

1-1-1995

The Domestic Politics of U.S. Foreign Aid

Polly Diven

Grand Valley State University

Follow this and additional works at: <http://scholarworks.gvsu.edu/gvr>

Recommended Citation

Diven, Polly (1995) "The Domestic Politics of U.S. Foreign Aid," *Grand Valley Review*: Vol. 12: Iss. 1, Article 19.

Available at: <http://scholarworks.gvsu.edu/gvr/vol12/iss1/19>

This Article is brought to you for free and open access by ScholarWorks@GVSU. It has been accepted for inclusion in Grand Valley Review by an authorized administrator of ScholarWorks@GVSU. For more information, please contact scholarworks@gvsu.edu.

THE DOMESTIC POLITICS OF U.S. FOREIGN AID

Polly Diven

As the program coordinator of the International Relations program, and as an instructor of Political Science, I find myself constantly reminding students (and others in the college community) that we are living in an increasingly international environment. We need to realize that there are few strictly U.S. corporations, and that there is no such thing as an American car. Michigan is ranked third out of the fifty United States in export volume. I tell students, if you are going into business, you are probably going into international business, like it or not. If you are going into corporate law, chances are you need to know about private international law. The U.S. economy and the U.S. political arena can no longer be viewed in isolation from the rest of the world.

Global events have an important impact on governance within the United States. It is also true that international relations, and U.S. foreign policy in particular, are strongly affected by internal U.S. politics and economics. The popular press (and traditional political science literature as well) doesn't often recognize the importance of U.S. interest groups and other domestic factors in determining U.S. foreign policy choices.

U.S. foreign aid is a case in point. My research into the politics of U.S. foreign aid policy demonstrates that there is a strong relationship between domestic interest groups and U.S. foreign aid policy.

Public Opinion

Most people resent what they perceive as the use of scarce tax dollars to aid foreign countries. When asked to identify budget cuts which could be made to reduce the U.S. budget deficit, most Americans say that the number one item is foreign aid. Their perception is that aid programs are wasteful and inefficient, and that aid funds probably just end up in the hands of corrupt elites in recipient countries. Anti-aid forces in the U.S. also usually argue that we should focus on U.S. needs first, that charity begins at home.

In typical melodramatic fashion, Pat Buchanan, in 1990, argued as follows:

We cannot permit endless transfusions of the lifeblood of American capitalism into the mendicant countries and economic corpses of socialism, without bleeding ourselves to death. Foreign aid is an idea whose time has passed.¹

He also lashed out at the U.S. "internationalist set," which is, "never at a loss for new ideas to divert U.S. wealth and power into crusades and causes having little or nothing to do with the true national interest of the United States."²

Aid is in the National Interest

In the face of Buchanan's type of misleading rhetoric, we need to be clear about the true nature of foreign aid. U.S. aid, as it stands, *is* in the U.S. national interest. The drive to cut "do-gooder" programs from the budget is really just a lot of posturing and half-truths. What most Americans don't understand is that there are strong political and economic forces which support U.S. foreign aid spending, and they are not the "bleeding heart liberals." For example, very few people know that nearly 70% of the aid budget is spent in the United States, on U.S. goods and services and U.S. administration costs.³ This means that about ten of the approximately fourteen billion dollars spent on aid last year was spent on domestically produced goods and services.

What are the domestic gains from foreign aid? What interests in the U.S. support aid programs and why? In a 1991 report entitled *Development in the National Interest*, the U.S. Agency for International Development (the U.S. government agency which oversees foreign aid programs) cited several categories of domestic beneficiaries from U.S. aid programs. For now, I will focus on the domestic beneficiaries of economic or "humanitarian" aid alone.

Procurement of Aid Goods in the U.S.

First, there is direct economic compensation for U.S. economic assistance abroad. Many firms and consulting agencies provide aid goods and services under contract with the Agency for International Development. Government contracts to procure food aid, vehicles, and equipment are one way in which aid funds are kept in the U.S. In addition, U.S. shipping firms transport aid goods and services overseas. Aid legislation requires that the great majority of goods and services provided by aid be American. It is worth noting that aid workers must fly on U.S. carriers, and aid goods must be transported on U.S. flagships. In addition, many private consulting firms and public universities are awarded multi-million-dollar contracts to implement aid projects overseas.

Aid as Market Development

Second, there are U.S. firms which benefit from aid used as a "market development" tool. It is important to recognize that many countries which were once recipients of U.S. aid have gone on to become major trade partners for the U.S. in these aid goods. Part of the motivation behind the Marshall Plan was to rebuild Europe at the end of World War II in order to have markets for U.S. goods.

More recently, Korea and Taiwan have become major importers of U.S. goods, having gone from receiving U.S. food aid twenty-five years ago to being major importers of U.S. goods today. USAID estimates that almost all of the top fifty countries that today consume U.S. agricultural products were once foreign aid recipients. This "graduation" from an aid dependency to a trade partnership occurs

as an aid recipient country builds its economy. It also occurs as food aid recipients acquire a taste for U.S. products. Traditional rice-eating states such as Taiwan and Korea, which were introduced to wheat as food aid in the 1960s and 1970s, today import large quantities of U.S. wheat on the open market.

U.S. foreign aid also benefits U.S. investors overseas by solidifying and securing foreign markets. A secure diplomatic and aid relationship will reduce the risk for private U.S. investors overseas. In my statistical analysis of the relationship between trade and aid, I find that there is a significant relationship between U.S. aid to a recipient country and U.S. trade and foreign investment in that country. There is a direct, positive relationship between trade and investment flows and U.S. aid flows to less developed countries.

Part of my research also includes analysis of archives from presidential libraries. There is a wealth of documents which reveal the important relationship between U.S. interest groups and aid policy-making. For instance, in a memo to President Ford in 1975, Secretary of State Kissinger argued for continued aid to Zaire, based on the fact that the U.S. had billions of dollars of foreign investment in Zaire and that it was "our second largest market in black Africa" (after Nigeria).⁴ Developing and securing markets for U.S. goods and investments is another priority for U.S. foreign economic assistance.

Food Aid and Farm Interests

Finally, I want to emphasize the absolutely vital role that farm interests play in determining which commodities are included in the aid program and where they are sent. It is worth noting at the outset that only commodities already included under the U.S. farm support program are eligible to be sent as U.S. food aid. It is also worth noting that until the mid-1980s, tobacco and cotton were thus included in the U.S. "food" aid program. These are clearly examples of "foreign aid in the U.S. national interest."

In fact, throughout the history of the food aid program, there has been a consistent and significant relationship between the volume of food aid and the market conditions for food aid commodities. For example, large quantities of stocks of food aid commodities are associated with high volumes of food aid in the year immediately following. Commercial exports are also significantly tied to food aid volume, such that food aid is essentially used to bolster demand for the goods when commercial markets are weak.

Food aid in rice provides an important case in point. In 1974-1975, surplus production of rice in the U.S. caused rice producers and marketers to pressure the government for additional shipments of rice as U.S. food aid under the PL-480 or "food for peace" program. Rice interests hoped that increased shipments of rice overseas would reduce the oversupply and thus avert a sharp reduction in price. The interagency committee on food aid was already well aware of the rice surpluses. Reporting on their December 10, 1974 meeting, Ed Schuh noted:

Agriculture is quite anxious to move both milk and rice and views these commodities as essentially throw-aways. Neither State nor NSC particularly want either, and in the case of rice there appears to be serious questions as to whether up to 1 million tons can be moved by the end of the fiscal year. *To move rice requires a sizable Korea program, since they are about the only ones who want it.* [italics mine]

Indeed, Korea received \$140 million of food aid through Title I in the following fiscal year. The State Department acted quickly to search out new aid partners, and U.S. embassy employees in Indonesia, India, Bangladesh, and Syria busied themselves in negotiating new PL-480 concessional sales agreements. Not only are we giving rice aid to support our farmers, but we are letting the excess rice influence decisions about where the aid goes.

In more recent years, there has been a strong relationship between market forces and aid in soybean products. The introduction of tropical oils into the U.S. market has hurt the position of U.S. soybean producers and their ability to sell soybean oil abroad. During this time, soybeans and soybean oil have become a much larger proportion of US food aid shipped overseas. Therefore, we can argue that food aid is just another element of the U.S. farm support program, and that the humanitarian objectives of aid are questionable at best.

The Humanitarian Impulse

Clearly there is a relationship between U.S. farm interests and U.S. foreign aid policy. What are the implications of this relationship for the humanitarian objectives of aid? The humanitarian objectives of aid have never been central to the program, and despite political rhetoric to the contrary, humanitarian considerations are still not a terribly important part of aid decision-making. The whole of Africa receives only about 12% of the total U.S. aid budget, while Egypt and Israel together receive 35% percent. My statistical work also reveals that developing-country food production is not significantly related to U.S. food aid flows. And the choice of recipient countries is a function of three interlinked factors: U.S. security interests, U.S. economic interests, and absolute need in recipient countries.

Conclusion

The domestic politics of U.S. foreign aid is obviously much more complicated than I have been able to present in such a brief essay. I have focused only on the profit-making institutions which gain from U.S. aid abroad. To fully explain the domestic politics of U.S. aid policy, one would also have to include the impact of non-profit groups and ethnic interest groups, such as the Jewish-American lobby or the Greek-American lobby.

Nonetheless, we must recognize just how important U.S. interests are in determining U.S. foreign policy. Aid policy is very pragmatic and profitable for certain U.S. interest groups. It is not, as Pat Buchanan suggests, an "endless transfusion of

the lifeblood of American capitalism into the mendicant countries," and giving aid is not "bleeding ourselves to death."

In February 1995, the *Grand Rapids Press* ran a story about foreign aid. The reporter noted that the new Republican Congress in Washington will be scrutinizing U.S. foreign aid. Kentucky Republican Mitch McConnell, Chairman of the Senate Foreign Operations Subcommittee, proposed "A sweeping congressional overhaul of foreign aid," in order to "set priorities tied more tightly to American security and economic interests." Given the already strong links between U.S. foreign aid and U.S. economic interests, this part of the Republican contract with America should be quite simple to accomplish.

¹Patrick J. Buchanan. 1991. "The U.S. Should Reduce Its Role in World Affairs," in *The New World Order: Opposing Viewpoints*. San Diego, CA: Greenhaven Press, 77.

²Ibid.

³U.S. Agency for International Development. 1991. *Development in the National Interest*.

⁴Memo from Secretary of State Kissinger to President Ford, July 1976.