

**RETHINKING UNITED STATES FOREIGN POLICY
TOWARD THE DEVELOPING WORLD**

HEARINGS
BEFORE THE
COMMITTEE ON
INTERNATIONAL RELATIONS
AND ITS
SUBCOMMITTEE ON
INTERNATIONAL DEVELOPMENT
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A Critical Review of AID
Briefing on Certain Executive Branch Activities in the
Foreign Aid Field

The Brookings Institution Report

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The Brookings Institution has released an interim report on the future prospects and strategies of U.S. foreign assistance. As it represents the work and viewpoints of well-known individuals and institutions, the report has generally been received, by non-developmentalists, as a competently prepared and important document. While the report raises some issues of obvious importance, such as the need to separate our foreign assistance program from the State Department and therefore from short-term foreign policy considerations, it also contains some rather glaring faults in detail, approach, and, subsequently, conclusions which should not go unchallenged.

Those conclusions stem from a strategy of development outlined by the Brookings Institution, a strategy whose reliability has not been sufficiently demonstrated. In fact, the report falls disappointingly short of incorporating into its analysis much of what has been learned through the experience and evaluation of foreign assistance over the past decade. Specifically, we believe that attention should be drawn to the following:

1. The authors begin with the basic assumption that development must take place within the context of rapid economic growth. While economic growth is, indeed, an important factor in the development process, its primacy in that process was long ago rejected by development thinkers, as reflected in the New Directions legislation. The report's further emphasis on two selected basic approaches to development -- employment generation and the provision of goods and services to the poor -- reflects an extremely narrow analysis of the problems of poverty and possible solutions in the Third World.

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2. Unfortunately, little consideration is given to a developmental approach which, in a comprehensive fashion, builds upon and fosters local group efforts, skills, and resources to establish a self-sustaining development process. No treatment is given to the need to channel foreign assistance through appropriate governmental or non-governmental institutions which by incorporating the poor in decision-making and by generally eliciting their active participation can effectively respond to their needs and aspirations. As some of our own experimental efforts at foreign assistance, such as the Inter-American Foundation, have clearly demonstrated, working with and through representative and responsive groups and institutions enables us to assume a less directive posture in the delivery of our foreign assistance, while helping to lay the foundation for more equitable and self-sustaining development. These are fundamental insights that we have gained over the past several years, and it is both surprising and disappointing that Brookings has chosen not to deal with them in a substantial manner.
3. This inability or unwillingness to deal with the internal dynamics of development leads the authors to suggest a necessary complementarity and link between what they term "small and sometimes unrelated" projects, on the one hand, and large-scale, capital-intensive, and basically infrastructural programs, on the other. Little analysis is offered to substantiate this view. In fact, developmentalists have learned that the transfer of large sums of capital and sophisticated technologies through centralized mechanisms is always insufficient and frequently counterproductive to the establishment of equitable development patterns. How, for instance, a large, modern irrigation or hydroelectric program which leads to the concentration of landholdings complements the endeavors of small farmers is never addressed in the report. Herein lies a basic failing of the paper: it does not discuss the often inherent conflict

- between the necessarily deliberate pace of indigenously initiated and controlled development and the distortional aspects of rapid and centralized modernization programs. The recommendation that multilateral banks increase their lending for large-scale capital-intensive projects should, in this light, be seriously questioned.
4. Similarly, the report assumes an interrelationship between international trade and investment, on the one hand, and U.S. foreign assistance, on the other, that leads to an equitable pattern of Third World development. Therefore, the recommendation is made to focus most of our bilateral assistance on the lower-income countries, while leaving trade and investment to generate most of the capital needed for development in middle-income countries. No analysis is offered as to how exactly these forms of capital transfer impact upon the economies at the local level. There is no reason to believe, given the rigid social and economic structures frequently found in the middle-income countries, that such transfers will benefit the poorest segments of the population.
5. The report calls for the reconstitution of U.S.A.I.D. into two agencies: A Development Co-operation Agency (DCA) and an International Development Foundation (IDF). The former agency would continue the economic, infrastructural and technical assistance functions of AID; the latter would address the research and training needs of developing countries with a heavy emphasis on the involvement of American universities and private agencies. As the report does not detail essentially new and innovative program operations -- as distinct from what already exists within AID -- the question arises as to why the Congress should be asked to create two new agencies to carry out what is already being done. Although the structure of an operating foundation, because of its inherent autonomy and flexibility, is a sound consideration in the delivery of foreign assistance, the

research and training objectives of the proposed IDP seem exactly similar to those of AID. If such a foundation is to be created, it would seem clearly appropriate that it be extended a mandate to directly assist development initiatives throughout the Third World, drawing upon and supporting learning experiences directly in the field.

6. In perhaps its most far-reaching and important recommendations, the report calls for the approximate doubling of our financial commitment to overseas development through both bilateral and multi-lateral channels. Although the magnitude of need throughout the Third World is enormous, our experience in foreign assistance strongly suggests that the effective fostering of equitable and sustained patterns of development most essentially entails the ability to directly reach and assist participatory development initiatives. By failing to address these considerations in a sufficient manner, the report does not provide reliable evidence that drastic increases in foreign assistance outlays will substantially foster a betterment in life among those who most need our assistance. On the contrary, the argument may indeed be made that to increase development assistance through conventional channels is to further retard the ability of the world's poor to gain access to desperately needed resources. It is somewhat surprising that a document of such purpose does not fundamentally address such considerations while recommending significantly larger expenditures on the part of the American taxpayer.

In conclusion, this report simply does not offer a fair and sufficiently inclusive treatment of the "state of the art" in the fields of development and the effective delivery of foreign assistance. Having been prepared a decade after Title IX of the Foreign Assistance Act mandated a new direction in development aid, the Brookings report

contributes to the ongoing superseding of quantity over quality in our development thinking -- a misconception which continues to plague our foreign assistance policies and programming.

