

## Playing Politics With Aid

### *The Unholy Trinity of Defense, Diplomacy and Development in the War on Terrorism*

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For decades U.S. foreign aid has been accused of prioritizing U.S. political and military agenda over the needs of the poor around the globe. Now, the Bush administration has declared this to be the official foreign assistance policy of the United States.


Changes in the way the U.S. directs foreign aid, announced by Secretary of State Condoleezza Rice in January 2006, bring the administration of aid under the control of the State Department and tie foreign assistance to U.S. strategic military interests. This move marks the Bush administration's abandonment of any attempts at subtlety in their efforts to undermine growing opposition to the Washington Consensus.<sup>1</sup>

The foreign aid changes include the creation of a new post, "Director of Foreign Assistance" (DFA) who will report directly to the Secretary of State. The DFA's mandate is to oversee the Office of the Global AIDS Coordinator and the Millennium Challenge Corporation as well as head the U.S. Agency for International Development (USAID), bringing the agency under State Department's control and placing a single official in charge of coordinating about \$19 billion worth of U.S. foreign assistance programs.<sup>2</sup> A closer look reveals the true aim behind this reorganization: align aid agencies with the military interests of the U.S. government.

### Transformational Diplomacy: A Fix for Foreign Aid?

Couched in the Bush administration's code language of promoting "democracy" and strengthening "national security," Secretary of State, Rice introduced the overhaul of the U.S. foreign assistance programs by saying, "In today's world, America's security is linked to the capacity of foreign states to govern justly and effectively... We were attacked on 9/11 by terrorists who had plotted and trained in a failed state: Afghanistan. Since then, we have cycled tens of thousands of troops through the country, spent billions of dollars, and sacrificed precious lives to eliminate the threat -- and to liberate the brutally repressed people of Afghanistan. In the final analysis, we

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**"The fundamental character of regimes now matters more than the international distribution of power. In this world it is impossible to draw neat, clear lines between our security interests, our development efforts and our democratic ideals."**

– Secretary of State  
Condoleezza Rice,  
January 18, 2006

must now use our foreign assistance to help prevent future Afghanistans -- and to make America and the world safer...<sup>iii</sup>

Rice also rationalized the move as an effort to remove bureaucratic redundancies to better serve the goals of U.S. diplomatic strategy, stating that authority to allocate foreign assistance is too fragmented among various State Department bureaus, and between the State Department and USAID, thereby impeding “our efforts to integrate our foreign assistance with our broader foreign policy objectives.”<sup>iv</sup>

This centralization of foreign aid is accompanied by a change in location of many U.S. Diplomats, or what Rice termed as “forward deployment” of diplomats. This movement will shift hundreds of Foreign Service positions from Europe and Washington to the Middle East, Asia, and elsewhere, in what Rice described as “transformational diplomacy.”<sup>v</sup> The unstated implication of these moves as well as the consolidation of forces is that the pro-Bush administration policy advocates who replace the more traditional aid experts will coordinate closely with the U.S. military through political advisors. The end goal being, to ease the process of aligning foreign assistance programs with foreign policy goals.

The forward deployment is complemented by plans for regional public diplomacy centers, American Presence

Posts outside capital cities, Virtual Presence Posts, and local interactive websites to counter anti-U.S. media and to appeal to the youth and provide support to civil society groups sympathetic to the U.S.<sup>vi</sup>

To top it all, Randall Tobias has been appointed the Director of

Foreign Assistance, granting him vast authority over a range of foreign assistance accounts previously managed by separate entities. Tobias the former head of pharmaceutical giant Eli Lilly & Co., was head of the Bush Administration’s global AIDS effort, where he came under criticism for taking an ideological approach to AIDS assistance by supporting abstinence-only programs and avoiding the use of cheap, generic drugs to fight AIDS in poor countries. Tobias has also been challenged on grounds of being a major Republican campaign contributor.<sup>vii</sup>

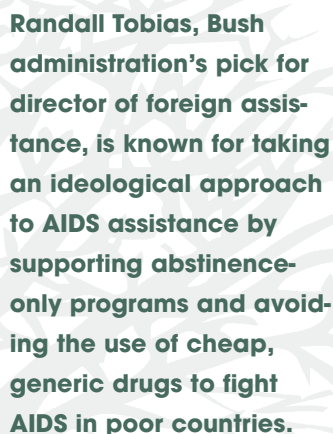
The current shifts in U.S. Foreign aid policy are part of a long history of supposedly benevolent assistance being used strategically by the United States. The Marshall Plan, the first major U.S. foreign aid program, was designed largely to prevent Soviet expansion in Europe. During the Cold War, aid went to reward anti-communist allies - the largest recipients being countries like South Korea and South Vietnam. But this new shift signifies a further blurring of the line between military and diplomacy.

## U.S. Foreign Assistance: A Murky Past

In 1961, dissatisfaction with the foreign assistance structures that had evolved from the days of the Marshall Plan with its stated goal being of stabilizing Europe after the World War II, resulted in reorganization of the U.S. foreign aid programs and the creation of the USAID.

When the Marshall Plan expired on June 30, 1951, Congress pieced together a new foreign aid proposal designed to unite military and economic programs with technical assistance. In October 1951, the Mutual Security Act was passed, creating the Mutual Security Agency. This was followed in 1953, by the creation of the Foreign Operations Administration, an independent government agency created outside the Department of State to consolidate economic and technical assistance on a world-wide basis. A year later, however, its responsibilities were merged into the International Cooperation Administration (ICA), established as part of the Department of State, with many limitations placed upon it.<sup>viii</sup>

These restrictions led to growing dissatisfaction with foreign assistance, so much so that the Kennedy Administration in the 1960s made reorganization of, and recommitment to, foreign assistance a top priority, stat-



**Randall Tobias, Bush administration’s pick for director of foreign assistance, is known for taking an ideological approach to AIDS assistance by supporting abstinence-only programs and avoiding the use of cheap, generic drugs to fight AIDS in poor countries.**

ing, "...there is no escaping our obligations: our moral obligations as a wise leader and good neighbor in the interdependent community of free nations--our economic obligations as the wealthiest people in a world of largely poor people, as a nation no longer dependent upon the loans from abroad that once helped us develop our own economy--and our political obligations as the single largest counter to the adversaries of freedom."<sup>xix</sup>

Supposed to be free from political and military functions that plagued its predecessor organizations like the ICA, the Kennedy administration created USAID to support long-range economic and social development assistance efforts in the developing nations of the world. However, almost since its inception, USAID has primarily promoted U.S. political and military interests abroad, and it has not enjoyed the level of autonomy it was supposed to have maintained.

After the end of the Cold War, foreign assistance continued to be a tool to promote the U.S. interests. Foreign assistance programs have helped create major markets for agricultural goods, American industrial exports and meant hundreds of thousands of jobs for Americans. In fact USAID follows and implements the Buy American Act, which requires that American money aid and grants be used to purchase goods and services which are U.S. produced and U.S. delivered.\* In 1996, the U.S. estimated that 71.6% of bilateral aid commitments were tied to the purchase of U.S. goods and services. Since then the U.S. has no longer provided data on the tied status of their aid.

### Foreign Aid in the War on Terrorism

With the launch of the Global War on Terror (GWOT) after September 11, 2001 U.S. foreign aid underwent changes to become a central team member of the Bush administration's War on Terrorism. The inclusion of development in the 2002 National Security Strategy (NSS), along with defense and diplomacy, enlisted USAID as a significant contributor and a public relations tool for the Bush administration. For example, in Afghanistan, the volume of food aid doubled, from 277,000 tons in 2001, to 552,000 tons in 2002, after the U.S. victory over the Taliban regime. However, this aid was cut by half to 230,000 tons, in 2003 (much below the volume of aid



provided in 2001) as the priority shifted to Iraq after the U.S. invasion. Food aid deliveries to Iraq increased from 2,100 tons in 2002 to more than 1 million tons in 2003. It was reduced to 10,000 tons in 2004 with food aid not being deemed necessary by the invasion forces to win domestic and international public opinion.<sup>xi</sup>

Recent developments in foreign assistance make it clear that there is a concerted effort underway to further politicize U.S. foreign assistance. Plans to reposition diplomatic resources from Europe and Washington to Asia, Africa, South America and the Middle East, along with centralization of aid programs are all moves to ensure that USAID's "development" workers coordinate more closely with U.S. military and diplomats. In fact the "dual-hatting" of DFA and USAID Administrator is aimed at ensuring that development programs cater to political and military strategic interest of the United States instead of being driven by a development agenda. Carol Lancaster, former deputy administrator of USAID, wrote in the *Financial Times* that "where two agencies have different goals and modes of operation, the mission of the bigger, stronger agency will almost always overwhelm that of the smaller agency and undercut its effectiveness. The day-to-day decisions on how USAID uses its funds for development - which countries receive the aid, how much they get and how it is used - can be very different from the priorities of the State Department."<sup>xii</sup>

## Aid or Abet: Defeating Terror and Advancing Liberty and Democracy?

Despite the rhetoric of “providing a helping hand to people overseas struggling to make a better life, recover from a disaster or striving to live in a free and democratic country,” U.S. aid is aimed at advancing its own political agenda.<sup>xiii</sup> The reorganization of the foreign assistance programs along with recent diplomatic moves makes this even more obvious.

Clash with Iran over its nuclear ambitions has led the State Department to request \$75 million to promote “democracy” in Iran, which would be added to \$10 million already appropriated for that purpose—the total being an increase from only \$3.5 million the year before.<sup>xiv</sup> This is to include \$25 million to support political dissidents and to work with nongovernmental organizations outside Iran to build support inside the country. The administration plans \$50 million to increase television broadcasting to 24 hours a day all week in Farsi in Iran. Another \$5 million is earmarked for setting up internet sites.

The goal is to support dissent groups, unions, and radio and television broadcasts in much the same way that Congress appropriated funds to Iraqi dissidents in the 1990s, or supported the coup in Iran in 1953. This follows multiple examples of previous ‘aid’ efforts in other countries including Cuba and North Korea that have been primarily focused on building support for groups that are in line with U.S. policy.

If ensuring global nuclear restraint was the true intent of the administration, President Bush would not have accommodated India and promised a nuclear deal during his March 2006 visit. If approved by the U.S. Congress, the deal will allow India to import nuclear fuel and technology despite its weapons building. While the U.S.

insists at the International Atomic Energy Agency that Iran not be allowed to bend the anti-nuclear rules out of shape to further what are assumed to be its weapons ambitions, Mr. Bush proposes doing just that for already nuclear-armed India. And as the magazine *Economist* points out India “got its start in the weapons business, rather as North Korea and Iran did, by misusing technologies and materials provided for civilian purposes.”<sup>xv</sup>

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In another case, the U.S. threatened to sever humanitarian aid to the people of Palestine for exercising their right to vote. In the January 2006 Palestinian parliamentary elections, the Palestinian people voted massively in support of Hamas.<sup>xvi</sup> Alarmed by its victory, President Bush announced to his Cabinet that he will not support a Palestinian government made up of Hamas. The U.S. has put pressure on other international donors to follow similar action with the intention of bankrupting the future Hamas-led Palestinian Authority.

According to the World Bank, nearly one-half of all Palestinians already live below the poverty line and as many as 600,000 people are unable to meet their basic needs in food, clothing and shelter. James Wolfensohn, the former head of the World Bank and the quartet’s<sup>xvii</sup> special envoy has warned that cutting off aid would push the Palestinian territories into chaos.<sup>xviii</sup>

The war on terror has also resulted in increases in military assistance, which come largely at the expense of humanitarian and development assistance and in blatant disregard of a country’s record on democracy or human rights. On September 22, 2001, the Bush administration asked Congress for blanket authority to waive economic sanctions against countries whose help is needed in the anti-terror coalition. This was done to enlist countries like Pakistan in fighting terrorism, where virtually all U.S. aid to the country had been cut off after

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the Pakistanis revealed they had conducted nuclear weapons tests in 1998.

Washington also restored military ties with Indonesia, another key ally in the war on terror in 2005. In 1999, the U.S. had severed relations with Indonesia following public pressure about its military's long track record of brutal repression. The restoration of ties has revitalized two military aid programs that had been cut off for years and additional spending is providing loans and credits to buy new U.S. weapons and technology.

In fiscal year 2007, the State Department has requested \$6.2 billion to further strengthen the coalition partners in the fight against terrorism. Excluding Iraq, the largest recipient remains Israel with \$2.34 billion, followed by Egypt with \$1.3 billion.

Other requests include \$739 million for Pakistan with \$300 million designated for military financing, \$560 million for Colombia, \$154 million for Indonesia, \$457 million for Jordan, and \$335 million for Kenya.<sup>xix</sup> In addition, the FY 2007 request for International Military Education and Training (IMET) is \$88.9 million with focus on building military alliances and capabilities in member countries of the international coalition against terrorism.

## Geopolitical Goals Undermine Development

Foreign assistance, the third pillar of U.S. national security policy, along with military power and diplomacy, is progressively shifting aid away from poverty-focused assistance to poor countries. Already development assistance is only 30 percent of the U.S. foreign aid budget, while military and economic aid for strategic allies constitutes more than half of the same budget.<sup>xx</sup>

The 2007 foreign operations budget of \$23.72 billion – less than 1 per cent of the total federal budget – further reduces poverty-focused development assistance pro-

grams by over \$400 million. These cuts will affect programs such as the Child Survival and Health Fund (cut by 13 percent, undermining a long term development assistance program that has emphasized expanding basic health services and strengthening national health systems to improve people's health, especially that of women, children and other vulnerable populations in the developing world), Development Assistance, Disaster and Famine Assistance, among others. Included in the president's proposal are cuts of \$15 million to the United Nations Development Program (UNDP), the primary development agency in the UN system that deals with poverty issues.

The drug war is the real winner with the budget, envisioning a 70% increase in anti-drug spending, to \$1.5 billion

worldwide, particularly aimed at Afghanistan which, since the ousting of the Taliban has become the world's biggest source of opium and heroin. That is more than the total amount devoted to the core Development Assistance account.

## Making Aid Work

Addressing threats to national security is perhaps the biggest challenge facing America at this moment in history. It was out of this concern that the 9/11 Commission Report recommended that “[the U.S. government] should offer an example of moral leadership in the world, committed to treat people humanely, abide by the rule of law, and be generous and caring to our neighbors.”

Foreign assistance is one key way through which the U.S. can prove itself to be a generous, caring member of the international community and address its national security concerns. The past history of U.S. aid should make us wary of using aid to buy

**“ Secretary Rice’s reforms are likely to take even more money from real development. An Agency for International Development Director inside the State Department will be under tremendous political pressure to take money away from effective antipoverty programs, which have very small political constituencies and divert it to the State Department’s geopolitical goals, which have little to do with development.”**

– Editorial, Wrong Fix for Foreign Aid,  
*The New York Times*, February 6, 2006

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or bully allies. Years of foreign aid, driven by U.S. political interests have not won Washington real allies, and in fact have contributed to the destabilization of national economies and governments, causing resentment against the U.S. It is time for the U.S. to realize that the promotion of decentralization of resources and decision-making to the local level as well as encouraging self-reliance by investing in small producers, such as farmers producing food for the domestic market, will reap more long-term political profits for the country.

Unfortunately, the Bush administration's agenda does not consist of genuine development aid that can serve long-term interests in poverty reduction and stability abroad. At a time of shrinking budgets, it is in the interest of the United States to ensure that each dollar of development

aid is invested in building self-reliant societies abroad instead of subjecting them to its short-term foreign and military policy goals. Properly targeted aid can benefit millions of people. It can provide healthcare, education, electricity, clean water, and fight disease and poverty. It can help promote social-economic development, address growing inequality and help build strong democracies. In other words, well-targeted foreign assistance can make the world a safer and better place – for all of us.

It is time for the Bush administration to step back and rethink its development strategy and its role in the war on terrorism.

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<sup>1</sup> According to John Williamson, the phrase's originator, "Audiences the world over seem to believe that this signifies a set of neoliberal policies that have been imposed on hapless countries by the Washington-based international financial institutions and have led them to crisis and misery." Global Trade Negotiations Home Page, Center for International Development at Harvard University, February 16, 2006 <<http://www.cid.harvard.edu/cidtrade/issues/washington.html>>.  
<sup>2</sup> Stockman, Farah, "New US Post Created to Direct Foreign Assistance: Move to Streamline Overseas Aid Efforts," *The Boston Globe*, January 20, 2006.  
<sup>3</sup> Remarks by Condoleezza Rice, U.S. Secretary of State, "New Direction for U.S. Foreign Assistance," January 19, 2006.  
<sup>4</sup> February 2, 2006 <<http://www.usaid.gov/press/speeches/2006/sp060119.html>>.  
<sup>5</sup> Remarks by Condoleezza Rice, U.S. Secretary of State to USAID staff, "New Direction for U.S. Foreign Assistance," January 19, 2006.  
<sup>6</sup> February 3, 2006 <[http://www.usaid.gov/press/speeches/2006/sp060119\\_1.html](http://www.usaid.gov/press/speeches/2006/sp060119_1.html)>.  
<sup>7</sup> Opening Remarks of Secretary Condoleezza Rice before the Senate Budget Committee, International Affairs Budget Request for Fiscal Years 2007, February 16, 2006, Washington DC, February 19, 2006 <<http://www.state.gov/secretary/rm/2006/61384.htm>>.  
<sup>8</sup> Ibid.  
<sup>9</sup> Stockman, Farah, "New US Post Created to Direct Foreign Assistance: Move to Streamline Overseas Aid Efforts."  
<sup>10</sup> USAID History, February 20, 2006 <[http://www.usaid.gov/about\\_usaid/usaidhist.html](http://www.usaid.gov/about_usaid/usaidhist.html)>.  
<sup>11</sup> Ibid.

<sup>12</sup> Tied Aid: Promoting Donors Self-Interest, South Center, 2003.  
<sup>13</sup> February 24, 2006 <<http://www.southcentre.org/info/southbulletin/bulletin57/bulletin57-08.htm>>.  
<sup>14</sup> Mousseau, Frederic, Food Aid or Food Sovereignty? Ending World Hunger in Our Time, The Oakland Institute, October 2005.  
<sup>15</sup> Lancaster, Carol "Bush's Foreign Aid Reforms Do Not Go Far Enough," *Financial Times*, January 19, 2006.  
<sup>16</sup> This is USAID, About USAID, February 25, 2006 <[http://www.usaid.gov/about\\_usaid/](http://www.usaid.gov/about_usaid/)>  
<sup>17</sup> Weisman, Steven, "Rice is Seeking \$85 Million to Push for Changes in Iran," *The New York Times*, February 16, 2006.  
<sup>18</sup> "Dr. Strangedeal: Congress Should Veto George Bush's Nuclear Agreement With India," *The Economist*, March 9, 2006.  
<sup>19</sup> "U.S. Urges Nations to Freeze Hamas Aid," CBS News.Com, January 30, 2006. February 25, 2006 <<http://www.cbsnews.com/stories/2006/01/30/world/main1252981.shtml>>.  
<sup>20</sup> The U.S., EU, United Nations, and Russia are known as the Middle East Quartet.  
<sup>21</sup> Erlanger, Steven, "Hamas Victory Worsens a Financial Crisis," *The International Herald Tribune*, January 29, 2006.  
<sup>22</sup> Foreign Military Financing, FY 2007 International Affairs (Function 150) Budget Request, Released by the Bureau of Resource Management, February 6, 2006.  
<sup>23</sup> February 16, 2006 <<http://www.state.gov/sd/rm/rls/iab/2007/html/60200.htm>>  
<sup>24</sup> Editorial, "Wrong Fix for Foreign Aid," *The New York Times*, February 6, 2006.



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