agricultural surpluses, and the Peace Corps and US

technical assistance have been described as fronts for spies, surreptitious explorations and imperialist propaganda.

All these and many other Soviet assertions and criticisms (including those aimed at US emphasis on self-help) have characteristically been focused on American motives rather than on the effectiveness of aid. Most such comments have proceeded from Soviet, not American, premises and have, interestingly, disregarded objections raised to the American aid program in the US Congress.

Aid as a Weapon in the Soviet Arsenal

"...We declare war upon the United States in the peaceful field of trade... We will win over the United States. The threat to the United States is not the ICBM (Intercontinental ballistic missile) but in the field of peaceful production. We are relentless in this and it will prove the superiority of our system."⁶ With this statement former Premier Nikita Khrushchev presented his country's aid program as an intense economic offensive. Russia did indeed set out to prove that the Soviet system is best, and to persuade the newly emerging underdeveloped nations to adopt it. There is also little doubt but that the Soviets had observed the United States' economic and military programs with great interest. Therefore, a second and quite logical Soviet motive was to make every effort so as to prevent neutral nations from aligning with the United States, and where possible, to install leftist or communist governments.

Shortly after the commencement of the Soviet economic offensive, an all-out effort was made to entice underdeveloped countries to accept Soviet aid. A. A. Arzumanyan, President of the Soviet Institute of International Economics, said: "...We are prepared to help you as brother helps brother, without motives. Tell us what you need and we will help you and send, according to our economic capabilities, money needed in the form of loans or aid for industry, education, and hospitals... We do not ask you to join any blocs; our only condition is that there will be no strings attached."⁷

Such a statement undoubtedly sounded very reasonable to a group of leaders of underdeveloped countries emerging from hated colonialism from which they sought "national liberation".

Difficult as it is for us to picture the Soviet government in a humanitarian role, the Soviets have made an apparent effort to live up to the above statement by giving each country the projects requested. While it is not easy to learn the exact amount of aid the Soviet Union extends (since statistical information is not published as is done by the United States) enough data are available to indicate that the USSR has made great strides toward its goal of gaining political advantages through economic aid.

⁴ David E. Bell, "Major Objectives of the Foreign Aid Program", The Department of State Bulletin, 7 December 1964, p. 821-822.

⁵ The landmarks of American foreign aid are: the Greek-Turkish Aid (1947), the European Recovery Program (ERP, Marshall Plan, 1948), the Point-Four Program (1949), Mutual Security Acts (1951), the Foreign Operations Administration (FOA, 1953), Public Law 480 — Surplus Food for Aid (1954), the International Cooperation Administration (ICA, 1955), the Development Loan Fund (1957), the Alliance for Progress (1961) and the Agency for International Development (AID, 1961) which is inseparably connected with the late President Kennedy's "Decade of Development."

⁶ Nikita Khrushchev, quoted in Walter Krause, *Economic Development* (San Francisco: Wadsworth, 1961), p. 469.

⁷ A. A. Arzumanyan, quoted in Krause, p. 469.

It is a generally accepted fact that Soviet foreign assistance had its beginning in the mid-1950 period. Nevertheless there are a few recorded instances of aid as far back as the beginning of the Soviet Republic since references to aid were made in Soviet publications before the death of Stalin (1953), primarily for propaganda purposes.

Actually, no evidence can be brought forth to show the USSR in the role of a serious donor before the death of Stalin. Russia was a recipient of aid during World War II and had very few economic resources to offer immediately after the war, but this was not the whole reason why it did not extend aid to underdeveloped countries. Soviet policy was aimed in the first instances at overthrowing existing governments through the activities of local communist groups. To this end the USSR armed and supported these groups, preaching the anti-colonialist propaganda line all the while. Stalin, political introvert that he was, seemed to feel that normal contact with other governments was unnecessary and pursued his heavy-handed policies until his death, disregarding their notable lack of success in Europe after the first signs of firm Western resistance to Communist expansion in 1948.

Militant tactics on the part of local Communist parties in the Philippines, Malaya, and Burma and the attempted coup d'etat by the Indonesian Communist Party seemed to hold promise for the Communists in the 1948-1950 period. These tactics were probably encouraged by the success of the Chinese Communist Revolution and reached a climax when the Soviet Union supported the North Korean invasion of South Korea. The unexpected support given South Korea by the United States and United Nations, plus the stiffening of other local governments, probably caused Soviet leaders after Stalin's death to have many second thoughts about this aspect of his foreign policy. But while their militancy cooled somewhat, they kept up the propaganda line as a supporter of all anti-colonialist movements.⁸

Immediate post-World War II Communist foreign policy objectives toward the underdeveloped nations were simple and understandable. Soviet officials were attempting to implement Stalin's will by influencing these nations to side with the Soviets in East-West disputes; they worked at aggravating differences between these countries and Western or pro-Western ones. Their objective was also to increase Soviet influence, prestige, and image, and the offer of economic and military assistance was only one method used to further all these goals. One of their first ventures was an offer of aid through the United Nations Economic Commission for Asia and the Far East in 1949. It was insignificant, and nothing came of it until later, but there is some indication that the impact of the Soviet militant policies may have been softened by the offer. In 1952 another vague but more substantial offer was made to provide technical

assistance in order to help less developed areas with rapid industrialisation.⁹

It is a generally accepted fact that the motivating force behind the Soviet aid program is the desire for political gain rather than any humanitarian consideration. Their propaganda statements emphasise the Soviet government's great concern for the welfare of the peoples of the underdeveloped countries, and in many places this proves useful in gaining influence.

The Soviet propaganda line has always played up the anti-colonial angle and has tried to show that the "imperialistic" United States gives aid only to gain influence and to exploit the underdeveloped countries. Communist spokesmen, in turn, try to picture themselves in complete and understanding sympathy with the complaints against the "imperialist" countries. The Soviets have some justification for feeling that Western nations are often fearful of nationalist movements in Africa and Asia, and with their aid to revolutionary groups there they are trying to give tangible support to the USSR propaganda program. This material support, they hope, will give them contacts whereby they might exert influence on domestic policies of the underdeveloped countries. They also hope to persuade these countries to imitate the Soviet system in the pursuit of economic growth.

The Beginning of the Economic Offensive

The real Soviet economic offensive was launched in April 1953, the month after Stalin's death. It was a small technical assistance agreement with Afghanistan, a nation which has since become one of the most frequent recipients of Soviet aid. The new Russian leaders advocated cooperation between the Afro-Asian countries and the Communist countries and, to lend credibility to this, they obviously ordered a slow-down of local Communist terrorism. At about the same time they announced that they would contribute to the United Nations Technical Assistance Program. This announcement was not supported with much action, however, and Soviet aid has remained almost entirely bilateral.

Since the beginning of the economic offensive, the satellites have become partners with the Soviet Union in extending aid to underdeveloped countries, and most compiled statistical data include the entire Soviet bloc figures combined. It is a good guess that the Soviets help determine to whom and how much the satellites extend in aid.

Commencing then in 1953, the Soviet aid offensive expanded rapidly and has continued to increase steadily with a few leveling-off periods. Bloc trade agreements with free-world countries increased from 113 at the end of 1953 to 203 by September 1956, half of them with underdeveloped countries. Practically all new agreements in 1956 were with underdeveloped countries. While most of these new agreements were

⁸ US Dept. of State, Bureau of Intelligence and Research, *Sino-Soviet Economic Offensive through 1960* (Washington: 1961), p. 1.

⁹ *Ibid.*, p. 3-4.

concluded by the satellite countries rather than the USSR, they continued to reflect Soviet policy aims. The new policy was given world-wide publicity, and salesmen of the highest stature were used to promote the program. It was largely to "sell" their aid to selected customers that Khrushchev and Bulganin made their tour of Asia in 1955.¹⁰

It has been estimated that of the Soviet bloc non-military credit agreements signed with under-developed countries from 1953 to 1957, the Soviet Union accounted for some 78 per cent of the total, or about \$ 1.2 billion.¹¹ This dominance of the Soviet Union within the Eastern bloc's aid program has remained a constant among many variables within the Communist aid program.

The present stated objectives of Soviet developmental aid are to strengthen the political and economic independence of the developing areas and to assist them in both overcoming the vestiges of colonialism and consolidating their national independence. This implies that the USSR intends to help the new nations surmount the colonial structure of their economies by creating independent national economic systems as a guarantee of political independence. The Soviets hold that these goals can be reached primarily through industrialisation and expansion of the state (nationalised) sector of the new nations' economies.

Western assessments of Soviet foreign aid policies appear to agree on a number of points, of which the most significant may be that economic motives in aid and trade are becoming increasingly important as Russia's (and the entire Soviet bloc's) interest in foreign trade rises. Political interests and considerations need and probably do not explain or justify all Soviet relations with the emerging nations.

Western observers also agree that (in the long run) Soviet policies continue to be aimed at disrupting economic relations between the industrialised West and the developing countries as well as at discrediting Western enterprise and institutions to the advantage of socialist economic organisation. In numerous instances the USSR has attempted to drive a wedge between a developing nation (e.g., Pakistan, Turkey, Brazil) and its Western trade partners.

Synoptic Aid Contrasts

The preceding discussion justifies the inescapable conclusion that the dissimilar American and Soviet approaches to foreign aid have accounted for some conspicuous differences in the two nations' foreign aid efforts.

The United States has committed itself to assist the developing countries in increasing the rate of domestic capital formation and absorption of technical knowledge to a level where economic growth becomes self-sustaining. This country has also shown deter-

mination to encourage development through both the system of free enterprise and democratic institutions.

One of professed objectives of the USSR has been to present the Soviet economic system as an alternate model, of which central planning and other socialist institutions are an integral part.

While the US has placed emphasis on encouragement of the private sector of production and on infrastructural projects, the Soviets have been basically prepared to assist the public sector and heavy industries (where their own experience is relatively extensive).

Not unimportant is furthermore the fact that in the United States, foreign aid programs necessitate Congressional deliberations and appropriations whereas no such time-consuming debates or consent are required in the USSR. This latter country has also the advantage of being potentially able to make rapid commitments for long periods of time. Unquestionably, Soviet aid is more flexible than American aid.

As a percentage of gross national product, American aid to developing nations exceeded 1 per cent only in the years of the Marshall Plan. In 1966 the percentage declined to 0.4. On this basis, Soviet aid has fluctuated from year to year having amounted to 0.4 per cent of USSR's GNP in 1959, then to a mere 0.02 per cent in 1962 and to 0.3 per cent in 1966. It is estimated that Soviet aid deliveries average about one-third of annual aid extensions. During the period 1954-1966, American aid deliveries approximated \$ 42 billion while Soviet deliveries exceeded (only) \$ 6 billion, USSR's aid commitments having reached \$ 10 billion. In both aid programs there has been a tendency to concentrate on a relatively few countries; thus the bulk of US development loans have gone to India, Pakistan, South Korea and Turkey, while the principal beneficiaries of Soviet assistance have been India, UAR, Afghanistan and Indonesia.

In terms of type of aid, about 60 per cent of US aid is made up of grants and the remaining 40 per cent consist of loans for a period of up to 40 years (with grace periods between 1-7 years), extended at interest rates of up to 6 per cent. While a substantial proportion of American foreign assistance is granted in kind, the Soviets extend no such aid. As a rule, they do not make foreign aid grants either. Their loans have a maturity of 12 years, carry usually an interest rate of 2.5 per cent, and repayments (often in the form of local commodities) commence upon completion of assisted projects.

A final noteworthy and distinguishing aspect of the two foreign aid programs consists in contributions to international agencies, especially to the United Nations development program. During the period 1950-67, free-world countries—with the US share amounting to about two-thirds—contributed \$ 1,258 million (or 96.2 per cent) whereas the USSR participated with only \$ 31 million (or 2.4 per cent).

¹⁰ United States Congress, Senate, Special Committee to Study the Foreign Aid Program, Foreign Aid Program (Washington: US Govt. Print. Off., 1957), p. 634, 637.

¹¹ Joseph S. Berliner, *Soviet Economic Aid* (New York: Praeger, 1958), p. 33.